



Independent Pricing and Regulatory Tribunal

# **Report on IPART's functions in relation to local government in 2015-16**

Report to Ministers

**Local Government — Annual Report**  
October 2016





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# 1 Overview

The NSW Government has delegated various functions relating to local government rate-setting and planning to the Independent Pricing and Regulatory Tribunal of NSW (IPART).

The NSW Government requires IPART to report on these functions to the Minister for Local Government and the Minister for Planning by 31 October each year. This report on the 2015-16 financial year covers:

- ▼ Functions delegated under the *Local Government Act 1993*, relating to:
  - any variation of councils' general income, including development of the local government cost index (LGCI) and the productivity factor
  - special rate variation applications from councils
  - variations to minimum amounts of council rates, and
  - domestic waste charges levied by councils.
- ▼ Assistance to the Minister for Planning in relation to the *Environmental Planning and Assessment Act 1979* (EP&A Act), including reviews of contributions plans.

IPART's functions are based on terms of reference issued by the Premier under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act), and the delegation of various powers under the *Local Government Act 1993* by the Minister for Local Government. The terms of reference and delegation are in Appendix A.

In addition, we undertook work on three reviews during 2015-16 issued by the Premier under section 9 of the IPART Act related to IPART's local government functions. IPART was requested to:

- ▼ review the regulatory reporting and compliance burdens on local government (see Appendix B)
- ▼ fulfil the role of the Fit for the Future Expert Advisory Panel, which involved assessing NSW councils' fit for the future (FFTF) proposals (see Appendix C), and
- ▼ review the local government rating system in NSW (see Appendix D).

A list of all the reports and papers related to the local government functions that we have published is in Appendix E.

## 2 Variation of councils' general income (the rate peg)

The Minister for Local Government delegated to IPART the power under section 506 of the *Local Government Act 1993* to specify the percentage by which councils' general income<sup>1</sup> for a specified year may be varied. The percentage increase is known as the rate peg.

IPART announced the rate peg of 1.8% for 2016-17 on 4 December 2015.<sup>2</sup>

The calculation of the 2016-17 rate peg was based on:

- ▼ an increase in the LGCI of 1.78%, and
- ▼ on this occasion, we made a zero adjustment for productivity (see Section 2.2).

This resulted in a rate peg of 1.78%, which we rounded to 1.8%. IPART published a Fact Sheet on this decision on our website.<sup>3</sup>

### 2.1 The Local Government Cost Index

The LGCI measures the changes in prices over the past year for a basket of goods and services, materials and labour used by an average council.<sup>4</sup> The basket is made up of 26 components covering councils' operating and capital costs. To measure the change in prices of the components, we use price data from the most relevant Australian Bureau of Statistics (ABS) consumer, producer or wage price index.<sup>5</sup> The components of the LGCI, their weights, the percentage change in prices for the year to September 2015, and their overall contribution to the LGCI are set out in Appendix F.

The cost components and their weightings that we use to calculate the LGCI are based on a survey of NSW councils' expenditure that IPART undertook in 2010. IPART intended to review and update the LGCI expenditure weightings every four years, with the first review due to occur in late 2014. However, we decided to delay this review by one year as a result of the Federal Government's decision to remove the carbon price on the cost of goods and services used by councils. We completed the survey of NSW councils' expenditure in late 2015. The updated LGCI expenditure weightings will be used to set the rate peg in 2017-18.

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<sup>1</sup> General income mainly comprises income from council rates, but also includes certain other annual council charges.

<sup>2</sup> IPART, *Media Release - 2016-17 rate peg for NSW local councils*, 4 December 2015. An order to this effect, signed by the Chairman of IPART and dated 2 December 2015, was published in the NSW Government Gazette: *Government Gazette of the State of New South Wales*, 11 December 2015, p 4043.

<sup>3</sup> See IPART, *Fact Sheet - Rate peg for NSW councils for 2016-17*, 4 December 2015.

<sup>4</sup> More detail on the LGCI is in IPART, *Information Paper - Local Government Cost Index*, December 2010.

<sup>5</sup> For the 'emergency services levies' component we construct our own price index.



## 2.2 The productivity factor

The productivity factor allows ratepayers to share in the efficiency gains made by councils. We used the Australian Bureau of Statistics (ABS) market-sector value added multifactor productivity, which suggested average productivity declined by 0.05% per year.<sup>6</sup> Since this change in productivity is negative, we applied a productivity adjustment of zero to the LGCI when calculating the rate peg for 2016-17.

## 3 Determining councils' applications for special rate variations

The Minister for Local Government delegated to IPART functions to approve increases to general income that exceed the rate peg (a special rate variation). *The Local Government Act 1993* provides for two types of special variation:

- ▼ a single year increase under section 508(2) (either permanent or for a fixed number of years), and
- ▼ successive, annual increases (for between two and a maximum of seven years) under section 508A.

Increases to council general income due to a Crown land adjustment are also approved under section 508(2).<sup>7</sup>

### Determination of the applications

In February 2016, IPART received applications from 12 councils for a special variation to apply from 1 July 2016.

We assessed the special variation applications against criteria in guidelines set by the Office of Local Government (OLG), which were published in January 2016.<sup>8</sup> Box 3.1 sets out the criteria in the guidelines.

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<sup>6</sup> For more information on the productivity factor see IPART, *Fact Sheet – Productivity factor for cost indices*, October 2014.

<sup>7</sup> Crown land adjustments allow councils to increase their general income to reflect additional rate revenue from land that was previously Crown land becoming rateable through sale to private individuals or transfer to particular State Owned Corporations. OLG assesses councils' requests for Crown land adjustments and makes recommendations to IPART about the appropriate percentage increase to general income.

<sup>8</sup> OLG, *Guidelines for the preparation of an application for a special variation to general income for 2016/17* January 2016.

IPART approved 9 applications in full, and one was partially approved. Of the 10 approved, 5 were for permanent multi-year increases of four years (under section 508A). We also approved five single-year increases under section 508(2). Of these, three are permanent increases, and one is for a fixed period (of five years). For one council (Clarence Valley) we approved a temporary increase for one year rather than a permanent increase over five years as requested.

No decisions were announced for applications from a further two councils – Great Lakes Council and Greater Taree City Council – as the councils were dissolved under an amalgamation proclamation issued by the Governor.

In addition, we approved a separate Crown land adjustment to general income under section 508(2) for three councils.

The outcomes of IPART's assessments are in Table G.1 in Appendix G.

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**Box 3.1 Assessment criteria for special variation applications for 2016-17**

1. The need for, and purpose of, a different revenue path for the council's General Fund (as requested through the special variation) is clearly articulated and identified through the council's Integrated Planning and Reporting (IP&R) documents, in particular its Delivery Program, Long Term Financial Plan and Asset Management Plan where appropriate. In establishing need for the special variation, the relevant IP&R documents should canvas alternatives to the rate rise. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:
  - Baseline scenario – General Fund revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
  - Special variation scenario – the result of approving the special variation in full is shown and reflected in the General Fund revenue forecast with the additional expenditure levels intended to be funded by the special variation.Evidence to establish this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives. Evidence could also include the assessment of the council's financial sustainability conducted by the NSW Treasury Corporation.
2. Evidence that the community is aware of the need for and extent of a rate rise. The Delivery Program and Long Term Financial Plan should clearly set out the extent of the General Fund rate rise under the special variation. The council's community engagement strategy for the special variation must demonstrate an appropriate variety of engagement methods to ensure community awareness and input occur. IPART's fact sheet includes guidance to councils on the community awareness and engagement criterion for special variations.
3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. The Delivery Program and Long Term Financial Plan should:
  - clearly show the impact of any rises upon the community
  - include the council's consideration of the community's capacity and willingness to pay rates, and
  - establish that the proposed rate increases are affordable having regard to the community's capacity to pay.
4. The relevant IP&R documents must be exhibited (where required), approved and adopted by the council before the council applies to IPART for a special variation to its general revenue.<sup>a</sup>
5. The council's IP&R documents or the application must explain the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.

<sup>a</sup> The IP&R documents include the following documents that require public exhibition: the Community Strategic Plan; Delivery Program and Operational Plan. The IP&R suite also includes the Long Term Financial Plan, Workforce Plan and the Asset Management Plan.

**Source:** OLG, *Guidelines for the preparation of an application for a special variation to general income for 2016/2017*, January 2016, pp 15-16.

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## 4 Minimum amounts of council rates

Section 548 of the *Local Government Act 1993* provides for a council to set a minimum amount of a rate. Where a council sets a minimum rate, ratepayers in that rating category pay at least the minimum amount, regardless of the value of their land. There is a statutory limit on the minimum amount of a rate a council may impose. This statutory limit is different for ordinary rates and special rates.<sup>9</sup>

The Minister for Local Government delegated to IPART powers to specify the statutory limit of an ordinary rate. The statutory limit of an ordinary rate is changed by amending clause 126 of the *Local Government (General) Regulation 2005*.

IPART determined that the statutory limit for the minimum amount of an ordinary rate should increase in line with the rate peg increase for 2016-17. This is consistent with previous years. Applying the rate peg of 1.8% increased the statutory limit from \$497 to \$506 for 2016-17. Clause 126 of the *Local Government (General) Regulation 2005* was amended, effective 1 July 2016.<sup>10</sup>

The statutory limit for the minimum amount of a special rate is \$2, but there is no power in the Act to amend it.<sup>11</sup>

Councils seeking to increase the minimum amount of a rate above the statutory limit must apply to IPART for approval. For 2016-17, we received applications from three councils to set the minimum amount of a rate above the statutory limit. For one council (Yass Valley) we approved the minimum rate application in full (Table 4.1). For the other two applications, one was not approved (Clarence Valley), while no decision was announced for Gundagai as the council was dissolved on 12 May 2016.

**Table 4.1 Summary of minimum rate applications determined by IPART**

Council	Minimum rate	2015-16 minimum (\$)	2016-17 minimum (\$)	2017-18 minimum (\$)	2018-19 minimum (\$)	2019-20 minimum (\$)
Yass Valley – 8.5% pa increase	Residential Yass, Residential Murrumbateman and Business	493	535	580	630	683
	Residential Villages	481	522	566	614	667

**Note:** 2015-16 is included for comparison.

**Source:** IPART, *Fact Sheet – Decisions on councils' requests for special variations for 2016-17*, May 2016, p 6.

<sup>9</sup> *Local Government Act 1993*, ss 548(3)(a) and 548(3)(b).

<sup>10</sup> *Local Government (General) Regulation 2005*, cl 126, notified on the NSW legislation website on 15 April 2016.

<sup>11</sup> Unless prior Ministerial approval for a higher amount has been given: section 548(3)(b) of the *Local Government Act 1993*.

## 5 Domestic waste charges

The Minister for Local Government delegated to IPART powers to specify how councils can vary annual charges for domestic waste management services (similar to specifying the percentage change in general income).<sup>12</sup>

Councils must set domestic waste management charges that do not exceed the reasonable cost of providing the services.<sup>13</sup> OLG requires councils to have these charges independently audited to determine that they have been calculated on a 'reasonable cost' basis, and submit the audit to OLG as part of the council's annual Statement of Compliance return.

Consistent with our decisions in previous years, IPART did not impose any limitation on the amount by which councils could vary annual charges for domestic waste management in 2016-17.<sup>14</sup> Councils will continue to set these charges to reflect the reasonable cost of providing such services, subject to audit and monitoring by OLG.

## 6 Assistance to the Minister for Planning

During 2015-16, we assisted the Minister for Planning by reviewing contributions plans and publishing a technical paper updating our approach on aspects of modelling development contributions. We also updated our recommended discount rate in NPV models in September 2015<sup>15</sup> and February 2016<sup>16</sup> fact sheets, consistent with the methodology in our June 2015 Technical Paper<sup>17</sup>.

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<sup>12</sup> Under sections 507 and 508(7) of the *Local Government Act 1993*.

<sup>13</sup> *Local Government Act 1993*, section 504(3).

<sup>14</sup> An order to this effect, signed by the Chairman of IPART and dated 2 December 2015, was published in the NSW Government Gazette: *Government Gazette of the State of New South Wales*, 11 December 2015, p 4043. Note, prior to the delegation of this function to IPART, Ministers did not customarily exercise their powers under the Act in relation to charges for domestic waste management services.

<sup>15</sup> IPART, *Fact Sheet - Latest discount rate for use in local development contributions plans*, September 2015.

<sup>16</sup> IPART, *Fact Sheet - Latest discount rate for use in local development contributions plans*, February 2016.

<sup>17</sup> IPART, *Modelling local development contributions in a present value framework - Technical Paper*, June 2015.

## 6.1 Reviews of contributions plans

The terms of reference issued by the Premier require us to provide services to the Minister for Planning in relation to the Environmental Planning and Assessment (EP&A) Act, including reviews of councils' contributions plans. IPART's role in reviewing contributions plans is set out in a Practice Note issued by the Department of Planning and Infrastructure (DP&I) (now Department of Planning and Environment (DP&E)) in February 2014.<sup>18</sup>

The Practice Note states that IPART is to review councils' section 94 development contributions plans for the Minister for Planning and the relevant council in the following circumstances:

- ▼ new contributions plans proposing a contribution level above the relevant cap
- ▼ existing contributions plans with contributions above the relevant cap for councils seeking State Government funding<sup>19</sup> or a special rate variation, and
- ▼ contributions plans referred by the Minister for Planning.<sup>20</sup>

The main purpose of IPART's review is to assess whether the public amenities and services in the contributions plans comply with the NSW Government's essential works list, and whether the costs of the items in the plans are reasonable and apportioned equitably.<sup>21</sup> As required by the terms of reference, IPART provides the assessments to the Minister and the relevant local council and publishes them on our website. During an assessment of a plan, IPART consults with DP&E and the relevant council.

During 2015-16, IPART undertook work in reviewing three contributions plans:

- ▼ *Draft Contributions Plan No 20 – Riverstone & Alex Avenue (CP20)*

Blacktown City Council submitted a revised draft of CP20 for assessment in December 2015. This was required because the cost estimates in the plan had increased, particularly in relation to land costs. We reported to the Minister and the council on this plan in March 2015.<sup>22</sup> This is the second time we have assessed a version of Blacktown City Council's Contribution Plan 20.

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<sup>18</sup> Department of Planning and Environment (DP&E), *Revised Local Development Contributions Practice Note - For the assessment of Local Contributions Plans by IPART*, February 2014 (Practice Note).

<sup>19</sup> The Local Infrastructure Growth Scheme (LIGS) allows councils to recover the difference between the contributions rate contained in an adopted contributions plan (that has been the subject of a review by IPART) and the relevant cap on development contributions: see Department of Planning and Environment, *Local Infrastructure Growth Scheme Funding Guidelines*, October 2013.

<sup>20</sup> Revised Practice Note, p 4.

<sup>21</sup> Revised Practice Note, pp 3-4.

<sup>22</sup> IPART, *Assessment of Blacktown City Council's Amended Section 94 Contributions Plan No 20 – Riverstone and Alex Avenue Precincts*, March 2015.

▼ *Draft Contributions Plan No 16 – Box Hill North Precinct (CP16)*

The Hills Shire Council submitted CP16 for assessment in March 2015. We reported to the Minister and the council on this plan in September 2015.<sup>23</sup>

▼ *Contributions Plan No 15 – Box Hill Precinct (CP15)*

The Hills Shire Council submitted a revised draft of CP15 (covering both Box Hill and Box Hill Industrial Precincts in the North West Growth Centre) for assessment in June 2015. We reported to the Minister and the council on this plan in April 2016.<sup>24</sup> This is the second time we have assessed a version of The Hills Shire Council's Contribution Plan 15.<sup>25</sup> Since our previous review, the council proposed material changes to the contributions plan.

## 6.2 Revised technical paper

We also undertook a review of the Technical Paper *Modelling development contributions plans in a present value framework*. This review considered our approach to calculating the discount rate and other aspects of modelling development contributions using an NPV methodology.<sup>26</sup> We first published a Technical Paper on modelling development contributions in September 2012 and revised the paper in June 2015.<sup>27</sup> In the current, February 2016, version of the Technical Paper we added advice on the escalation of contributions rates.<sup>28</sup>

We also updated our recommended discount rate in NPV models in September 2015<sup>29</sup> and February 2016<sup>30</sup> fact sheets which we published on our website. This is consistent with the methodology in our June 2015 Technical Paper.

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<sup>23</sup> IPART, *Assessment of The Hills Shire Council's Section 94 Contributions Plan No 16 – Box Hill North Precinct*, September 2015.

<sup>24</sup> IPART, *Assessment of The Hills Shire Council's Section 94 Contributions Plan No 15 – Box Hill Precinct*, March 2016.

<sup>25</sup> We first assessed CP15 in 2014: see IPART, *Assessment of The Hills Shire Council's Section 94 Contributions Plan No 15 – Box Hill Precinct*, December 2014.

<sup>26</sup> IPART, *Modelling local development contributions in a present value framework – Technical Paper*, February 2016.

<sup>27</sup> IPART, *Modelling local development contributions – Technical Paper*, September 2012; IPART, *Modelling local development contributions in a present value framework – Technical Paper*, June 2015.

<sup>28</sup> IPART, *Modelling local development contributions in a present value framework – Technical Paper*, February 2016, p 1.

<sup>29</sup> IPART, *Fact Sheet – Latest discount rate for use in local development contributions plans*, September 2015.

<sup>30</sup> IPART, *Fact Sheet – Latest discount rate for use in local development contributions plans*, February 2016.

## 7 Assistance to the Minister for Local Government

IPART conducted three reviews during 2015-16 in accordance with terms of reference issued by the Premier under section 9 of the IPART Act related to IPART's local government functions. These reviews are part of the Government's response to the final report of the Independent Local Government Review Panel (ILGRP).

The three terms of reference under section 9 required IPART to:

- ▼ review the regulatory reporting and compliance burdens on local government (see Appendix B)
- ▼ fulfil the role of the Fit for the Future Expert Advisory Panel and review NSW councils' fit for the future (FFTF) proposals (see Appendix C), and
- ▼ review the local government rating system in NSW (see Appendix D).

### 7.1 Section 9 Review of the regulatory reporting and compliance burdens on local government

In April 2015, the Premier issued terms of reference under section 9 of the IPART Act asking IPART to undertake a review of the regulatory reporting and compliance burdens on local government.<sup>31</sup> The review's purpose was to identify opportunities to reduce or streamline planning, reporting and compliance obligations the State Government places on councils through policy and legislation to improve the efficiency of councils and outcomes for communities.

In accordance with the terms of reference, during 2015-16 we:

- ▼ released an Issues Paper on 13 July 2015, and reviewed 43 submissions in response to our Issues Paper
- ▼ sent a comprehensive questionnaire to local councils on regulatory reporting and compliance burdens, reviewing 47 returns to this questionnaire
- ▼ held 4 workshops, including 3 regional workshops, and 1 public hearing, which altogether attracted 245 participants, including 82 webcast participants
- ▼ publicly released a Draft Report on 18 January 2016, containing 49 draft recommendations
- ▼ reviewed 91 submissions to the Draft Report, and
- ▼ delivered a Final Report to the Government on 22 April 2016.

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<sup>31</sup> The terms of reference, dated 22 April 2015 are in Appendix B.



## 7.2 Section 9 Review of NSW councils' fit for the future (FFTF) proposals by an Expert Panel

In April 2015, the Premier issued terms of reference under section 9 of the IPART Act asking IPART to fulfil the role of the Fit for the Future Expert Advisory Panel and assess NSW councils' fit for the future (FFTF) proposals.<sup>32</sup> IPART's role was to:

- ▼ develop a methodology to assess the FFTF proposals, which councils were required to submit by 30 June 2015, and
- ▼ prepare a report to the Minister for Local Government making an assessment of whether each council was 'Fit for the Future'.

During 2015-16, we:

- ▼ reviewed 139 council FFTF proposals, including four Merger Proposals, 115 Council Improvement Proposals and 20 Rural Council Proposals
- ▼ considered around 1560 submissions to the 139 council FFTF proposals, and
- ▼ assessed councils' FFTF proposals against the scale and capacity criteria, and the financial criteria.

We provided our assessment of whether each council was Fit for the Future, and the reasons for this assessment, to the Minister for Local Government and the Premier on 16 October 2015. Our reports were publicly released on 20 October.<sup>33</sup>

## 7.3 Section 9 Review of the local government rating system

In December 2015, the Premier issued terms of reference under section 9 of the IPART Act asking IPART to undertake a review of the local government rating system<sup>34</sup> Under the terms of reference, IPART is required to:

- ▼ identify and make recommendations for potential reforms to the rating system for local government in NSW, so as to enhance the ability of councils to implement sustainable and equitable fiscal policy, and
- ▼ provide the legislative or regulatory approach to achieve the Government's policy of freezing existing rate paths for four years for newly merged councils.

During 2015-16, we:

- ▼ released an Issues Paper on 13 April 2016, and reviewed 159 submissions in response to our Issues Paper
- ▼ held a public hearing in Sydney which attracted 198 participants, including 87 webcast participants, and
- ▼ delivered an Interim Report to the Government on 9 June 2016 outlining our recommendations to achieve the Government's rate path freeze policy.

<sup>32</sup> The terms of reference, received on 22 April 2015, are in Appendix C.

<sup>33</sup> IPART, *Assessment of Local Council Fit for the Future Proposals – Final Report*, October 2015.

<sup>34</sup> The terms of reference, received on 22 December 2015, are in Appendix D.

We publically released a Draft Report in August 2016, which contained 34 draft recommendations to improve the equity and efficiency of the rating system. We will review submissions on the Draft Report, hold further public hearings in Sydney and Dubbo, and provide our Final Report to the Government by 18 December 2016.

## 8 IPART's structure for undertaking local government functions

### Tribunal

During 2015-16 members of the Tribunal, who are appointed by the Premier, performed IPART's delegated rate-setting functions under the Local Government Act 1993, and undertook reviews relating to the NSW Government's local government reform agenda. Membership of the Tribunal during 2015-16 was:

- ▼ Dr Peter J. Boxall AO, Chair
- ▼ Ms Catherine Jones, Tribunal Member
- ▼ Mr Ed Willett, Tribunal Member, and
- ▼ Mr John Comrie, Temporary Tribunal Member (24 April 2015 to 31 October 2015 for the Fit for the Future assessments).<sup>35</sup>

### Committee of the Tribunal

As in previous years, a Committee of the Tribunal exercised IPART's functions of reviewing local government contributions plans under delegation from the Tribunal.<sup>36</sup> During 2015-16, the membership comprised:

- ▼ Ms Catherine Jones, Presiding Member
- ▼ Mr Matthew Edgerton, Executive Director, Water Pricing, IPART, and
- ▼ Mr Stuart McDonald, independent adviser on planning matters.

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<sup>35</sup> For the purposes of IPART's appointment as the Fit for the Future Expert Advisory Panel to review NSW councils' fit for the future (FFTF) proposals, Mr John Comrie was appointed from 24 April 2015 to 31 October 2015 as a Temporary Part-time Member of the Tribunal.

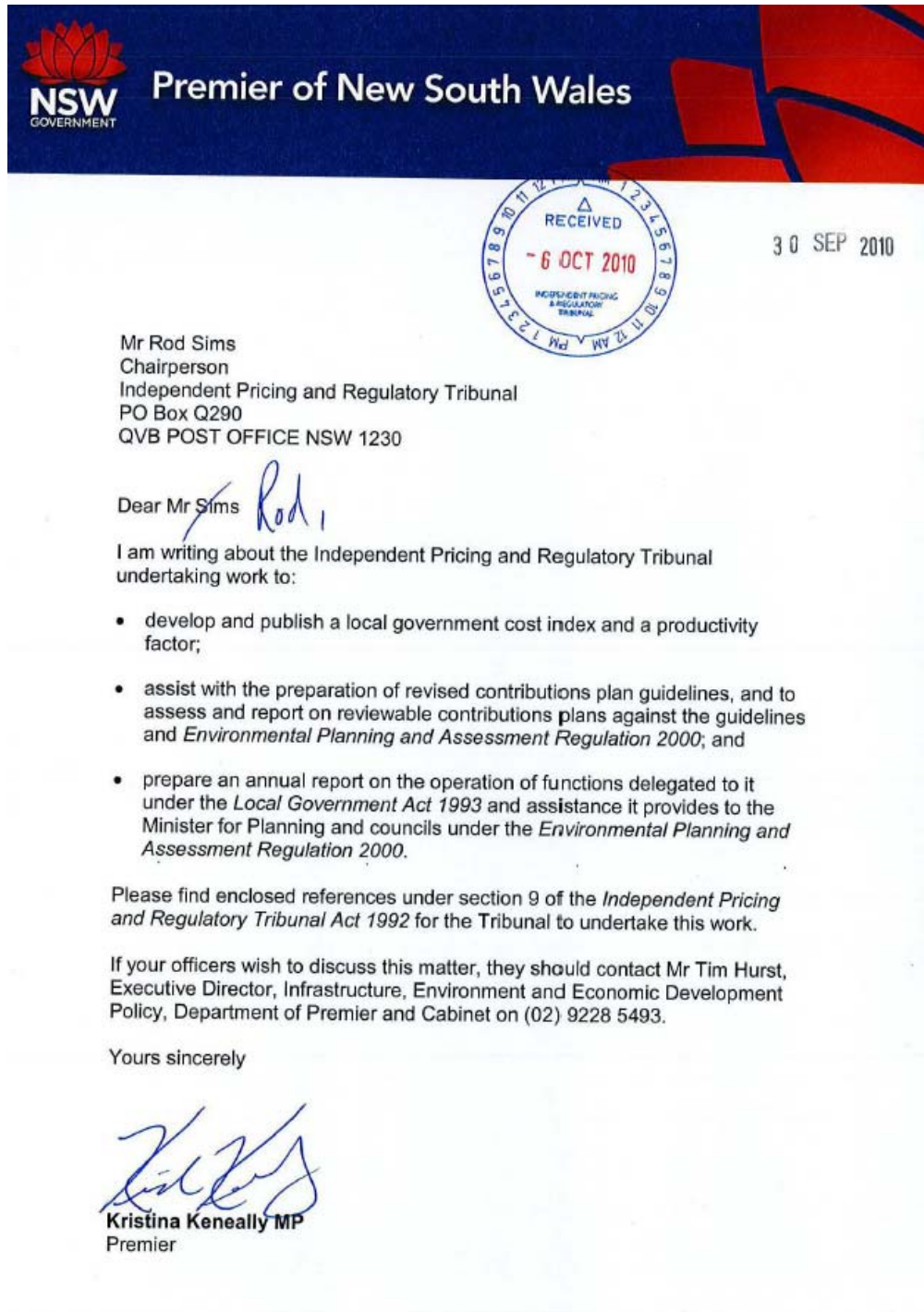
<sup>36</sup> Section 10 of the IPART Act allows the Tribunal to delegate its functions to a Committee comprising a Tribunal Member and other persons.



**Appendices**



## A Terms of reference delegating functions to IPART



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## TERMS OF REFERENCE

I, Kristina Keneally, Premier of New South Wales approve the provision of services by the Independent Pricing and Regulatory Tribunal (IPART) under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)* to the Minister for Local Government (Minister) for the development of a local government cost index in accordance with the following terms of reference.

### Background

Since 4 June 2010, the NSW Government has announced changes to local council charges on new housing development. The changes will lower the cost of new housing construction and provide certainty, transparency and fairness to councils, landowners, developers and the community.

At the same time the Government announced that in future the amount by which councils could increase their rating income will be determined by IPART having regard to the movements of the Local Government Cost Index and Productivity Factor. These functions are to be delegated to IPART by the Minister for Local Government.

### Terms

In providing the services, IPART must:

- (a) develop a local government cost index (**Local Government Cost Index**);
- (b) develop a productivity factor (**Productivity Factor**); and
- (c) publish the Local Government Cost Index and the Productivity Factor on IPART's website.

In developing the Local Government Cost Index and the Productivity Factor, IPART is to have (where relevant) regard to the following matters (in addition to any other matters IPART considers relevant):

- (a) the change in prices of goods and services composing the typical expenditure of Councils to reflect the annual change in underlying costs of ordinary council operations;
- (b) the findings and recommendations of IPART's final report on the local government review titled "Revenue Framework for Local Government";
- (c) the identification of appropriate price indices that would reflect the movement in component costs over time;
- (d) the estimation of the relevant weights to apply to the components of the index; and

- (e) the scope for productivity improvements across the community and in comparable sectors of the economy and the achievable productivity improvements by Councils.

### **Definitions**

Council has the meaning given to that term under the EP&A Act.

EP&A Act means the *Environmental Planning and Assessment Act 1979*.

### **Interpretation**

- (a) A reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacement of them.
- (b) A reference to an officer includes a reference to the officer who replaces him or her, or who substantially succeeds to his or her powers or functions.
- (c) A reference to a body, whether statutory or not:
  - a. which ceases to exist; or
  - b. whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.
- (d) Words importing the singular include the plural and vice versa.

## TERMS OF REFERENCE

I, Kristina Keneally, Premier of New South Wales approve the provision of services by the Independent Pricing and Regulatory Tribunal (IPART) under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)* to the Minister for Planning and the Councils for the review of Reviewable Contributions Plans in accordance with the following terms of reference.

### Background

Since 4 June 2010, the NSW Government has announced changes to local council charges on new housing development including:

- (1) imposing a cap of \$20,000 per lot for council imposed charges on new development on land in established areas and a cap of \$30,000 per lot for council imposed charges on new development on land determined by the Minister for Planning as being within Greenfield areas; and
- (2) requiring IPART to review certain council Contributions Plans.

The changes will lower the cost of new housing construction and provide certainty, transparency and fairness to councils, landowners, developers and the community.

The Department of Planning, in conjunction with the Division of Local Government and IPART (overseen by the Land and Housing Supply Coordination Taskforce) are to develop guidelines for preparing Contributions Plans. Councils with contributions within their Contributions Plans that exceed the relevant cap will be required to submit them to IPART for review unless otherwise exempt by the Minister for Planning. Further, when Councils conduct a review of their Contributions Plans, they will be required to submit them to IPART for review prior to finalising those plans if the contributions within those plans exceed the relevant cap. The Minister may also refer to IPART for review any Contributions Plan that is below the relevant cap, where changes are proposed to that plan that the Minister considers merit having an independent assessment. Once IPART receives those plans, IPART is to assess them against the Guidelines and the Regulation and report to the Minister for Planning and Councils on the compliance of those plans.

### Terms

In providing the services, IPART must:

- (a) assist with the preparation of revised contributions plan guidelines;
- (b) conduct an assessment of the Reviewable Contributions Plan against the Guidelines and the Regulation. As part of that assessment, IPART should consider whether:
  - (i) the infrastructure listed in the plan is essential infrastructure
  - (ii) the costs in the plan are reasonable
  - (iii) the Contributions Plan complies with the Guidelines and the Regulation;



- (c) provide a report to the Minister for Planning and the relevant Council on IPART's assessment of the Contributions Plan under paragraph (a); and
- (d) publish a copy of the report in paragraph (b) on IPART's website.

In conducting the assessment under paragraph (a), IPART is to:

- (a) consult with the Department of Planning (NSW);
- (b) consult with the relevant Council and any other person IPART considers necessary; and
- (c) consider any criteria set out in the Guidelines (in addition to any other matters IPART considers relevant).

#### **Definitions**

Cap means:

- (a) the \$20,000 cap per residential dwelling or per residential lot on land in established areas; or
- (b) the \$30,000 cap per residential dwelling or per residential lot on land determined by the Minister for Planning as being within Greenfield areas.

Contributions Plan means a contributions plan prepared and approved by the relevant Council under Part 4, Division 6 of the EP&A Act.

Council has the meaning given to that term under the EP&A Act.

EP&A Act means the *Environmental Planning and Assessment Act 1979*.

Guidelines means the current guidelines or practice notes (as the case may be) issued by the Department of Planning on Contributions Plans under Part 4, Division 6 of the EP&A Act.

Regulation means the *Environmental Planning and Assessment Regulation 2000* relating to the Contributions Plan.

Reviewable Contributions Plan means either:

- (a) a Contributions Plan which has a contribution that exceeds the relevant Cap, other than a Contributions Plan for which a Council, as at 31 August 2010, has received (in aggregate) development applications for at least 25 per cent of potential development within that existing Contributions Plan; or
- (b) a Contributions Plan which the Minister for Planning determines from time to time should be subject to review by IPART.

## Interpretation

- (a) A reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacement of them.
- (b) A reference to an officer includes a reference to the officer who replaces him or her, or who substantially succeeds to his or her powers or functions.
- (c) A reference to a body, whether statutory or not:
  - a. which ceases to exist; or
  - b. whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.
- (d) Words importing the singular include the plural and vice versa.
- (e) Explanatory notes do not form part of the terms of reference, but in the case of uncertainty may be relied on for interpretation purposes.

## TERMS OF REFERENCE

I, Kristina Keneally, Premier of New South Wales approve the provision of services by the Independent Pricing and Regulatory Tribunal (IPART) under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act) to the Minister for Planning and the Minister for Local Government for the preparation of an annual report on the operation of IPART's delegated functions under the LG Act and IPART's assistance to the Minister for Planning and the councils in relation to the EP&A Act in accordance with the following terms of reference.

### Background

Since 4 June 2010, the NSW Government has announced changes to local council charges on new housing development. The changes will lower the cost of new housing construction and provide certainty, transparency and fairness to councils, landowners, developers and the community.

### Terms

In providing those services, IPART must:

- (a) prepare an annual report for the previous financial year relating to:
  - (i) IPART's delegated functions under the LG Act including:
    - (A) variation of general income
    - (B) special variation applications including those rejected and approved by IPART
    - (C) minimum amounts
    - (D) domestic waste charges
  - (ii) the development and publication of the local government cost index and the productivity factor
  - (iii) IPART assistance to the Minister for Planning and councils in relation to the EP&A Act under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* including reviews of the contributions plans;
- (b) forward to the Minister for Planning and the Minister for Local Government the report in paragraph (a) by 31 October each year; and
- (c) publish the report in paragraph (a) on IPART's website.

### Definitions

EP&A Act means the *Environmental Planning and Assessment Act 1979*.

LG Act means the *Local Government Act 1993*

## Interpretation

- (a) A reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacement of them.
- (b) A reference to an officer includes a reference to the officer who replaces him or her, or who substantially succeeds to his or her powers or functions.
- (c) A reference to a body, whether statutory or not:
  - a. which ceases to exist; or
  - b. whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.
- (d) Words importing the singular include the plural and vice versa.



**THE HON. BARBARA PERRY MP**

Minister for Local Government,  
Minister for Juvenile Justice,  
Minister Assisting the Minister for Planning,  
and Minister Assisting the Minister for Health (Mental Health)

Ref:  
MIN:  
Doc ID: A219064

Mr Rod Sims  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB POST OFFICE NSW 1230

6 SEP 2010

Dear Mr Sims

I am writing in response to the NSW Government Cabinet Minute 124-10 – Infrastructure Contribution Reforms to Support Land and Housing Release in New South Wales.

As you are aware, Cabinet's decision required me, as Minister for Local Government, to delegate to the Independent Pricing and Regulatory Tribunal responsibility for setting the annual Local Government Rate Peg and for assessing and determining local council's applications for Special Variations to their general income from rates under section 508 and section 508A of the *Local Government Act 1993*.

In order to carry out the necessary determinations I am delegating my authority under the following sections of the Act to the Tribunal:

- Section 506 - the authority to specify the percentage by which councils' general income for a specified year may be varied ie the rate pegging percentage.
- Section 507 - the authority to vary annual charges for domestic waste management services.
- Section 508(2), (3), (6), (7) - the authority to specify a percentage by which individual councils' general income may be varied for a specified year ie special variation with a single annual percentage increase.
- Section 508A - the authority to specify the percentages by which individual councils' general income may be varied for specified years ie special variation for multiple annual percentage increases.
- Section 548(3), (8) - the authority to approve the setting of minimum amounts of rates, above the statutory maximum, for specific councils,

Attached is a copy of my Instrument to effect the above delegation.

Yours sincerely

Barbara Perry MP  
Minister

**LOCAL GOVERNMENT ACT 1993**  
**DELEGATION UNDER SECTION 744**

I, **BARBARA MAZZEL PERRY MP**, Minister for Local Government, by this Instrument made under section 744 of the *Local Government Act 1993* ("Act"), hereby delegate to:

- (a) the Independent Pricing and Regulatory Tribunal of New South Wales ("IPART"); and
- (b) such members of IPART and other persons as are nominated for that purpose by IPART, and approved by the Minister, from time to time:
  - (1) all of my functions (as defined in the Act) under sections 506, 507, 508(2), 508(3), 508(6), 508(7), 508A, 548(3) and 548(8) of the Act (together the "Delegated Functions"); and
  - (2) such other powers under the Act and the *Local Government (General) Regulation 2005* which are necessary for IPART to perform the Delegated Functions.

**Section 506**      **Variation of General Income**  
**Section 507**      **Variation of Annual Charges for Domestic Waste Management Services**  
**Section 508(2), 508(3), 508(6) and 508(7)**  
                         **Orders under sections 506 and 507**  
**Section 508A**    **Special Variation over a period of years**  
**Section 548(3) and 548(8)**  
                         **Minimum Amounts**

Dated this 6<sup>th</sup> day of September 20 10.

  
**The Hon Barbara Perry MP**  
**Minister for Local Government**

## B Terms of reference for the review of regulatory reporting and compliance burdens on local government



Dr Peter Boxall AO  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
HAYMARKET POST SHOP NSW 1240



Reference: A1097975

22 APR 2015

<b>IPART</b>	
Doc No	.....
File No	.....

Dear Dr <sup>Peter</sup>Boxall

Pursuant to section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*, I am referring the following matter to the Tribunal for investigation and report: Review of regulatory reporting and compliance burdens on local government.

As part of the NSW Government's response to the Independent Local Government Review Panel, the government has agreed to commission a review identifying opportunities to streamline the regulatory, compliance and reporting requirements on councils to improve outcomes for communities.

The Tribunal is requested to submit a formal review report to the Minister for Local Government within 12 months of signing of the Terms of Reference.

Yours sincerely

**MIKE BAIRD MP**  
Premier

Encl.

cc Minister for Local Government

## General

IPART is to undertake a review to identify burdens placed on Local Government in the form of planning, reporting and compliance obligations to the State Government as imposed by policy and legislation, and to make recommendations for how identified unnecessary or excessive burdens can be reduced. These recommendations should aim to improve the efficiency of local government in NSW and enhance the ability of councils to focus on delivering services to their communities.

In investigating and making recommendations on this topic, the review is to:

- a) identify any inefficient or unnecessary planning, reporting, compliance or regulatory burdens placed upon local government by NSW State Government legislation, policy or through other means;
- b) develop options to improve the efficiency of local government by reducing or streamlining planning, reporting and compliance burdens, including:
  - identifying and making recommendations to reduce any duplications in reporting requirements across State Government, including the estimated saving from making these changes; and
  - reviewing the necessity of reporting obligations on councils as an essential requirement of implementing State Government policies.

In undertaking the review consistent with the above terms, the following are to be taken account of:

- the rationale for State Government planning, reporting and compliance requirements;
- developments in other jurisdictions including relevant reviews;
- best practice regulatory principles, including those developed by other highly regarded bodies undertaking relevant reviews and inquiries;
- support that could be provided by the State Government to help manage planning, reporting and compliance requirements upon local government; and
- any identified risks to the NSW Government and the NSW community from reducing the regulatory and reporting requirements on local government.

It is the intention of this review to focus on the compliance and reporting burden placed on local government by State Government legislation and function. Matters considered by IPART in its 2014 Report of *Local Government Compliance and Enforcement* are related to burdens placed on businesses and the community and are outside the scope of this review.



### Evidence

The review will collect evidence to establish the impacts on councils related to reporting and compliance burdens on councils, and to substantiate recommendations for reform.

### Consultation

The review should consult with relevant stakeholders and NSW Government agencies by releasing an Issues Paper for the review. It may also hold public hearings. Consultation should also occur with the Fit for the Future Ministerial Advisory Group.

### Governance

Briefing on progress should be provided at regular intervals, or as requested, to the Chief Executive, Office of Local Government.

The final report should be provided formally to the Minister for Local Government who shall decide on the timing of release.

### Timeframe

A final review report should be formally submitted within 12 months of signing of the Terms of Reference.

### Background

The Independent Local Government Review Panel (Panel) made a number of recommendations regarding general reform of the local government system in NSW.

As part of its response to the Panel, the NSW Government has agreed to commission IPART to conduct a review identifying opportunities to streamline the regulatory, compliance, and reporting requirements on councils to improve outcomes for communities.

The Government also committed to introduce a new Local Government Act from 2016/17.

## C Terms of reference for review of councils' Fit for the Future proposals by an Expert Panel



**IPART**

Doc No .....

File No .....

Reference: A1172026

Dr Peter J Boxall AO  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop  
SYDNEY NSW 1240



*Peter*  
Dear Dr ~~Boxall~~

I write to request that the Independent Pricing and Regulatory Tribunal fulfil the role of the Fit for the Future Expert Advisory Panel, and undertake a review of NSW councils' 'fit for the future' proposals in accordance with the attached Terms of Reference.

Should you require further information please contact Mr David Tow, Executive Director of Cities Branch, Department of Premier and Cabinet on (02) 9228 4353 or [david.tow@dpc.nsw.gov.au](mailto:david.tow@dpc.nsw.gov.au).

Yours sincerely

  
**MIKE BAIRD MP**  
Premier

## ***Terms of Reference for a review of local council Fit for the Future proposals by an Expert Advisory Panel***

I, the Hon Mike Baird MP, Premier of New South Wales, pursuant to section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* request that the Independent Pricing and Regulatory Tribunal act as the Expert Advisory Panel to review local council Fit for the Future proposals, in accordance with these terms of reference:

### **Introduction**

Based on the recommendations of the Independent Local Government Review Panel (ILGRP), the NSW Government has agreed to an approach to local government reform that seeks to create councils that are strategic and Fit for the Future. A Fit for the Future council is one that:

1. Has the scale and capacity to engage effectively across community, industry and government;
2. Is sustainable;
3. Is efficient;
4. Effectively manages infrastructure and delivers services for communities.

All councils have been called upon to submit a Fit for the Future proposal by 30 June 2015 for assessment by the Expert Advisory Panel (except the eight councils in the Far West, where submitting a proposal is optional).

The Office of Local Government has prepared three templates and associated guidance for the use of councils in making their proposals:

***Template 1: Council Merger Proposal*** – where a group of councils have agreed to merge, broadly consistent with the scale and capacity recommendations of the ILGRP.

***Template 2: Council Improvement Proposal*** – where councils with demonstrated sufficient scale and capacity, using the Panel’s recommendation as a starting point, identify the strategies and actions they will implement to ensure they are Fit for the Future against the sustainability, efficiency, and effective management of infrastructure and services criteria and associated measures and benchmarks.

***Template 3: Rural Council Proposal*** – for councils in Group C of the Panel’s final report i.e. where the option of a Rural Council was presented with no preferred alternative or other small councils that want to adopt the options and can demonstrate they meet the Rural Council Characteristics.

The guidance documents supporting each template explain what is required from councils in preparing their proposal and in demonstrating they are Fit for the Future.

### Task

The Expert Advisory Panel (the Panel) will assess the Fit for the Future proposals of NSW councils, and prepare a report to the Minister for Local Government with a recommendation on whether each council is Fit for the Future.

### Procedure

The Panel is to:

1. Develop a methodology for assessing Fit for the Future proposals.  
The assessment methodology must:
  - a. be consistent with the Government's local government reform agenda, as outlined in the Fit for the Future documentation
  - b. include an assessment of the scale and capacity criteria as a threshold criterion
  - c. include an assessment of the performance against the fit for the future measures and benchmarks, that takes into account:
    - i. the material published in the template guidance
    - ii. the relative importance of each measure in a council becoming Fit for the Future and relative robustness of the measure
    - iii. the social and community context and outcomes for each council
  - d. include an assessment of the consultation process undertaken by the council
  - e. consider advice provided by the Ministerial Advisory Group
  - f. identify timescales and approach to consultation
  - g. be published for public consultation for a minimum of 28 days
  - h. be finalised and made available to councils no later than week commencing 1 June 2015.
2. Undertake an assessment of whether each council is Fit for the Future, consistent with the published methodology.  
In undertaking this assessment the Panel must:
  - a. operate with consistency, fairness and impartiality
  - b. have in place an online portal for all councils to submit their Fit for the Future proposals
  - c. publish all proposals and supporting documentation (subject to confidentiality requirements) received from councils online as soon as practicable after 30 June 2015
  - d. ensure local government knowledge and expertise in the technical assessment of each proposal
  - e. rely on the evidence provided by councils through the online submission process, as required by the relevant template and any additional relevant information
  - f. give councils the opportunity to provide additional information. This may include the opportunity for councils to present in person.
3. Provide the Minister for Local Government and the Premier with a final report by 16 October 2015 identifying whether or not each council is Fit for the Future and the reasons for this assessment, to be publicly released following Cabinet approval.

## D Terms of reference for the review of local government rating system



Dr Peter Boxall AO  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
HAYMARKET POST SHOP NSW 1240



Reference: A1444504

18 DEC 2015

Dear Dr <sup>R. Jan</sup> Boxall

Pursuant to section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*, I am writing to request the Tribunal undertake a review of the Local Government rating system in accordance with the attached Terms of Reference.

The implementation of an efficient and equitable rating system is a key component of the Government's *Fit for the Future* reforms, and will ensure all councils are able to implement sustainable fiscal policies and reforms over the longer-term.

Critically, the Tribunal's review should seek to recommend a legislative or regulatory approach to support the Government's policy of freezing existing rate paths for a period of four years for councils that merge as part of the *Fit for the Future* process.

An interim report outlining options and recommendations to achieve this commitment should be provided to the Minister for Local Government within six months. A final report addressing all aspects of the terms of reference should be provided to the Minister within 12 months.

Should you have any questions or wish to discuss this matter further, please contact Mr John Clark, Executive Director, Local Government Reform on 9228 3570 or [john.clark@dpc.nsw.gov.au](mailto:john.clark@dpc.nsw.gov.au)

Yours sincerely

A handwritten signature in blue ink, appearing to read "Mike Baird".

**MIKE BAIRD MP**  
Premier

Encl: Terms of Reference, Local Government Rating System in NSW

GPO Box 5341, Sydney NSW 2001 ■ P: (02) 8574 5000 ■ F: (02) 9339 5500 ■ [www.premier.nsw.gov.au](http://www.premier.nsw.gov.au)

## Terms of Reference

### The Local Government Rating System in NSW

I, Mike Baird, Premier of New South Wales, approve the provision of services by the Independent Pricing and Regulatory Tribunal (IPART) under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992 (IPART Act)* to the Minister for Local Government for the review of the local government rating system in accordance with these 'terms of reference'.

#### General

IPART is to undertake a review to identify and make recommendations for potential reforms to the rating system for local government in NSW. These recommendations will aim to:

- Enhance the ability of councils to implement sustainable and equitable fiscal policy and
- Provide the legislative and regulatory approach to achieve the Government's policy of freezing existing rate paths for four years for newly merged councils.

In investigating and making recommendations for this review, IPART is to consider:

- a) the performance of the current rating system and potential improvements, including consideration of:
  - the rating burden across and within communities, including consideration of apartments and other multi-unit dwellings;
  - the appropriateness and impact of current rating categories and exemptions, mandatory concessions and rebates;
  - the land valuation methodology used as the basis for determining rates in comparison to other jurisdictions;
  - the impact of the current rating system on residents and businesses of a merged council and the capacity of the council to establish a new equitable system of rating and transition to it in a fair and timely manner.
  - the objectives and design of the rating system according to recognised principles of taxation.
- b) current examples of municipal best practice rating policies and schemes;
- c) the impact of the current and alternative frameworks for the rating system on communities and businesses and their capacity to pay; and
- d) any other matter IPART considers relevant.

In undertaking its review under these Terms of Reference, IPART is to take account of:

- the importance of Integrated Planning and Reporting in determining the revenue required to deliver services and infrastructure;
- the current financial sustainability of local government in NSW, including the findings and deliberations of the NSW Treasury Corporation report *Financial Sustainability of the NSW Local Government Sector, 2013*;
- the findings and deliberations of the Independent Local Government Review Panel and subsequent Government response;
- the NSW Government's policy of encouraging urban renewal; and
- the NSW Government's commitment to protect NSW residents against excessive rate increases and to providing rate concessions to pensioners.

#### Public consultation

IPART should consult with relevant stakeholders and NSW Government agencies by releasing an Issues Paper and Draft Report for their review on the IPART website. IPART should also consult with the Fit for the Future Ministerial Advisory Group.

IPART may also hold public hearings for the purposes of this review.

#### Timeframe

An interim report with recommendations on the legislative and regulatory approach to achieve the Government's policy of freezing existing rate paths for four years for newly merged councils should be submitted to the Minister for Local Government within 6 months of signing of the Terms of Reference.

A final review report should be formally submitted to the Minister for Local Government within 12 months of signing of the Terms of Reference.

#### Governance

IPART should provide progress briefings at regular intervals or as requested to the Chief Executive, Office of Local Government.

The Minister for Local Government will decide on the timing of release of the final report.

#### Supporting information and recommendations

IPART is to collect relevant material and data to establish the impacts to councils, communities and NSW of the current rating system, and to provide reasons for any recommendations for reform.

- the importance of Integrated Planning and Reporting in determining the revenue required to deliver services and infrastructure;
- the current financial sustainability of local government in NSW, including the findings and deliberations of the NSW Treasury Corporation report *Financial Sustainability of the NSW Local Government Sector, 2013*;
- the findings and deliberations of the Independent Local Government Review Panel and subsequent Government response;
- the NSW Government's policy of encouraging urban renewal; and
- the NSW Government's commitment to protect NSW residents against excessive rate increases and to providing rate concessions to pensioners.

#### Public consultation

IPART should consult with relevant stakeholders and NSW Government agencies by releasing an Issues Paper and Draft Report for their review on the IPART website. IPART should also consult with the Fit for the Future Ministerial Advisory Group.

IPART may also hold public hearings for the purposes of this review.

#### Timeframe

An interim report with recommendations on the legislative and regulatory approach to achieve the Government's policy of freezing existing rate paths for four years for newly merged councils should be submitted to the Minister for Local Government within 6 months of signing of the Terms of Reference.

A final review report should be formally submitted to the Minister for Local Government within 12 months of signing of the Terms of Reference.

#### Governance

IPART should provide progress briefings at regular intervals or as requested to the Chief Executive, Office of Local Government.

The Minister for Local Government will decide on the timing of release of the final report.

#### Supporting information and recommendations

IPART is to collect relevant material and data to establish the impacts to councils, communities and NSW of the current rating system, and to provide reasons for any recommendations for reform.



## E Reports and papers released during 2015-16

Table E.1 sets out the local government papers and reports published by IPART during 2015-16.

**Table E.1 Reports and papers released by IPART during 2015-16 related to local government functions**

<b>Date</b>	<b>Paper or report</b>
13 July 2015	<i>Review of reporting and compliance burdens on Local Government– Issues Paper</i>
21 September 2015	<i>Assessment of The Hills Shire Council’s Section 94 Contributions Plan No 16 – Box Hill North Precinct</i>
20 October 2015	<i>Assessment of Council Fit for the Future proposals – Final Report</i>
18 January 2016	<i>Review of reporting and compliance burdens on Local Government– Draft Report</i>
29 February 2016	<i>Modelling local development contributions in a present value framework – Final Technical Paper</i>
4 April 2016	<i>Assessment of The Hills Shire Council’s Section 94 Contributions Plan No 15 – Box Hill Precinct</i>
13 April 2016	<i>Review of Local Government Rating System – Issues Paper</i>

## F Components of the Local Government Cost Index

**Table F.1 The rise in the LGCI for the year ended September 2015**

Cost items	Effective weights as at end Sep 2014 (%)	Price change to end Sep 2015 (% annual average)	Contribution to index change (percentage points)
<b>Operating cost items</b>			
Employee benefits and on-costs	41.8	2.4	1.00
Plant and equipment leasing	0.4	-0.5	0.00
Operating contracts	1.3	4.2	0.05
Legal and accounting services	1.1	2.2	0.02
Office and building cleaning services	0.2	1.3	0.00
Other business services	5.8	5.1	0.30
Insurance	1.9	4.3	0.08
Telecommunications, telephone and internet services	0.5	-4.0	-0.02
Printing publishing and advertising	0.5	1.0	0.01
Motor vehicle parts	0.5	1.4	0.01
Motor vehicle repairs and servicing	0.7	0.4	0.00
Automotive fuel	1.2	-11.4	-0.14
Electricity	3.7	-6.6	-0.25
Gas	0.1	5.1	0.00
Water and sewerage	0.5	1.8	0.01
Road, footpath, kerbing, bridge and drain building materials	3.1	1.3	0.04
Other building and construction materials	0.8	2.5	0.02
Office supplies	0.3	-4.0	-0.01
Emergency services levies	1.4	1.5	0.02
Other expenses <sup>a</sup>	8.6	1.8	0.16
<b>Capital cost items</b>			
Buildings – non-dwelling	6.1	2.5	0.15
Construction works – road, drains, footpaths, kerbing, bridges	14.0	1.3	0.18
Construction works – other	1.4	1.3	0.02
Plant & equipment – machinery	3.7	3.6	0.13
Plant & equipment – furniture etc	0.2	2.6	0.01
Information technology and software	0.3	-5.7	-0.01
<b>Total change in LGCI</b>	<b>100.0</b>		<b>1.78</b>

<sup>a</sup> Includes miscellaneous expenses with low weights in the Index, eg, councillor and mayoral fees.

**Notes:** Figures may not add due to rounding. Percentage changes are calculated from unrounded numbers.

**Source:** IPART, *Fact Sheet - Rate Peg for NSW councils for 2016/17*, December 2015, p 3.

## **G Summary of rate variations requested by councils and IPART's decisions**

Table G.1 sets out the percentage increases in general income requested by each council and approved by IPART and the purpose for the requested special variation. Table G.2 sets out the applications to reflect former Crown land becoming rateable determined by IPART.

### **Understanding Table G.1**

The types of applications and decisions set out in Table G.1 are explained below. All approved increases in the table are permanent unless noted otherwise.

#### **508(2) special variation for a permanent increase in income**

Lismore City Council and Tweed Shire Council applied under section 508(2) of the Act for a single year, permanent increase in general income of 3.6% and 2.8%, respectively, both of which IPART approved in full.

#### **508(2) special variation for a temporary increase in income**

Wagga Wagga City Council's application under section 508(2) of the Act for a single year, temporary increase in general income of 5.6%, to remain in the rate base for five years (indicated by 'Temporary for 5 years' in Table G.1), was approved in full.

#### **508A special variation**

Lachlan Shire Council and Yass Valley Council applied for a multi-year increase in general income under section 508A, to remain permanently in the rate base. IPART approved the requested increases which will take place over the next four years and total 32.3% and 38.6%, respectively.

#### **Special variations to renew existing special variations**

Four councils' applications included an amount for renewing an expiring special variation (indicated by an asterisk). As ratepayers are already paying the existing special variation percentage, the actual increase in general income in that year will be lower than the percentage increase shown.

#### **Partial approval of an application**

Clarence Valley Council's application was only partially approved, indicated by two rows showing the council's requested increase and what IPART approved.

**Table G.1 Summary of special variations that IPART has determined for 2016-17 – annual variation and purpose**

Council	Type of SV approved	% increase per year approved (includes rate peg increase of 1.8%)					Cumulative % rise (% rise above rate peg)	Purpose
		2016-17	2017-18	2018-19	2019-20	2020-21		
<b>Clarence Valley</b> Applied	508A	6.5	6.5	6.5	6.5	6.5	<b>37.0</b> (24.6)	Financial sustainability, road maintenance and renewal, and infrastructure backlogs.
<b>Clarence Valley</b> Approved Temporary for 1 year	508(2)	6.5					<b>6.5</b> (4.7)	
<b>Gwydir Shire</b>	508(2)	30.0*					<b>30.0</b> (28.2)	Financial sustainability and continuation of an <b>expiring special variation</b> .
<b>Lachlan Shire</b>	508A	6.8	7.4	7.4	7.4		<b>32.3</b> (22.7)	Financial sustainability and asset maintenance, renewal and upgrading of infrastructure.
<b>Lismore City</b>	508(2)	3.6					<b>3.6</b> (1.8)	Biodiversity Management Strategy.
<b>Penrith City</b>	508A	9.1*	5.0	5.2	5.4		<b>27.0</b> (17.4)	Maintain and improve services and renew infrastructure, and make permanent an <b>expiring special variation</b> for the Asset Renewal and Established Areas strategy (AREAS).
<b>Singleton</b>	508A	9.75	9.75*	9.75	9.75		<b>45.1</b> (35.5)	Asset renewals (includes an <b>expiring special variation</b> ).
<b>Tweed Shire</b>	508(2)	2.77					<b>2.8</b> (1.0)	Levy on residents of a new urban release area to protect bushland within and around the development.
<b>Wagga Wagga City</b> Temporary for 5 years	508(2)	5.63					<b>5.6</b> (3.8)	Fund upgrading of Main City and North Wagga levee banks.
<b>Wingecarribee Shire</b>	508A	8.55	9.25	9.25	12.15*		<b>45.3</b> (35.7)	Financial sustainability, asset maintenance, renewals and upgrades, and to <b>continue expiring special variation</b> for Environmental Levy
<b>Yass Valley</b>	508A	8.5	8.5	8.5	8.5		<b>38.6</b> (29.0)	Financial sustainability and infrastructure renewals and upgrades.

\* Includes an expiring special variation.

Source: IPART, *Fact Sheet – Decisions on councils' requests for special variations for 2016-17*, May 2016, p 5.

**Table G.2 Summary of Crown land adjustments (CLA) for 2016-17 approved by IPART**

Council	Previous Owner	\$ value of land	% increase for CLA	2016-17 rate peg increase %	2016-17 increase % – CLA including rate peg
Kiama	Rail Corp NSW (1 parcel, business rating category)	24,102	0.165	1.80	1.965
Port Stephens	Landcom (7 parcels, residential rating category)	12,200	0.032	1.80	1.832
Sutherland	Defence Housing Authority (2 parcels, residential rating category)	1,135	0.001	1.80	1.801

**Source:** IPART, *Fact Sheet – Decisions on councils' requests for special variations for 2016-17*, May 2016, p 6.

