



28 June 2023

IPART NSW
PO Box K35
Haymarket Post Shop NSW 1240

E – ipart@ipart.nsw.gov.au

Dear Sir/Madam

Re: IPART Rate Cap Review

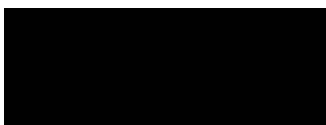
In general, this Council still supports the well thought out submission made by the United Services Union at the beginning of this process. In particular, it is imperative that a future rate cap regime is robust, respective of the democratic process, as well as financially sustainable. If we are to achieve these goals, then the following key changes would need to be incorporated:

1. The rate cap must be tailored to the different costs and needs of at least the following categories: Urban Local Government, Rural Councils and Regional Councils. These different Local Governments provide completely disparate services and face radically different costs.
2. The rate cap must be provided as a range to each Council, rather than a precise figure. IPART can not and does not consider the needs and challenges of each particular Council. In addition, there is significant uncertainty surrounding future inflation predictions, and various measures imputed into the rate cap calculation. The only way to efficiently address this uncertainty is to provide a range of rate caps, say 1 to 2% either side of the number that IPART has in mind (for example a 3% cap would be better presented as 1 to 5% with the Council asked to make a resolution on the precise number to be adopted according to its superior understanding of local economic conditions and need). Doing so would also make Councillors more accountable for their budgets and properly respect the democratic process that leads to these budgets.
3. A population growth component is ill-advised. The ABS themselves state clearly that population is a guesstimate in inter-censal years and even a brief review of data will show very large corrections and revisions after the census data comes to hand. Moreover, most services in Australian Local Government continue to be directed to properties, and the number of properties in a Local Government area is known with certainty. It therefore follows that growth adjustments should be based on number of properties.

4. Sustainable rate caps cannot be nominated without first rectifying the chaotic and empirically indefensible financial assistance grants in New South Wales. Furthermore, any rate cap system needs to take into careful account the amount of grants that councils are able to apply for. This is particularly important for Rural Councils where grants represent a large proportion of revenue. In view of the fact that austerity is likely to be soon implemented in response to the COVID inspired budget problems of the State Government – this important consideration cannot be overemphasised.
5. Some effort needs to be made to measure revenue effort, or community capacity to pay, in a rigorous manner. Rate caps have been applied in a standardised and compound fashion since 1975. However, there were big differences in the level of the rates levied at this time and these differences have been exacerbated by compounding effects over almost five decades. In addition, demographics and industries have changed during this time, further underlining the importance of a statewide review of revenue effort and re-basing, as necessary.

We understand that a number of Rural Local Governments share similar concerns and encourage IPART to engage with this part of the sector further because it is the most vulnerable to potential poor rate cap design.

Yours faithfully



Phillip Hood
Interim General Manager