



FINAL REPORT

Local government planning, compliance and reporting

Costs and benefits of IPART's recommendations

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Independent Pricing and Regulatory Tribunal of NSW
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Executive summary

The CIE has been asked to estimate the costs and benefits of IPART's recommendations relating to local government compliance and reporting. This report sets out our estimates and the basis for these estimates. The costs and benefits measured are to councils, the NSW Government and the community.

In total, we estimate IPART's recommendations have net benefits of \$313 million over a 10 year period. The main beneficiary in total is local government, which would receive benefits of \$829 million, comprising reductions in their costs and higher fee revenue either paid by the community or by the NSW Government as an explicit subsidy. The NSW Government would have a net cost of \$484 million, through costs of implementing the recommendations and through making up the gap between the cost of activities for which the NSW Government sets fees and fee revenue. The community would also face net costs directly, because we anticipate that fees would likely increase for some activities. The community would benefit indirectly as the measure of total net benefits is the best measure of the final community-wide impacts of the recommendations.

1 Summary table for all recommendations

Group	Impact		
	Central	Low	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	829 003	Na	Na
NSW Government	-483 859	Na	Na
Community	-31 972	Na	Na
Total	313 172	177 182	515 357

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

Impacts by recommendation area

The impacts of IPART's recommendations by area are set out in table 2. The largest benefits are from systemic recommendations, noting that the impacts of these recommendations are more indicative than in other areas.

2 Impacts by recommendation area

Recommendation area	Impact			Total
	Councils	NSW Government	Community	
	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000
Systemic issues	695 108	-437 059	-76 436	181 612
Water and sewerage	12 196	- 123	0	12 073
Planning	13 491	-15 209	8 723	7 005
Administration and governance	66 197	-31 552	31 508	66 153
Building and construction	5 039	- 86	613	5 566
Public land and infrastructure	-9 483	2 171	0	-7 311
Animal control	43 008	-2 056	3 650	44 602
Community order	3 446	55	- 29	3 472
All recommendations	829 003	-483 859	-31 972	313 172

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate. The estimates presented are for the central case.

Source: CIE.

The total net benefits are substantially lower if a shorter time period is used (5 years). The discount rate used to value future benefits in today's terms does not make a substantial difference to overall net benefits (table 3).

3 Net benefits under different time periods and discount rates

Years	Discount rate		
	4%	7%	10%
	NPV, \$000	NPV, \$000	NPV, \$000
5 years	164 674	145 731	129 474
10 years	378 962	313 172	261 403

Source: CIE.

The impacts for each recommendation quantified are set out in table 4. There are a small number of recommendations that are estimated to have net costs.

- Automating the data collection systems for reports including the local development performance monitoring and housing monitor, and sharing data with the ABS is estimated to have a net cost. Councils indicated that the cost of these functions is relatively low, as their systems are already set up. NSW DPE indicated that implementation costs are quite high. Note that this recommendation may have net benefits if undertaken to align to changes in councils systems arising from council mergers; and
- The transfer and management of Crown Reserves to local government is expected to have a net cost because the costs of developing management plans for each reserve is anticipated to be higher than the administrative cost savings of not providing annual reports for each reserve and reduced delays associated with Ministerial approvals for licences and leases. If a more efficient way could be made available for developing management plans then this recommendation could have a net benefit.

4 Impacts by recommendation

Recommendation	Description	Quantification level	Central				Low	High
			Councils	NSW Government	Community	Total	Total	Total
			NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000
1 and 2	Systemic issues	Indicative	7 597	- 203	68 374	75 768	12 493	228 042
3, 4, 5 and 6	Systemic issues	Indicative	656 409	-443 274	-144 811	68 325	12 672	114 233
7	Systemic Issues	Full	6 564	6 550	0	13 114	6 550	26 242
10	Systemic issues	Full	24 537	- 132	0	24 404	24 404	24 404
12	Water and sewerage	Full	10 575	- 49	0	10 526	5 540	16 703
13 and 14	Water and sewerage	Full	1 621	- 74	0	1 547	816	2 577
15	Planning	Full	2 993	-4 711	0	-1 718	-5 165	1 730
20	Planning	Full	10 498	-10 498	8 723	8 723	4 984	12 461
22 and 23	Administration and governance	Full	2 494	- 280	0	2 214	- 280	4 708
24	Administration and governance	Full	8 533	0	0	8 533	8 533	8 533
26	Administration and governance	Full	11 428	0	0	11 428	11 428	11 428
27	Administration and governance	Full	12 470	0	0	12 470	6 235	18 705
30	Administration and governance	Full	0	0	31 508	31 508	31 508	31 508
35	Administration and governance	Full	31 272	-31 272	0	0	0	0
37	Building and construction	Full	849	- 86	613	1 376	1 376	1 376
38	Building and construction	Full	4 190	0	0	4 190	4 190	4 190
40 and 41	Public land and infrastructure	Indicative	-17 685	682	0	-17 002	6 907	-64 820
42	Public land and infrastructure	Indicative	639	1 489	0	2 128	2 128	2 128
44	Public land and infrastructure	Indicative	7 563	0	0	7 563	4 766	13 156
47 and 48	Animal control	Full	43 008	-2 056	3 650	44 602	34 625	54 580
51	Community order	Full	3 446	55	- 29	3 472	3 472	3 472
Total			829 003	-483 859	-31 972	313 172	177 182	515 357

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Recommendation 45 quantified but not included in total, as benefits are temporary.

Source: CIE.

1 Introduction and approach

IPART's task

IPART has been asked by the NSW Government to review reporting and compliance burdens on local government. The purpose of IPART's review is to identify inefficient, unnecessary or excessive burdens placed on local government by the State in the form of planning, reporting and compliance obligations, and to make recommendations for how these burdens can be reduced.

As part of its review, IPART has:

- undertaken a survey of councils about what obligations are inefficient, unnecessary or excessive;
- held four workshops with councils to identify regulatory burdens and possible solutions;
- developed and published draft recommendations in January 2016;
- held a public hearing on 8th February 2016 to obtain feedback on the draft report; and
- obtained submissions from stakeholders in response to the draft report.

The CIE's task

The CIE has been asked by IPART to quantify the costs and benefits of IPART's draft recommendations. The costs and benefits include:

- changes (generally reductions) in costs to councils as a result of IPART's recommendations;
- costs and benefits to the community such as through making it easier to access and use council services, particularly through online platforms; and
- changes (generally increases) in costs to the NSW Government, including implementation costs for recommendations and ongoing changes in costs.

Methodology for quantifying costs and benefits

In order to evaluate costs and benefits we have undertaken the following steps:

- Categorised recommendations into those where full quantification is possible, those where indicative quantification is possible and those where no quantification is possible. The recommendations where indicative quantification is possible are those where there is not a tangible link between the changes recommended and the impacts. These include recommendations for further review in particular areas and

recommendations related to improving the quality of new regulations involving local government.

- Grouped recommendations together where the impacts are joint. For example, IPART has made a number of recommendations about fees and charges, and these have been grouped together for the purpose of analysis.
- Measured the impacts of each group of recommendations. This has been done through using the survey of councils conducted by IPART, previous literature and consultation with state agencies and councils. In some cases we have been able to develop low, central and high estimates for the impacts of the recommendation, which we present as sensitivities.

There are a number of general conceptual issues in undertaking this analysis that we set out below.

Allocation of costs and benefits to groups

The costs and benefits are shown for three groups — councils, the NSW Government and the community. The impacts for each group are the direct initial incidence of the recommendation on that group, and does not account for subsequent changes. For example, a recommendation may reduce the costs to councils of document management. The direct beneficiary of this is the council. The final beneficiary will be the community, because the council will either have more money to spend on other services or could reduce council rates.

Cost of legislative changes

Many of the recommendations would require minor changes to legislation. Legislative changes would likely impose some costs, because of time for Parliament to consider the changes and the bureaucracy of making changes. The legislative changes recommended are generally small and would likely be part of larger legislative changes taken to Parliament. We have not included any of these costs in the estimates of cost, on the basis that they would likely be small and would depend on how changes are packaged for Parliamentary approval.

Time period and discount rate

We present results for the costs and benefits as a net present value over a periods of 10 years plus implementation. Note that in reality implementation of recommendations will happen over time. The results are presented as if all recommendations were put in place immediately, with benefits beginning after an implementation period of generally 1 year.

The value of benefits and costs is discounted at 7 per cent (real), consistent with NSW Treasury Guidelines for Economic Appraisal.

The baseline for analysis

The baseline for analysis of the impacts of IPART's recommendations is often difficult to define. IPART's recommendations align to or build on many other areas of change happening within the NSW Government. In general, our analysis reflects the incremental costs and benefits from the current situation to what would occur if IPART's recommendations were followed. Two particular areas of note are:

- the analysis assumes that there are 152 councils impacted. This can mean that benefits are large where relatively small fixed cost reductions are made per council. However, it also means that costs are higher for implementation of some programs because these interact with many more councils. In some cases, the incremental costs of standardisation and putting in place new systems are likely to be very low if this is aligned to council mergers, because councils will already face costs of amalgamating their systems; and
- where IPART's recommendation builds off something that is already happening, such as extending the functionality of an electronic platform, then we seek to consider only the incremental costs and benefits from this platform. Note that in some cases IPART's recommendations add weight to existing agency work that is very similar.

Categorisation of recommendations

A summary of the recommendations quantified and not quantified is set out in table 1.1. The categorisation of the recommendations that have been quantified is set out in table 1.2. Table 1.3 sets out the recommendations that have not been quantified and the basis for this.

1.1 Summary of quantification

Category	No of recommendations
	No.
Quantified in final report	29
Not quantified	22
Total	51

Source: CIE.

1.2 Categorisation of recommendations able to be quantified

No.	Recommendation	Quantification	Included in final report
1 and 2	Increasing focus on local government in development of new regulations	Indicative	Yes
3, 4, 5 and 6	Changes to fees and charges arrangements	Indicative	Yes
7	Good practice guide to grant administration	Full	Yes
10	Review public notice print media requirements in the LG Act 1993, the LG (General) Regulation 2005, the Environmental Planning and Assessment Regulation 2000	Full	Yes
12	Amend the Best Practice Management of Water Supply and Sewerage Guidelines	Full	Yes
13 and 14	NSW Health determine a standardised service report template to be used by technicians undertaking quarterly servicing of aerated wastewater treatment systems in conjunction with councils	Full	Yes
15	Reducing duplicative reporting of data and automate data collection	Full	Yes
20	One stop shop for NSW planning referrals	Full	Yes
22 and 23	Changes to Integrated Planning and Reporting framework	Full	Yes
24	Reporting requirements for General Purpose Financial Statements	Full	Yes
26	Allow the Council to delegate the acceptance of tenders	Full	Yes
27	Enabling councils to use prequalification panels	Full	Yes
30	Review all approvals under section 68 of the Local Government Act 1993	Full	Yes
35	Charges with regards to informal requests and copyright issues associated with GIPA	Full	Yes
37	Allow online fire safety certificates to be used for compliance assessment	Full	Yes
38	That the Environmental Planning and Assessment Regulation 2000 be amended to clarify what constitutes a 'significant fire safety issue'	Full	Yes
40 and 41	Transfer and management of Crown Reserves	Indicative	Yes
42	Streamline the statutory process for closing Crown roads	Indicative	Yes
44	Streamline the provisions of the Local Government Act 1993 relating to plans of management for community land	Indicative	Yes
46	That Roads and Maritime Services provide greater support for councils to develop the competency to conduct route access assessments and process heavy vehicle applications	Indicative	Yes

No.	Recommendation	Quantification	Included in final report
47 and 48	Develop online animal registration system with specific functionality	Full	Yes
51	The Graffiti Control Act 2008 be amended to allow councils to prosecute individuals and organisations that commission or produce bill posters that are visible from a public place within their local government area	Full	Yes

Note: About recommendation 45.

Source: CIE.

1.3 Categorisation of recommendations not able to be quantified

No.	Recommendation	Rationale
8 and 9	Use the NSW ICT Strategy and Information Asset Registers to improve access to council data	Changes to information access are likely to be small and not easily defined
11	DPI undertake central water planning for local water utilities	Recommendation was finalised after the draft report
16 - 18	Amendments to NSW Planning Portal	Will depend on outcomes of reviews. Estimates presented for online payment of fees but not included in totals
19	Notification of legislative regarding structure and content of S149 certificates	Insufficient information to estimate impact.
21	Suite of standardised development consent conditions	Insufficient information on the changes that could be made.
25	Allow no tendering for under \$250,000 contracts	Insufficient information on how this might change value for money
28	Review the requirements in the Local Government Act 1993 for Ministerial approvals	Dependent on the outcomes of the review
29	Introduce guidelines that specify maximum response times for different categories of ministerial approvals	Difficult to influence
31 and 32	Extend the maximum periods of temporary employment from 12 months to four years within any continuous period of five years	Insufficient data
33	Section 31 of the Public Interest Disclosures Act 1994 be amended to require councils to report on public interest disclosures in their annual reports and to Minister	Negligible impacts
34	Allow councils a licence or warranty to use copyright material for the purposes for the EP&A Act	Insufficient data
36	That the Office of Local Government assist the Information and Privacy Commission to circulate to councils information on the Government Information (Public Access) Act 2009	Difficult to trace through changes in information to community or council outcomes
39	Allow councils to delegate authority to the General Manager to consider a report by the Fire Brigade, make a determination and issue an order, rather than having the report considered at the next council meeting	Qualitatively there would be small net benefits from issuing fire safety orders more rapidly, which could reduce the number or damage caused by fires. There would also be small administrative cost savings
43	The NSW Government reduce the backlog of Crown road closure applications to eliminate the current waiting period for applications to be processed	We have quantified the costs of this backlog but have not been able to quantify benefits because of insufficient information on alternative uses of the land

No.	Recommendation	Rationale
46	That the Impounding Act 1993 be amended to treat caravans and trailers in the same way as boat trailers when considering whether they are unattended for the purposes of the Act.	There is insufficient information on the number of caravans and advertising trailers. The amenity impacts and the value of using this space for another purpose will vary considerably depending on location and scarcity of car spaces
49	That the NSW Government review how councils are currently applying Alcohol Free Zone (AFZ) and Alcohol Prohibited Area (APA) provisions	Dependent on the outcomes of the review
50	That the NSW Government provide an efficient process for consultation and decision making on temporary and events-based alcohol restrictions.	Dependent on the process developed

Note: A number of IPART's draft recommendations were deleted or revised in the final report. This table reflects the recommendations in the final report.

Source: CIE.

2 Systemic issues

Systemic issues cut across a number of different agencies and regulations. For this reason, these issues can have substantial impacts. The systemic issues identified by IPART include ensuring new regulatory requirements are adequately considered from the perspective of local government, setting fees and charges efficiently and reducing costs related to small grants and advertising requirements.

Summary

The recommendations that IPART has made to address systemic issues could have net benefits of \$182 million over a 10 year period. Each of the recommendations quantified would have net benefits of over \$10 million over a 10 year period.

The councils would be the direct beneficiary with net benefits of \$695 million over 10 years. The community and NSW Government would face net costs, largely because we expect that there will be increases in some fees and charges that would either be paid for by users or subsidised by the NSW Government under IPART's recommendations.

2.1 Summary table for systemic issues

Group	Impact				Total
	Recommendation 1&2	Recommendation 3,4,5&6	Recommendation 7	Recommendation 10	
	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000
Councils	7 597	656 409	6 564	24 537	695 108
NSW Government	- 203	-443 274	6 550	- 132	-437 059
Community	68 374	-144 811	0	0	-76 436
Total	75 768	68 325	13 114	24 404	181 612

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

Improving the quality of new regulation

Size and nature of the problem

A well-functioning regulatory process ensures that new regulation is subjected to rigorous scrutiny before it is implemented. This process should help to ensure that government objectives are achieved in the most efficient way possible and that only regulation that is in the best interests of the community is passed into law.

A recent Productivity Commission report into regulatory impact analysis (RIA) processes in Australia found that:

“RIA requirements in all Australian jurisdictions are reasonably consistent with OECD and COAG guiding principles. However, shortcomings in system design and a considerable gap between agreed RIA principles and what happens in practice are reducing the efficacy of RIA processes.”¹

The Productivity Commission identified a number of barriers to RIA improving regulatory outcomes. These included:

- a lack of commitment to RIA processes, this includes:
 - a top-down approach to policy making by some Ministers;
 - reliance on exclusions from RIA requirements; and
 - a lack of incentives for agencies to develop RIA capacity;
- the administrative burden of RIA process;
- inadequate analysis for many proposals with significant impacts, including a lack of robust quantification on the impacts; and
- lack of transparency in the implementation of RIA, including:
 - inadequate stakeholder engagement and infrequent publication of RIAs; and
 - exemptions and non-compliance are not routinely reported or explained.²

The proposition that there is too much red tape in NSW is widely accepted across government, business and the community. This in itself is an indicator that existing processes can be improved.

Since the red tape target was announced in September 2011, 148 pieces of (new and amending) primary legislation have received assent. No Better Regulation Statements have been published for these legislative changes and it is not clear if any have been undertaken. Not all of these Acts are relevant to this review. We counted at least 26 Acts that amend an Act identified by either the Productivity Commission or Stenning and Associates as containing a regulatory role for local government or are new Acts that contain a regulatory role for local government.³

A Better Regulation Statement is required only for *significant* new and amending regulatory proposals. Nevertheless, there are a considerable number of Acts that appear to impose some significant costs (including red tape), as well as some benefits. Of the 26 Acts we identified as being relevant to this review, the following have significant enough impact to warrant a Better Regulation Statement:

- *Boarding Houses Act 2012*
- *Liquor Amendment (3 Strikes) Act 2011*
- *Liquor Amendment (Kings Cross Plan of Management) Act 2012*

1 Productivity Commission, 2012, *Regulatory Impact Analysis: Benchmarking*, November, pp. 2.

2 Productivity Commission, 2012, *Regulatory Impact Analysis: Benchmarking*, November, pp. 7-13.

3 See Stenning and Associates, *Register of regulatory functions undertaken by Local Government in NSW*, Final Report, October, pp. 14-16.

- *Plumbing and Drainage Act 2011*
- *Swimming Pool Amendment Act 2012*
- *Tattoo Parlours Act 2012.*

A ‘bottom up’ approach to measuring the red tape burden and the net cost to the community imposed by these legislative changes would involve undertaking a full cost-benefit analysis of each of the Acts. This is not possible with the resources available for this project. Using the analysis from CIE 2013, the *Swimming Pool Amendment Act* alone could impose red tape costs on the community of around \$17.8 million per year. When the potential benefits of the legislation are taken into account, the net cost to the community could be around \$7.8 million per year. The CIE 2013 further estimated the annual net cost of inefficient regulations in total that impact on local councils could be in the order of \$15.6 million per year.⁴

An alternative ‘top down’ indicator of the red tape burden caused by weaknesses in the RIA process is the total red tape burden on the community. If the NSW Government’s red tape reduction target of \$750 million is around 20 per cent of total red tape, this implies that the total red tape burden on the community could be around \$3.75 billion. If each piece of legislation imposing a red tape burden on the community lasts on the statute books for 20 years on average, this implies that the red tape burden added each year could be around \$187 million, including both state and local government regulatory functions. Only a component of this would relate to regulations relevant for local government.

Impact of IPART’s recommendations

IPART has made two recommendations that impact on the red tape burden for new regulations (Box 2.2).

2.2 Recommendations to improve the quality of new regulation

- Recommendation 1: That the Department of Finance, Services and Innovation (DFSI) revise the *NSW Guide to Better Regulation* to include requirements for State agencies developing regulations involving regulatory or other responsibilities for local government, as part of the regulation-making process, to:
 - consider whether a regulatory proposal involves responsibilities for local government
 - clearly identify and delineate State and local government responsibilities
 - consider the costs and benefits of regulatory options on local government
 - assess the capacity and capability of local government to administer and implement the proposed responsibilities, including consideration of adequate cost recovery mechanisms for local government
 - take a coordinated, whole-of-government approach to developing the regulatory

⁴ The CIE 2013, *Local government compliance and enforcement: quantifying the impact of IPART’s recommendations*, prepared for IPART.

proposal

- collaborate with local government to inform development of the regulatory proposal
- if establishing a jointly provided service or function, reach agreement with local government as to the objectives, design, standards and shared funding arrangements, and
- develop an implementation and compliance plan.

- Recommendation 2: That the NSW Government maintain a *Register of local government reporting, planning and compliance obligations* that should be used by State agencies in the regulation-making process to manage the volume of regulatory requirements imposed on councils and to avoid creating unnecessary or duplicative requirements.

Largely, the problems associated with new regulations relevant for local government are the same as those for new regulations in general.

The Productivity Commission identifies a number of leading practice approaches to make RIA more effective and efficient. IPART's recommendations pick up on some of these themes. In particular, IPART's recommendations are likely to improve stakeholder engagement. The requirement to consider and consult on a range of issues relevant to Local Government should improve Local Government engagement in the policy development process.

IPART's recommendations in this area seek to prevent new state regulations enforced by local government from imposing unnecessary costs on the community. Reform in this area is critical. Inadequate regulatory impact assessment processes in NSW help to explain the prevalence of red tape in the NSW economy.

The benefits of IPART's recommendations depend on the extent to which they prevent new regulatory proposals that are not in the best interests of the community from passing into law. Clearly, it is not possible to know with any certainty what proposals will be put forward in the future and the extent to which the strengthened RIA processes will prevent ones that impose a net cost on the community from passing into law. Further, the extent to which this improves on other mechanisms put in place for a similar purpose is difficult to judge. For example, the NSW Government and local councils were part of the *Intergovernmental Agreement to guide NSW state-local interactions on strategic partnerships*, which was in place until 30 June 2015. This aimed to ensure similar outcomes as that sought by IPART's recommendations.

Improvements in the regulatory process for state regulations enforced by local government could avoid further significant increases in red tape (table 2.3). If improvements in the regulatory process proposed are somewhat successful, such as reducing new regulatory burdens by 15 per cent, then this would generate net benefits of \$70-\$80 million over a 10 year period. This reflects the estimates of additional burdens from new regulations from CIE 2013 noted above. If the recommendations were more successful and reduced the burden of new regulations by 25 per cent then this would generate net benefits of as much as \$200 million over the next ten years. Note that we

have allocated 90 per cent of these benefits to the community and 10 per cent to councils. The actual impacts of the new regulation could impact in different ways than this.

It is not possible to disaggregate these impacts across IPART's recommendations. Qualitatively, the largest impacts would occur through Recommendation 1.

2.3 Impacts of reducing the flow of new net cost regulations

Recommendation: Increasing focus on local government in development of new regulations (No. 1 and 2)			
Group	Impact – indicative		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	1 266	7 597	22 828
NSW Government	- 169	- 203	- 238
Community	11 396	68 374	205 452
Total	12 493	75 768	228 042

Note: The benefits accumulate over time.

Source: CIE.

Strengthening the regulatory impact assessment system in NSW could deliver significant red tape reductions and net benefits to councils.

Fees and charges

Size and nature of the problem

In many circumstances, user fees and charges for the regulatory services provided by council can actually lead to more efficient outcomes if set at an appropriate level. Cost recovery arrangements can improve efficiency by:

- ensuring those that benefit from the regulatory regime pay for it — this encourages them to consider the cost of the resources involved in operating the regulatory regime in making their economic decisions, thereby improving the allocation of resources.⁵ There is also an equity dimension associated with the 'beneficiary pays' principle. Funding arrangements where the beneficiaries of the regulatory regime pay for it reduces the burden on general ratepayers, many of whom may not consume regulated products;⁶
- instilling cost consciousness within councils and in users — where user charges reflect the cost of providing the service, this increases the accountability of the council to users and can create an incentive to improve efficiency;⁷ and

⁵ Productivity Commission, 2001, *Cost Recovery by Government Agencies*, Inquiry Report, Report No. 15, 16 August, pp. 14-16.

⁶ Productivity Commission, 2001, *Cost Recovery by Government Agencies*, Inquiry Report, Report No. 15, 16 August, p. 15.

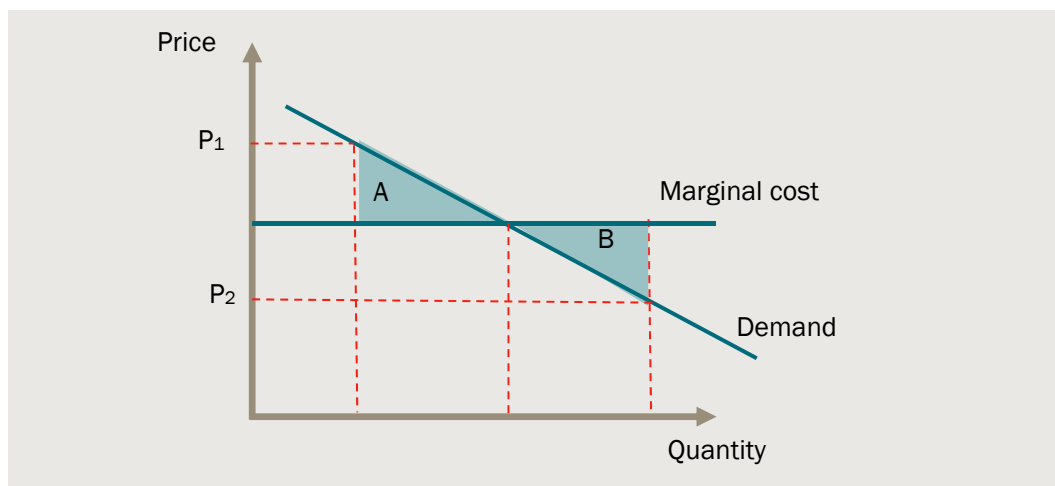
⁷ Productivity Commission, 2001, *Cost Recovery by Government Agencies*, Inquiry Report, Report No. 15, 16 August, pp. 95-96.

- providing councils with a source of revenue — user fees and charges are a transfer between users and the council, rather than a net cost to the community. Funding regulatory services through user fees and charges reduces the call on other revenue sources (such as rates) or in some cases help councils maintain an acceptable quality of service as well as remain financially viable.

However, to achieve any efficiency benefits from regulatory fees and charges, they must be carefully designed and set at the right level. In its 2001 *Inquiry into Cost Recovery by Government Agencies*, the Productivity Commission noted that where cost recovery arrangements are not designed with economic efficiency in mind, user charges may be a less efficient means of revenue collection than general taxation revenue (that is the associated efficiency losses could exceed the efficiency gains from the reduction in tax collection).⁸

The welfare losses associated with user fees and charges being set at the wrong level is shown in chart 2.4, where the optimal fee for regulatory services is at the marginal cost of providing the service. A higher fee (such as P_1) would reduce demand for the regulatory services below the optimal level and result in a net welfare loss to the community (Area A). Alternatively, a fee set at a level below marginal cost (such as P_2) would reduce the red tape costs on business and/or the community (as defined in the NSW Government guidelines). But it would result in the demand for regulatory services being higher than the optimal level and therefore higher costs on councils, which must be recovered through an alternative source. This would also result in a net cost to the community (Area B).

2.4 Market for regulatory services



Source: CIE.

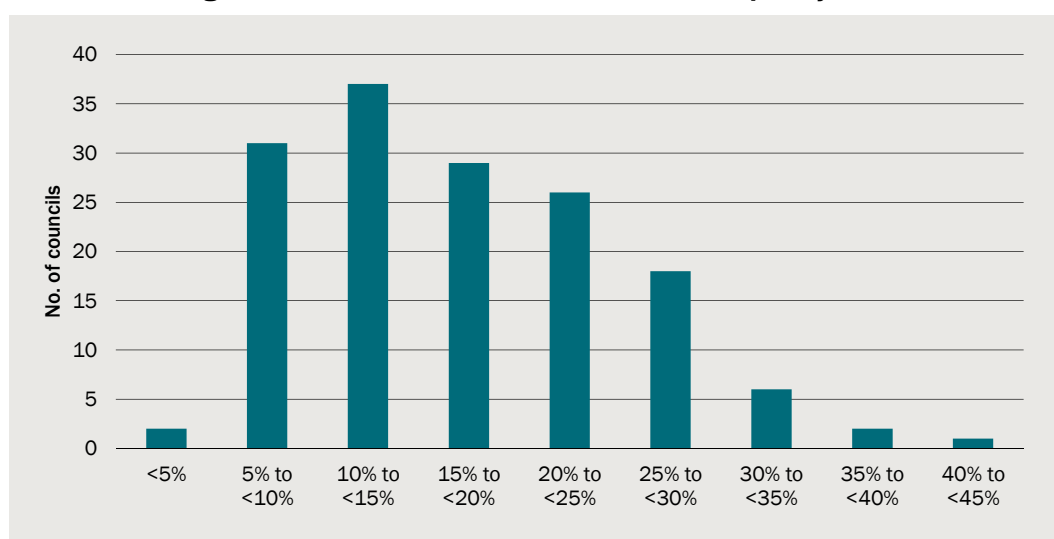
In 2012-13 — the last year for which aggregate data is publicly available — NSW councils are estimated to have collected around \$1.8 billion in user fees and charges (this includes regulatory fees and charges as well as user charges for other services provided).⁹ In 2010-11, the last year for which detailed data is available, the proportion of council

⁸ Productivity Commission, 2001, *Cost Recovery by Government Agencies*, Inquiry Report, Report No. 15, 16 August, p. LV.

⁹ NSW Office of Local Government 2014, *Comparative information on local government: measuring local government performance 2012/13*, p. 22.

revenue obtained from user fees and charges varied between 1.3 per cent and 43.3 per cent (see chart 2.5 for the frequency distribution).¹⁰ There are a range of factors that would account for this variation, including variation in the type and quality of non-regulatory services provided by councils and variation in the geography and demography across councils. Nevertheless, there is also significant variation across councils within each OLG Group. This suggests there may be significant differences in councils' approaches to setting user fees and charges, including regulatory fees and charges.

2.5 User charges as a share of total council revenue – frequency distribution



Data source: DLG, Comparative information 2010/11, CIE analysis.

The CIE 2013 estimated that the economic costs of poorly set fees and charges would be in the order of \$33 million per year.¹¹ There are upside and downside risks to this estimate:

- On the upside, the estimate has not accounted for the overall level of cost reflectivity of fees and charges, but only the difference between councils. In many areas, charges are likely to be set well below the efficient costs, which would increase the gains from a more rational fee setting arrangement, including allowing fees to increase with CPI.
- On the downside, the quality of data is questionable and some part of the difference between councils may reflect data issues rather than real differences in cost recovery.

Impact of IPART's recommendations

The efficiency cost from incorrectly set regulatory fees and charges could be around \$33 million per year (see above). IPART has made four recommendations to improve arrangements for fees and charges (box 2.6). Together these recommendations would provide strong incentives for fees to move towards efficient costs.

¹⁰ CIE analysis based on DLG, Comparative information 2010/11.

¹¹ The CIE 2013, *Local government compliance and enforcement: quantifying the impact of IPART's recommendations*, prepared for IPART.

2.6 Recommendations relating to fees and charges

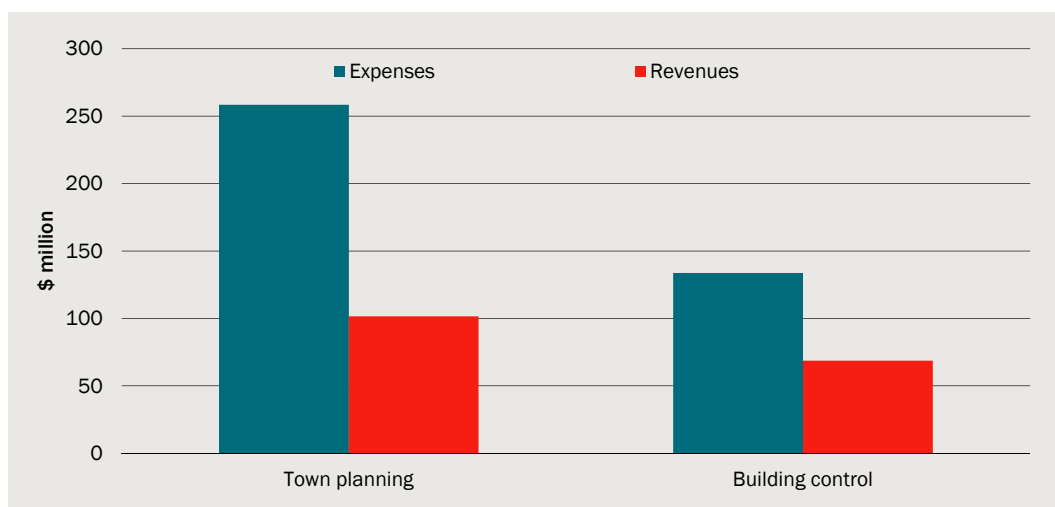
- Recommendation 3: That the NSW Government remove restrictions on fees for statutory approvals and inspections to allow for the recovery of efficient costs, subject to monitoring and benchmarking.
- Recommendation 4: Where fees continue to be set by statute, that the relevant NSW Government agency reviews the level of the fees every 3 to 5 years and amends the relevant legislation to allow these fees to increase annually in line with CPI or an index of fee-related costs.
- Recommendation 5: That the NSW Government review the basis upon which the fees for Development Applications (DAs) are calculated to:
 - better reflect the efficient cost to councils and the NSW Government of processing DAs
 - minimise disputes and subsequent adjustments, and
 - facilitate online payment of DA fees.
- Recommendation 6: That if statutory fees are capped below cost recovery to ensure affordability or for other policy reasons, then the NSW Government should reimburse councils for the shortfall in efficient costs.

In particular, there are some statutory fees, such as for development applications, that are likely to be under-recovering revenue.

- The 2013/14 Cost Shifting Survey undertaken by Local Government NSW indicated that development application fees under-recovered revenue by \$36.5 million. Total cost shifting reported was \$670 million, although only a part of this is relevant to IPART's recommendations.
- An example provided by a council in IPART's draft report noted that development assessment was under-funded at 4 per cent of rates, which would be equivalent to \$180 million per year across NSW.¹²
- Local government reporting of revenues and expenses for town planning and building control shows significant shortfalls in each (chart 2.7).

¹² IPART 2016, *Review of reporting and compliance burdens on Local Government, Draft Report*, Box 5.3.

2.7 Local council revenues and expenses from planning and building – 2011/12



Data source: Special Schedule 1 – net cost of service provision, data provided by councils DLG.

Where fees are under-recovering costs, IPART’s recommendations would either lead to these charges increasing or a shift in costs from local councils to the NSW Government. The cost shift could be substantial, potentially over \$100 million per year. This would provide a strong incentive for NSW Government agencies to move fees to cost reflective levels over time.

The economic benefits of more efficient fees would include:

- better signals to users about the cost of council services. This would allow users to use less of these services or use them in different ways. For example, it might lead to some development shifting to using complying development pathways with minimal changes to the development itself;
- better resourcing for councils. For example, in the case of DAs this might lead to better resourced councils that can process applications more rapidly; and
- potentially signals to councils about their efficiency relative to other councils or competitors.

To estimate the impacts we consider how the recommendations might influence the economic cost of inefficient fees of \$33 million per year.

- A low bound reflects the impact of allowing for fees to increase by inflation, relative to allowing fees to move to a full cost reflective level, assuming current fees are 50 per cent of costs. This gives an impact of 16 per cent, which would be achieved through fairly minimal changes to fees.
- The upper bound we set as 50 per cent of the economic cost of inefficient fees. This assumes that in some areas the NSW Government would not allow fees to move to cost reflective levels.

We also estimate the extent to which costs would shift between the NSW Government and councils on the same basis. The further costs move to efficient costs the more costs would come from the community rather than the NSW Government.

A systematic review of all local government regulatory fees and charges could be relatively costly. We expect this would proceed over time, beginning with areas such as development applications and then moving to other areas. We have allowed for costs of \$400 000 per year for review of fees and charges, with a range from \$200 000 to \$600 000 per year.

The estimated impacts are set out in table 2.8. There are anticipated to be large shifts in revenue between different groups, and likely from the NSW Government and community to councils. The net benefits are estimated at \$68 million over 10 years in the central case.

2.8 Impacts of changes to fees and charges

Recommendation: Changes to fees and charges arrangements (No. 3, 4, 5 and 6)			
Group	Impact - indicative		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	656 409	656 409	656 409
NSW Government	-556 843	-443 274	-329 704
Community	-86 895	-144 811	-212 472
Total	12 672	68 325	114 233

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

Grants administration

Local government receives grant funding through specific programs undertaken across NSW Government agencies. These programs can cover sport and recreation, cultural activities, health, transport, environmental activities and other areas. In 2006, the Department of Premier and Cabinet coordinated the release of a *Good Practice Guide to Grant Administration*. There remain high administration costs particularly for small grant programs, both for the NSW Government to review grant applications/acquittal and local councils seeking to access grant funding.

Consultations undertaken for this project suggest grant administration costs for the NSW Government vary widely among programs, with some having administration costs of less than 5 per cent of the value and others almost 100 per cent of the value. The average is likely at the lower end of this spectrum for grants in general but higher for smaller grants, because there are some fixed costs for grant administration.

IPART's recommendation seek to streamline the grant process to better balance administration costs and accountability (box 2.9).

2.9 Recommendation for grants

- Recommendation 7: That the Department of Premier and Cabinet amend the *Good Practice Guide to Grant Administration*, to:
 - recognise Local Government as separate from non-government organisations
 - remove acquittal requirements for untied grants
 - explicitly address ongoing maintenance and renewal costs when funding new capital projects
 - require Agencies to rely on existing council reporting to assess financial stability and management performance of councils
 - lengthen acquittal periods for ongoing grant programs to four years, and use Memorandum of Understanding (MOU) arrangements, rather than requiring councils to reapply annually, and
 - provide for a streamlined acquittal process for grants of less than \$20,000 in total, examples of streamlining include:
 - ... not requiring further external financial audit
 - ... using risk-based controls and requirements, and
 - ... confining performance measurement to outcomes consistent with the purpose of the grant.

Data on the number, type and value of grants provided by the NSW Government to local government is not systematically available, as these programs are operated by agencies independently. Previous work within the NSW Government considered that between \$200 million and \$400 million per year of funding was provided to local councils through grants. In terms of numbers of grants, a substantial portion are likely to be small and untied, based on review of NSW Government agency reports such as the Environment Trust and Sport and Recreation. In terms of the value made up by small and untied grants this would be smaller.

Impacts of IPART's recommendations

We have estimated benefits and costs on the basis that the recommendations are implemented as set out and agencies follow the *Good Practice Guide to Grant Administration* in designing their grant requirements. We note that there is still likely to be substantial variation across grant programs that follow the directions in the guide, but we would expect that the recommendations would reduce administration costs. The key assumptions underlying the estimates are set out in table 2.10. In particular:

- based on the total pool of grant funding to councils, we assume about \$20 million per year or 2 000 grants are small/untied grants impacted by IPART's recommendations;
- grant administration costs for NSW agencies are generally in the order of 5-30 per cent of the cost of the grant, and higher for smaller grants. We therefore allow a range for costs saved from streamlined acquittal requirements of 2.5 per cent of grant value to 10 per cent of grant value. Note that the potential administrative cost savings are larger than this, given that administrative costs vary widely across grants programs,

however it would not be expected that IPART's recommendation would systematically move all grants to the most administratively efficient model;

- applicants would face cost reductions at least equal to those achieved by the NSW Government; and
- implementation costs for the recommendation would be small (~\$15 000) reflecting time to make changes and undertake consultation across agencies on these changes.

Note that we do not consider that there would be negative impacts from IPART's recommendations in terms of ensuring grants achieve their purpose. The quantification also focuses on reduced costs for small and untied grants. There would be additional reductions in compliance costs for lengthening acquittal periods and relying on council reporting to assess financial stability that we have not been able to quantify.

2.10 Key assumptions used to assess grant impacts

	Central	Low	High
Total small (less than \$20,000) and untied grants provided to local government (\$m/year)	20	20	20
Average value of small and untied grants (\$/grant)	10 000	10 000	10 000
Implied number of small (less than \$20,000) and untied grants per year	2 000	2 000	2 000
Cost of acquittal requirements for councils that would be removed for grants of less than \$20,000 per year (\$/grant)	500	250	1000
Cost of acquittal requirements for NSW Govt (\$/grant)	500	250	1,000
Implementation costs for NSW Government (\$)	15 000	15 000	15000

Source: CIE.

Under these assumptions, IPART's recommendation would have net benefits of \$6 to \$26 million over a 10 year period.

2.11 Impact of amendments to Good Practice Guide to Grant Administration

Recommendation: Good practice guide to grant administration (No. 7)			
Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	3 282	6 564	13 128
NSW Government	3 268	6 550	13 114
Community	0	0	0
Total	6 550	13 114	26 242

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

Public access to data through Data NSW or the Information Asset Register

Recommendations 8 and 9 (box 2.12) have not been quantified. Consultation with DFSI revealed no clear tangible changes this recommendation would make. The Asset Register is a list of datasets that could be accessed, which makes it difficult to know how much this would reduce search costs without being able to identify what would shift to this list and the number of users who would find this more convenient.

2.12 Public data access - unquantified systemic recommendations

- Recommendation 8: That State Government agencies collecting local government data and information make this data discoverable through the Data NSW open data portal or the Information Asset Register maintained by the Department of Finance, Services and Innovation.
- Recommendation 9: That the Department of Finance, Services and Innovation:
 - support State Government agencies to use the Open Data Rolling Release Schedule to establish clear timeframes for publishing local government data and information in Data NSW (in machine readable formats)
 - support councils to make local government data and information available for discovery through Data NSW or the Information Asset Register, and
 - support the Office of Local Government to develop a central portal for local government reporting and streamlined data collection.

Public notices

Under the Local Government Acts and in some regulations, Councils are required to use print media for advertising, exhibition and public notices rather than electronic media or council website. Some examples of the requirement to use print media include:

- advertising of senior staff members
- serving notices to a person
- granting leases, licences and other estates in respect of community land, with terms greater than five years

IPART's recommendation seeks to lower costs to Councils by allowing alternative methods of providing notices where costs of complying with print media requirements outweigh the benefits (box 2.13).

2.13 Recommendation around public notices

- Recommendation 10: That the Department of Planning and Environment, including through the Office of Local Government, review public notice print media requirements in the *Local Government Act 1993*, the *Local Government (General) Regulation 2005*, the *Environmental Planning and Assessment Act 1979*, and the *Environmental Planning and Assessment Regulation 2000* and, where the cost to councils of using print media exceeds the benefit to the community, remove print media requirements and allow online advertising, mail-outs and other forms of communication as alternatives.

Benefit to Councils through lower costs

Given the prevalence of electronic media, complying with regulations to use print media can be onerous and costly to some Councils. These costs are deemed unnecessary especially in cases where the use of print media does not yield any extra benefits when compared to other alternative forms of communication.

Rockdale City Council, in answering IPART's questionnaire stated that the cost of advertising council meetings in print media amounted to around \$1 500 per year. This includes the cost of preparing the advertisement and liaising with the print media agencies. The Council considered this to be an outdated process that has now been superseded by electronic communications. Hence, complying with the regulations imposed unnecessary costs to the Council.

Wagga Wagga Council made comments on the requirements under section 705 of the *Local Government Act*, which requires that public notices be published in a local newspaper. The Council noted that the requirement to advertise in newspapers results in additional costs and further delays to all processes that have public notice requirements under the Act. These additional costs were calculated to be around \$15 000 per annum.

Wagga Wagga Council also referred to section 55 of the *Local Government Act* and the associated tendering regulation obligations placed on Councils to advertise in newspapers. The Council noted that each advertisement for the Sydney Morning Herald costs around \$400 and there are between 20 to 40 tenders every year (therefore, an average of 30 tenders per annum). As a result, complying with this regulation costs a medium sized Council, such as Wagga Wagga, approximately \$12 000 per year.¹³

These costs provided by Rockdale Council and Wagga Wagga Council were used to estimate the total costs of the current regulations to all Councils. For better representation, the size of individual Councils were taken into consideration, and costs

¹³ The classification of Wagga Wagga Council as a medium-sized Council is based on the Australian Classification of Local Governments. \$12 000 is calculated using the estimates provided by Wagga Wagga Council, that is \$400 per tender for an average of 30 tenders in a year.

were apportioned accordingly. Table 2.14 shows the breakdown of Councils according to the Australian Classification of Local Governments (ACLG).

2.14 Number of Councils in each category

	Small	Medium	Large	Very Large
No. of councils	17	55	41	39

Source: Australian Classification of Local Governments

Table 2.15 shows the costs of complying with the print media requirements in legislation for different sized councils, as well as the assumed change in the cost categories if IPART's recommendations were to be adopted. Cost figures provided to IPART by Rockdale Council and Wagga Wagga Council were used to estimate the associated costs for other Councils of varying sizes.

2.15 Costs of complying with print media requirements and change in costs with IPART's recommendations

	Change in costs with IPART's recommendation	Costs for a small council	Costs for a medium council	Costs for a large or very large council
	%	\$/year	\$/year	\$/year
Cost of advertising council meeting in print media	70% ^a	375	750	1 500
Cost of advertising in relevant newspaper for tenders	60% ^b	6 000	12 000	24 000
Cost of advertising public notice in local newspaper	60% ^c	7 500	15 000	30 000
Total costs to councils		13 875	27 750	55 500

^a Rockdale Council considered a 100 per cent of the obligation to be unnecessary, however, a 70 per cent change in costs is assumed for a conservative estimate. ^b Wagga Wagga Council considered about 60 per cent of the obligation to be unnecessary. ^c This is based on the estimate provided by Wagga Wagga Council for the previous cost component.

Note: According to the ACLG, Rockdale City Council is a large Council and Wagga Wagga Council is a medium council. It is assumed that a large/very large council has the biggest costs, with a medium sized council having half of those costs and a small sized council having a quarter of those costs.

Source: The CIE based on Council estimates

Therefore, a large (or very large) council is estimated to spend around \$55 500 in complying with print media requirements per year. This was in line with the submission provided by Warringah Council (also considered to be a large council), which estimated its print media costs to be \$60 000 per annum.

Applying the percentage change in costs, resulting from IPART's recommendation, to the different costs across all the councils (based on the number of councils in each category in 2.14), provides the following cost savings:

- \$142 000 per year for all small councils
- \$920 000 per year for all medium sized councils and
- almost \$2.7 million for all large/very large councils.

In total, this amounts to more than \$3.7 million per year in avoided costs for all NSW local government councils if IPART's recommendation is adopted.

Costs to NSW government – implementation costs

IPART recommends that the Department of Planning and Environment (DPE) through the Office of Local Government (OLG) review the requirements and carry out cost-benefit analyses to determine where the costs outweigh the benefits.

The CIE assumes that this will involve a full consultation process with relevant stakeholders. Including the time taken to undertake detailed cost-benefit analyses as well as the associated time spent on making amendments to the pertinent Acts/regulations, the total implementation time is likely to be 6 months, or 26 weeks. We assume one FTE in each department will be associated with the project over this time. Using a professional wage of \$41.50 per hour and including on-costs results in total implementation costs of almost \$142 000 to the NSW Government (table 2.16).

2.16 Implementation costs to NSW Government

	Units	Value
No. of staff from DPE	(FTE)	1
No. of staff from OLG	(FTE)	1
Professional wage per hour	(\$)	41.5
No. of hours in a week per FTE	(no.)	37.5
Total time spent on implementation	(weeks)	26
Total implementation cost	(\$'000)	141.62

Source: CIE.

Costs to the community

Council submissions to IPART showed that some may continue to use newspaper notices in addition to online resources as direct mail-outs are a more costly option. However, if the print media requirements are removed, and all public notices and tenders are advertised online instead, the main costs will be to individuals who rely more on print media and have less access to online resources. As this is difficult to quantify, it was not included in the CIE's calculations.

Impact of IPART's recommendation

Overall, in removing the print media requirements, NSW Councils will be able to save costs and reallocate these resources to other areas. We conservatively estimate over a 10 year period councils could save \$24.5 million. There would be a small cost to the NSW Government related to implementation.

2.17 Impact of print media recommendations

Recommendation: DPE, including through the Office of Local Government, review public notice print media requirements (No. 10)

Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	24 537	Na
NSW Government	Na	-132	Na
Community	Na	0	Na
Total	Na	24 404	Na

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

3 Water and sewerage

Summary

Three recommendations relating to water and sewerage have been quantified with a possible net benefit of \$12.1 million over 10 years. IPART's recommendation to streamline the Best-Practice Management Framework (No. 12) has estimated net benefits of \$10.5 million over 10 years through a reduction in the reporting burden on local councils. The recommendation to implement a standardised template for aerated-wastewater treatment systems for quarterly servicing (No. 13) and operational approval (No. 14) has an estimated net benefit of \$1.5 million. The recommendation to regulate Local Water Utilities on a regional or catchment basis (No. 11) has not been quantified in this analysis as the recommendation was confirmed after the draft report was delivered to IPART.

3.1 Summary of recommendations for water and sewerage

Group	Impacts		
	Recommendation 12	Recommendation 13&14	Total
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	10 575	1 621	12 196
NSW Government	- 49	- 74	- 123
Community	0	0	0
Total	10 526	1 547	12 073

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

Regulation of Local Water Utilities at a catchment or regional level

DPI Water regulates Local Water Utilities (LWUs) through the NSW Best Practice Management of Water Supply and Sewerage Framework (BPM Framework), and under section 60 approvals in the *Local Government Act 1993*¹⁴ (LG Act).

Under the BPM Framework, LWUs are required prepare and implement a 30 year Integrated Water Cycle Management (IWCM) Strategy to address linkages between the

¹⁴ This relates to the construction or extension of a dam, water or sewage treatment works and the reuse of effluent and biosolids.

elements of the urban water cycle and community expectations.¹⁵ LWUs have identified the high costs associated with the development of the strategy, including the use of consultants which range between \$35 000 and \$300 000 (average \$165 000). Costs associated with variability in DPI Water's management of the process and a small selection of consultants approved by DPI Water to do the secure yield modelling are identified by councils as a reason for escalating costs. Some councils estimate the 'wasted expenditure' due to the recent revision of the BPM Guidelines to be \$40 000 in consultancy fees (no estimate was provided for the internal costs).¹⁶

Some LWUs participate in regional alliances¹⁷ to conduct strategic planning and for CENTROC members, this includes the procurement of consultancy services for IWCM Strategy development at a lower cost than doing it alone.

DPI Water's regulatory function for new infrastructure is exercised through section 60 approvals under the LG Act. DPI Water processes approximately 60 applications under section 60 each year (25 for water treatment, 15 for sewerage treatment and 20 for wastewater recycling projects). LWUs have identified delays of up to 20 months for DPI Water approval and the lack of a formalised process or time guarantees.

IPART's review finds the current regulatory approach of LWUs to be overly prescriptive, unnecessarily burdensome, and inconsistent to the risk-based approach for utilities under the *Water Industry Competition (Review) Act 2014*. A number of stakeholders strongly argued for an overhaul of the Governance framework and towards a principles- or outcome based approach to replace DPI Water's BPM Framework.

IPART's recommendations for the regulatory process for LWUs are in box 4.8.

3.2 Recommendations around regulatory approach of LWUs

- Recommendation 11: That the Department of Primary Industries Water (DPI Water) regulates Local Water Utilities (LWUs) on a catchment or regional basis, rather than on an individual LWU basis, using a whole-of-government, risk-based and outcomes-focused regulatory approach.

Past evidence suggests that larger water utilities have substantially higher productivity than smaller water utilities. This in part reflects economies of scale in the provision of

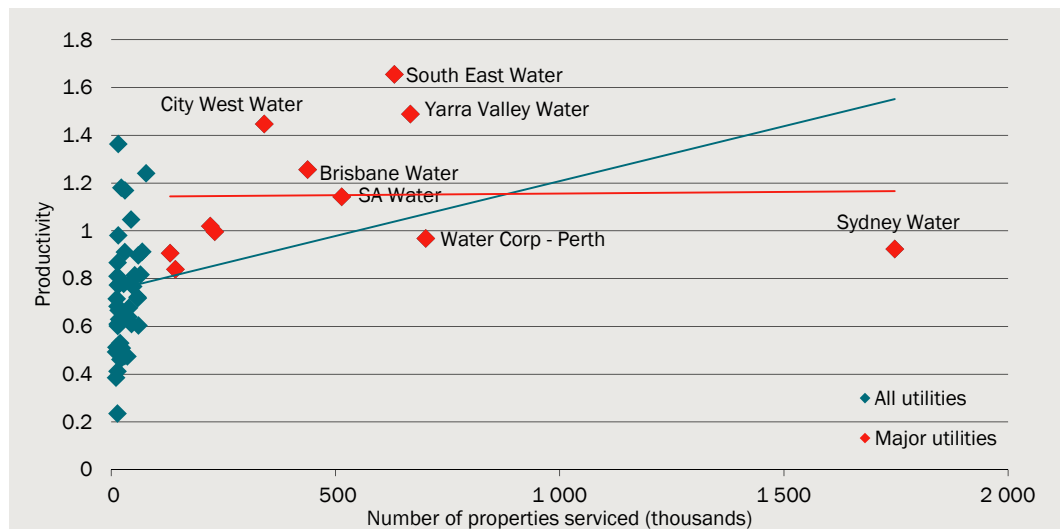
¹⁵ DPI Water website *Integrated Water Cycle Management*. <http://www.water.nsw.gov.au/urban-water/country-town-water/best-practice-management/integrated-water-cycle-management> Accessed 15 March 2016.

¹⁶ Email from Centroc to the CIE 26 February 2016.

¹⁷ We are aware of the following regional alliances: Centroc Water Utilities Alliance (Bathurst, Blayney, Boorowa, Cabonne, Central Tablelands Water, Cowra, Forbes, Lachlan, Lithgow, Mid Western, Oberon, Orange, Parkes, Upper Lachlan, Weddin, Young); the Lower Macquarie Water Utilities Alliance (Dubbo City, Bogan, Cobar, Narramine, Warren, Wellington Shires, Bourke, Brewarrina, Gilgandra, Connamble, Walgett, Warrumbungle); Councils in the Naomi Area; and Reroc (Bland, Coolamon, Cootamundra, Greater Hume, Gundagai, Junee, Lockhart, Temora, Tumbarumba, Tumut, Urana, Wagga Wagga)

services, but may also reflect factors such as density of development. In considering arrangements to provide water and wastewater service planning at a more aggregated level, this suggests there may be efficiency gains. Further examination of this data, and particularly outcomes in Victoria (chart 3.3) where there are fewer large utilities in regional areas could also assist in understanding the magnitude of potential efficiency changes.

3.3 Total factor productivity for Australian water utilities



Source: The CIE 2012, Top down efficiency review of SA Water, prepared for the Essential Services Commission of South Australia, p. 9.

Best-Practice Management of Water Supply and Sewerage Framework – reporting and auditing

3.4 Recommendations to streamline BPM framework reporting

- Recommendation 12: That DPI Water amend the Best-Practice Management of Water Supply and Sewerage Guidelines to:
 - streamline the NSW Performance Monitoring System to ensure each performance measure reported is:
 - ... linked to a clear regulatory objective
 - ... used by either most Local Water Utilities (LWUs) or DPI Water for compliance or meaningful comparative purposes
 - ... not in excess of the performance measures required under the National Water Initiative, and
 - ... not duplicating information reported to other State agencies.
 - align trade waste reporting with other performance reporting, on a financial year basis, subject to consultation with LWUs, LGNSW and the Water Directorate.

Best-Practice Management Framework

Performance monitoring for local water utilities with greater than 10 000 connections is required under the National Water Initiative. NSW's BPM Framework, however, requires performance monitoring of all local water utilities regardless of size. Through the BPM Framework, data is reported on approximately 600 indicators with many councils (and regional alliances) unsure of the value of the current reporting requirements to DPI Water or LWUs in providing quality water and sewerage services to the community. The level of complexity for BPM Framework reporting was also raised as an issue by councils, and the duplication of reporting between the EPA and DPI Water. Councils identified that a State data-sharing system would reduce their compliance burden and provide NSW Government agencies a central access point for information. Some councils cited the NSW Health drinking water database as an example of good regulatory and reporting practice.

Consultation revealed strong support to amend the BPM Framework, estimating that 25-75 per cent of performance measures could be removed.

Council responses to reporting requirements for LWUs with fewer than 10,000 connections was not as consistent. Councils proposed a number of options:

- 1 No difference in the performance indicators or timing for LWUs, regardless of size.
- 2 A reduction in performance indicators for LWUs with fewer than 10 000 connections, but reporting continued on an annual basis.
- 3 No difference in the performance indicators reported by LWUs with fewer than 10 000 connections, but less frequent reporting.
- 4 A reduction in performance indicators and less frequent reporting for LWUs with fewer than 10 000 connections.

DPI Water supports a reduction in performance indicators for LWUs with fewer than 10 000 connections, but is not in favour of reducing the frequency of reporting as this would result in diminished data quality. DPI Water is proposing to undertake a major review of the performance monitoring system in consultation with stakeholders.

There are many variations that could be tested with this recommendation due to the multiple variables involved. This analysis assumes a reduction in performance measures for LWUs with fewer than 10 000 connections to be consistent with LWUs with greater than 10 000 connections for the low and central case. For the high case, the analysis assumes a greater reduction in performance monitoring requirements for LWUs with fewer than 10 000 connections and reporting by these utilities on a three year basis.

The assumptions (in table 3.6) are relatively conservative given the variation in the estimates provided by councils for their annual reporting costs and proportion of indicators that they believe could be removed from the reporting requirement.

There are 76 local water utilities with less than 10 000 connections therefore changes made to either (or both) the frequency or number of performance indicators will have a significant impact on red tape reductions. Smaller councils should benefit the most from these amendments as the costs would be a proportionally larger part of their annual budget.

Councils considered that aligning the reporting timeline for trade waste would not have a significant impact on cost as there would be no change in the reporting requirement itself. For this reason, this amendment will have minimal impact on compliance burdens for councils.

For LWUs paying a dividend to the council's general fund, the impact from a reduction in the frequency of required audit reports under the BPM Framework will have an impact on approximately five councils.¹⁸

The following benefits have been estimated from amending the BPM Framework (Chart 3.5).

3.5 Impact of amending the BPM Framework

Recommendation: That DPI Water amend the Best Practice Management of Water Supply and Sewerage Guidelines (No. 12)

Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	5 589	10 575	16 752
NSW Government	-49	-49	-49
Community	0	0	0
Total	5 540	10 526	16 703

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate. Employee costs (wages and on-costs) and set in accordance with the NSW Better Regulation Office 2012 *Guidelines for estimating savings under the red tape reduction target*

Source: CIE.

The key assumptions for the analysis relating the BPM Framework are at table 3.6.

3.6 Key assumptions

	Low	Central	High
Annual cost to council to comply with BPM Framework performance monitoring (\$/pa)	28 937	28 937	28 937
Reduction in performance reporting under BPM from streamlining, LWUs with fewer than 10,000 connections (%)	-25	-50	-75
Reduction in performance reporting under BPM from streamlining, LWUs with greater than 10,000 connections	-25	-50	-50
Frequency of reporting for LWUs with <10,000 connections (years)	Annual	Annual	3
Consultation and implementation cost for NSW Government (\$) ^a	52 500	52 500	52 500
Implementation timeframe (years)	1	1	1
Reduction in cost for trade waste reporting to align it to a financial year basis (%)	-5	-5	-5

¹⁸ DPI Water estimated that this would apply to 5 per cent of councils.

	Low	Central	High
Number of LWUs paying a dividend to the council	5	5	5
For councils paying a dividend, regularity of audits (number of years)	3	3	3

^a This figure is estimated by the CIE for costs incurred to review the performance measures and is derived from costs incurred by DPI Water relating to the BPM Framework. Implementation cost is an estimate for one FTE for three months.

Source: CIE Estimates

The benefits are primarily driven by the reduction of reporting requirements for LWUs under the BPM Framework. There is a greater number of local water utilities with fewer than 10 000 connections than those with more, therefore any changes to reporting for the smaller LWUs will have a greater impact on overall compliance burden reductions.

Costs to NSW Government - Implementation costs

In their submission to IPART on the draft recommendations, DPI Water confirm that:

A significant amount of work is required to align DPI Water's current monitoring and reporting framework to the nature of LWU current and future capabilities.¹⁹

DPI Water did not provide a cost estimate for consultation and implementation as it would come at no extra cost to the Department.

For the purposes of this analysis, we have assumed that the consultation and implementation costs would be one FTE for three months.

Onsite sewerage management systems

Onsite systems are sewage treatment and disposal facilities installed at premises, which are not connected to a reticulated sewerage system (i.e. generally unsewered areas). These are typically household septic tanks and aerated wastewater treatment systems (AWTS) installed by the landowner.

NSW Health accredits the design of onsite systems available for purchase and determines periodic servicing requirements for different types of system.

Councils approve the installation and operation of onsite systems under section 68 of the *Local Government Act 1993* (LG Act) and conduct ongoing compliance of the systems. For AWTS, this includes the review of quarterly service reports and maintenance of a register. Servicing can be done by a representative of the system distributor/manufacture, or a contractor. There is no standard qualifications prescribed for contractors performing this service.

¹⁹ DPI Water 2015, Submission to IPART report p 2. Accessible via IPART website - http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Reviews/Local_Government_Regulatory_burdens/Review_of_reporting_and_compliance_burdens_on_Local_Government_18_Jan_2016_-_Draft_Report/Draft_Report_-_Review_of_reporting_and_compliance_burdens_on_Local_Government_-_January_2016#thesubmission Accessed 15 March 2015

The regulation of AWTS imposes a high administrative burden on councils associated with the volume and varying quality of service reports received from service technicians.

IPART's recommendations to improve efficiency in the regulatory process for councils are at box 3.7.

3.7 Recommendation around onsite sewerage systems

- Recommendation 13: That the Office of Local Government determine a standardised service report template to be used by technicians undertaking quarterly servicing of aerated wastewater treatment systems, in consultation with NSW Health and councils.
- Recommendation 14: That the *Local Government (General) Regulation 2005* be amended to require service reports to be provided to councils using the template determined by the Office of Local Government as a standard condition of approval to operate an aerated wastewater treatment system.

Growth in AWTS as a proportion of all onsite systems has been significant over the last 15 years – from 20 per cent of onsite systems in 2001 to approximately 50 per cent of onsite systems in 2016. This growth is in part due to the replacement of older septic systems with AWTS.

Most councils engage in partial cost recovery for onsite sewerage management systems (both AWTS and septic systems) by charging an annual fee as a separate amount on the rates notice. Some councils also charge separate fees for approval to install systems and inspection fees. While there is no specific fee collected for the review of the quarterly service reports, some councils recover the cost of their proactive and reactive onsite sewerage management programs (including inspections of systems failures and chasing up systems that have not been serviced) through their rates revenue, while others do not. It is unknown to what extent full cost recovery occurs, although anecdotally, it is thought to be low. To understand the full impact of the regulatory burden of AWTS on councils, all costs incurred (not just those to review quarterly reports and update the register) would need to be captured and compared to the fees charged.

Impact of IPART's recommendations

This analysis has focused on the quarterly servicing reports, (of which no fee can be collected) and the impact on council to have a standardised form. The benefits to council to standardise the form alone are estimated as a 10 per cent saving on their current costs. The real benefit would be materialised through electronic submission of forms which Councils estimate could save 50 per cent of the current cost through the reduction in manual handling of each form. Greater Taree City Council has moved to a standardised form, where they purchased the first round of books for the seven technicians operating in their area. The forms are then scanned into their database, with an electronic submission form the next stage of the project.

As the highest benefits would come through an online processing mechanism, there is an opportunity to develop a state-wide system where all technicians could log their reports and AWTS errors could be flagged to the appropriate council through an automated process. This would reduce the implementation costs that each council would incur to develop an online system. The cost of such a system (and also electronic lodgement of the standardised form) has not been investigated as part of this analysis.

Overall, councils were supportive of the recommendation however concern was raised over the competence of technicians as there are no minimum standards required of them to conduct the servicing.

We estimate net benefits of \$1.5 million over 10 years for implementing a standardised form (table 3.8).

3.8 Impacts of using a standard form for AWTS

Recommendation: A standardised service report template is developed for quarterly servicing of aerated wastewater treatment systems (No. 13 and 14)

Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	877	1 621	2 669
NSW Government	-61	-74	-92
Community	0	0	0
Total	816	1 547	2 577

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate. Employee costs (wages and on-costs) and set in accordance with the NSW Better Regulation Office 2012 *Guidelines for estimating savings under the red tape reduction target*

Source: CIE.

The key assumptions used in the analysis are set out in table 3.9.

3.9 Key assumptions for onsite sewerage template assessment

	Central	Low	High
Annual growth in AWTS ^a	5%	2%	10%
Number of AWTS in NSW base year	200 000	200 000	200 000
Cost per form (to review and register)	2.63	1.55	3.71
Consultation and implementation timeframe for NSW Government (weeks)	29	24	36
Reduction in cost due to measure	-10%	-10%	-10%

^a Due to the aggressive growth over the last 15 years, growth is assumed to plateau over the next five years and no growth is assumed from year 6 onwards.

Source: CIE.

Implementation costs

The industry is relatively competitive with systems manufacturers in NSW, VIC, QLD and SA producing three main types of AWTS technology. To develop the form, the Department of Health would engage in consultation with the different manufacturers to produce a template. The differences in technology were raised as a possible barrier to developing a form that would be practical for all systems.

The Office of Local Government could then engage in targeted industry consultation over the proposed template with selected councils and interest groups. The regulatory process to require the use of the form in the approval of AWTS would take approximately a week. Table 3.10 provides the implementation costs (central) to the NSW Government.

3.10 Implementation cost to NSW Government for onsite sewerage template

Item	Units	Estimate
No. of staff from NSW Health	(FTE)	1
No. of staff from OLG	(FTE)	1
Professional wage per hour	(\$)	41.5
No. of hours in a week per FTE	(no.)	37.5
Total time spent on implementation (overall process)	(weeks)	29
Total implementation cost	(\$'000)	78.9

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate. Employee costs (wages and on-costs) and set in accordance with the NSW Better Regulation Office 2012 *Guidelines for estimating savings under the red tape reduction target*.

Source: CIE.

4 Planning

Local government plays a central role in the land use planning process, including in developing local environment plans and undertaking development assessment.

IPART has made recommendations that would seek to use economies of scale at the NSW Government level to deliver greater efficiencies in the planning process, such as through the digitisation and automation of information collection and distribution.

Summary

The recommendations that IPART has made to address planning issues could have net benefits of \$7 million over a 10 year period. IPART's recommendation to reduce council reporting costs to the ABS and NSW Government (No. 15) would have a net cost of \$1.7 million over a 10 year period, because the cost savings would be small relative to the implementation costs. There is a wide range of estimates from councils as to the cost savings of an automated system, and using the higher estimates this recommendation would have a net benefit.

IPART's recommendation to put in place a one stop shop has estimated net benefits of \$8.7 million over a 10 year period. The latter is likely conservative because we have not sought to include cost savings to NSW Government agencies on the basis that electronic management of referrals would occur through ePlanning even in the absence of a one stop shop.

4.1 Summary table for planning issues

Group	Impact		Total
	Recommendation 15	Recommendation 20	
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	2 993	10 498	13 491
NSW Government	-4 711	-10 498	-15 209
Community	0	8 723	8 723
Total	-1 718	8 723	7 005

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

We have also estimated that the benefits of online payment of fees would be at least \$5 million over ten years. This would be above the implementation costs. This has not been included in the total because whether this can occur would depend on the review of development application fees.

IPART has made a number of other recommendations relating to planning that have not been quantified.

- IPART has recommended a review to make changes to s149 certificates. This would be expected to enable those undertaking development to access information online without the need for a certificate, and make it easier for certificates to be accessed online in general.
- IPART has recommended the standardisation of development consent conditions. The standardisation of development consent conditions could have large net benefits if this is done well, and conditions are both standardised and limited. A more detailed evidence base is needed for specific conditions and their application in order to inform this process and quantify the magnitude of expected benefits.

Data sharing and collection

IPART has made a number of recommendations to automate data collection from councils to the NSW Government, and reduce duplication.

4.2 Recommendations to reduce data collection burden

- Recommendation 15: That the Department of Planning and Environment (DPE):
 - Implement a data sharing model with the Australian Bureau of Statistics in relation to building approvals in NSW.
 - Introduce a consolidated data request of councils for the purposes of the Local Development Performance Monitoring (LDPM), Housing Monitor, State Environmental Planning Policy (Affordable Rental Housing) 2009 (Affordable Rental Housing) and State Environmental Planning Policy No 1 – Development Standards (SEPP 1 variations).
 - Fund an upgrade of councils' software systems to automate the collection of data from councils for the purposes of the LDPM, Housing Monitor, Affordable Rental Housing and SEPP 1 variations.
 - Publish the data collected from councils on Affordable Rental Housing and SEPP 1 variations data.
 - Seek agreement with the Land & Environment Court to obtain appeal data directly from the Court.
 - Remove the administrative requirement for councils to report to DPE on political donations or gifts under section 147 of the Environmental Planning & Assessment Act 1979.

The implementation costs of these recommendations is estimated by NSW Planning and Environment to be between \$2 to \$4 million, with ongoing maintenance costs of \$200 000 to \$400 000 per year (table 4.3). This is somewhat overstated for the full program as NSW Planning and Environment have indicated that there would be

efficiency savings from undertaking a consolidated data request and data sharing model with ABS at the same time.

4.3 Implementation costs to reduce data collection burden

Implementation costs	Central	Low	High	Source
	\$000	\$000	\$000	
Publish Affordable Rental Housing	30	30	30	DPE
Publish SEPP 1/Variation to development standards	140	140	140	DPE
Data sharing model with the ABS - implementation	2 250	1 500	3 000	DPE
Consolidated data request (without ABS)	500	400	600	DPE
Data from Court	14	12	15	DPE
Total once off-costs	2 934	2 082	3 785	
Ongoing costs (for data sharing model with the ABS)	300	200	400	DPE

Source: NSW DPE.

A large number of councils indicated reporting requirements related to the LDPM, Housing and Land Monitor, Affordable Rental Housing, SEPP1 variations and ABS were duplicative, cumbersome and unnecessary. Council responses to IPART's survey indicated a wide range of costs related to providing these datasets to the NSW Government and ABS.

- Shoalhaven City Council noted costs for the Local Development Performance Monitoring Report were in the order of \$8 000 per year, and could be halved if NSW DPE and the ABS shared data. It also noted costs of \$1 000 for Affordable Housing Rental SEPP data
- Canada Bay City Council noted that the costs for the Local Development Performance Monitoring Report were 2-3 days for a manager and 1-2 hours of technical support. In total, this would be in the order of \$2 000. This was noted as 100 per cent unnecessary.
- Lismore City Council noted the costs for the Local Development Performance Monitoring Report were \$1 000 per year, \$4 000 for the Housing and Land Monitor, \$100 for Affordable Rent Housing SEPP data and \$100 for SEPP1 data.
- Tenterfield Shire Council noted the doubling up of reporting for SEPP 1, which is undertaken quarterly, and the Local Development Performance Monitoring Report, but did not provide cost estimates
- Blue Mountains City Council noted costs of \$50 000 per year for SEPP1 reporting and council determination of SEPP 1. It also noted costs of \$2 000 for set-up costs for the Affordable Housing Report and the Local Development Performance Monitoring Report, of which it said 100 per cent was unnecessary, and \$1 000 per year for costs to provide duplicative data to the ABS and Local Development Performance Monitoring Report;
- Lake Macquarie City Council noted costs of \$1 million associated with the Local Development Performance Monitoring Report including one FTE. It suggested half of the cost could be removed; and

- The Greater Taree City Council noted the Housing and Land Monitor costs were 3.5 days for 1 FTE, which would be less than \$2 000 allowing for on-costs.

In large part, the costs are relatively small because councils have already implemented mechanisms to automate data collection where possible — in some cases such as Land and Environment Court data this is not typically automated. Councils also noted that some reports are provided quarterly and others annually, and this could be made easier by doing all reports annually.

Impact of IPART's recommendations

Based on the council responses, a reasonable range is that each council could avoid costs of between \$1 000 to \$5 000 from implementing IPART's recommendations. Based on the central estimate of implementation and ongoing costs, councils would have to save at the upper end of this range (\$5 000/year/council) for this recommendation to break-even. At a cost saving of \$3 000 there would be a net cost of \$1.7 million from this recommendation.

There could also be transition costs to councils from moving from their current systems to a new system.

The implementation of new systems may be able to be achieved at a lower cost relative to baseline as councils transition to mergers. If automated and standardised systems can be put in place at this time it may be worthwhile following up with this recommendation, or moving councils over as their systems are upgraded in response to other changes.

4.4 Impacts from recommendation to reduce data collection burden

Recommendation: Reducing duplicative reporting of data (No. 15)			
Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	998	2 993	4 989
NSW Government	-6 163	-4 711	-3 259
Community	0	0	0
Total	-5 165	-1 718	1 730

Note: Using a discount rate of 7 per cent over 10 years. The low scenario uses high costs and low benefits. The high scenario uses low costs and high benefits.

Source: CIE.

Online payment of fees through the planning portal

IPART has recommended that the NSW Planning Portal functionality be expanded to enable online payment (Box 4.5). As a precondition to this, development assessment fees and charges would need to be reviewed. Currently, a number of fees are dependent on the cost of the development application. This typically requires compliance activity to ensure cost estimates are reasonable and makes upfront payment of fees difficult.

4.5 Changes to the Planning Portal to allow online payment of fees

- Recommendation 18: That DPE amend the NSW Planning Portal to provide for online:
 - payment of fees and charges by applicants and for the Planning Reform Fund fee to then be automatically directed to DPE
 - information or certificates under section 149(2) of the Environmental Planning & Assessment Act 1979, and
 - joint applications for development approvals and construction certificates.

The benefits from allowing online payment of fees include:

- increasing the attractiveness of using electronic lodgement for planning applications, thereby increasing the number of applications using this pathway;
- reduced travel costs for people undertaking development (time and money) from avoiding having to go to council offices to pay fees; and
- reduced costs for councils of administering the payment of fees, including of interacting with people undertaking developments and making payments to the NSW Government for components of the fee relevant to it, such as the Planning Reform fee, Long Service Levy fee and charges for concurrences. Note that it would be expected that councils would continue to maintain systems for manual payment at council offices, so there would not be avoided costs of not having these systems.

Offsetting these benefits are the costs of implementing a payment system and of the NSW Government administering the distribution of fees between councils and NSW Government agencies.

NSW Planning and Environment is currently developing approaches to allow for online payment of fees, as part of continued roll-out of ePlanning. However, because of the fee structure for DA fees, this would require a reconciliation at the time of approval between the initial estimate paid and the final amount paid.

NSW Planning and Environment have previously estimated the avoided cost per visit to council at over \$20 per visit, based on the time and cost of travel. In some cases, payment of fees would occur at the same time as other activities. The share of development applications that could use online payment is expected to be ~50 per cent. This would imply benefits of in the order of \$0.7 million per year or \$5 million over 10 years (net present value).

We have not included this in the total benefits because it is conditional on the review of development application fees and charges.

One stop shop

IPART has recommended that DPE establish a one stop shop (OSS) to manage referrals to State agencies (box 4.6).

4.6 Recommendation for a one stop shop

- Recommendation 20: That DPE manage referrals to State agencies through a ‘one-stop shop’ in relation to:
 - planning proposals (LEPs)
 - development applications (DAs), and
 - integrated development assessments (IDAs).

Currently, councils manage concurrences and referrals to State agencies. This can be complex and delay development assessment, particularly where there are multiple concurrences or referrals.

The CIE has estimated that establishing an OSS for DAs requiring more than one concurrence and referral could save approximately 11 days per DA. This time saving is expected to be derived from a single, knowledgeable pool of NSW Planning staff managing the interactions with State agencies to ensure that advice is both timely and consistent.

Beyond this estimate of time saving however, there is limited information upon which to value the benefits of an OSS. In particular, understanding how an OSS could assist with planning proposals has not been quantified in this report. The CIE has made a number of assumptions to provide a range of the benefits as outlined in table 4.7.

4.7 Parameters used in estimating value of OSS

Parameter	Value	Source
Annual value of DAs with more than one concurrence and referral	\$6.1 billion	NSW Planning and Environment
Proportion of DAs with more than one concurrence and referral (by value)	10% to 25%	CIE assumption
Social value (surplus) of DAs as proportion of DA expenditure	50%	CIE assumption
Time saved through OSS	11 days	CIE assumption based on discussions with DPE
Discount rate (real)	7%	Assumption

Source: CIE.

Impact of IPART’s recommendations

Based on the parameters outlined in table 4.7, the CIE has estimated that the OSS could provide net benefits to NSW of \$5 to \$12 million over a 10 year period.

This net benefit estimate assumes that the 11 day time saving is a net resource saving. That is, there are no additional costs or inefficiencies introduced to the system through the OSS itself. This assumption is not guaranteed, and there are implementation risks associated with the OSS that could work to reduce this 11 day net time saving such as increasingly complex concurrences and referrals and continued difficulty liaising with State agencies, or the OSS providing another layer of people involved in the planning decision.

However, there are also upsides to this estimate. An OSS may lead to improved efficiency in managing concurrences and referrals in terms of resources and in terms of electronic management. It may also extend to applications requiring only a single referral, where it may also generate time savings, albeit one that is likely smaller.

- An OSS would also lead to some activities and costs that are currently undertaken by councils instead being undertaken by the NSW Government. For example, the administrative and time costs of managing the process of referrals. This is considered to be a transfer of activities and hence while this has financial implications for councils and the NSW Government it does not have implications for the benefits of the OSS. This would lead to somewhere in the order of \$1 million in costs per year shifting from councils to the NSW Government. It is likely that there are economies of scale in this process being managed by the NSW Government, which may lead to a cost reduction, which we have not included.
- It is also likely that proponents and agencies would find cost savings because of the electronic management of documents through the one stop shop. This is partly a result of a one stop shop and partly a result of ePlanning. We have not included this in our estimates, so this presents an upside to the benefits quantified, of in the order of \$5 million over 10 years.
- No impact has been included for planning proposals, which are more likely to require multiple State agency input than DAs.

4.8 Impact of a one stop shop for planning referrals

Recommendation: One stop shop for NSW planning referrals (No. 20)			
Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	10 498	10 498	10 498
NSW Government	-10 498	-10 498	-10 498
Community	4 984	8 723	12 461
Total	4 984	8 723	12 461

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

Standard development consent conditions

IPART has recommended that development consent conditions should be standardised and streamlined (box 4.9). While we are not able to quantify this recommendation, if this were done well, we expect that it could have large net benefits.

4.9 Recommendation for standardised development consent conditions

- Recommendation 21: That DPE develop suites of standardised development consent conditions and streamline conditions that require consultant reports or subsequent approvals, in consultation with councils, State government agencies and other key stakeholders.

Standardising development consent conditions could:

- improve the drafting of conditions to ensure that they are clear and enforceable. A number of submissions commented on issues around drafting of conditions;
- reduce council costs through making it easier for councils to apply standard conditions; and
- reduce the ability of councils to apply inappropriate conditions. This would only occur if DPE limits the conditions that council can apply.

The impacts of this recommendation will reflect the degree of consistency obtained across councils and the limitations put on councils. There are benefits to standardisation and consistency regardless of whether this limits council discretion. The drafting of a standardised set of development consents would cost in the order of \$20 000 for a council or \$3 million across 152 councils. If undertaken across NSW this exercise would involve less resources and could save over \$2 million. A number of council groups such as the Hunter and Central Coast Regional Environmental Management Strategy have already undertaken similar exercises, so the cost savings would be somewhat lower than this.²⁰ Further many councils may not seek to develop standardised conditions.

There are likely to be greater benefits from restricting what councils can and cannot put into development consent conditions.

- For example, Randwick Council has suggested a sets of “do’s” and “don’ts” for what information councils can include as consent conditions and what information councils can expect for documentation and 3rd party sign-off (such as acoustics, flooding, land contamination etc). Documentation costs related to gaining planning approval have been estimated by the CIE at \$187 to \$374 million per year.²¹ Hence reducing unnecessary documentation could provide substantial benefits.
- Or there may be scope to reduce council ability to apply overly prescriptive trading hours, given that the NSW Government also regulates trading and operating hours.²² The Productivity Commission has persuasively argued that deregulation of trading hours more generally would benefit consumers, increase competition and increase retail employment.²³

The magnitude of benefits that would arise from limiting council discretion in applying development consent conditions will reflect the set of conditions over which discretion is limited. Until this is considered by DPE and specific areas identified, it is not possible to quantify these impacts.

²⁰ HCCREMS 2012, *Developing quality conditions of consent, Guidelines*.

²¹ The CIE 2013, *Local government compliance and enforcement: quantifying the impacts of IPART’s recommendations*, prepared for IPART, p. 13.

²² Retail Trading Act 2008.

²³ Productivity Commission 2011, *Economic structure and performance of the Australian retail industry*, Chapter 10.

5 Administration and governance

Administration and governance arrangements for councils include their financial reporting obligations and arrangements for requiring approvals from state government, and giving approval for activities undertaken by the community.

Summary

A summary of the estimated costs and benefits for administration and governance recommendations is set out in table 5.1. The largest impact is anticipated from streamlining section 68 approvals, although all recommendations quantified are anticipated to have net benefits.

5.1 Summary table for administration and governance issues

Group	Impact						Total
	Recommendation 22 & 23	Recommendation 24	Recommendation 26	Recommendation 27	Recommendation 30	Recommendation 35	
	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000
Councils	2 494	8 533	11 428	12 470	0	31 272	66 197
NSW Government	- 280	0	0	0	0	-31 272	-31 552
Community	na	na	0	na	31 508	0	31 508
Total	2 214	8 533	11 428	12 470	31 508	0	66 153

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

Integrated Planning and Reporting framework

The Integrated Planning and Reporting (IP&R) framework was developed to enable a holistic planning approach for NSW Councils, allowing them to produce various plans that interact with each other to better cater to community needs.

IPART's recommendations on the Integrated Planning and Reporting (IP&R) framework are shown in box 5.2.

5.2 Recommendations for Integrated Planning and Reporting framework

- Recommendation 22: That the NSW Government streamline the reporting requirements for the Integrated Planning and Reporting (IP&R) framework in the revised Local Government Act.
- Recommendation 23: Ahead of the 2020 IP&R cycle , that the Office of Local Government:
 - provide councils with a common set of performance indicators to measure performance within the IP&R framework
 - conduct state-wide community satisfaction surveys and release the results to allow comparisons between councils and benchmarking
 - provide guidance to councils on the form and content of the End of Term Report and its relationship to local councils' Annual Reports
 - clarify for councils the purpose, form and content of the State of the Environment report and clarify its relationship to the End of Term Report
 - work with the Office of Environment and Heritage, the NSW Environment Protection Authority and other relevant agencies to develop performance indicators for councils to use, and
 - where relevant, amend the IP&R Guidelines and Manual to incorporate this material.

From 30 June 2012, all councils in NSW are required to be working within the IP&R framework set out in the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*. The next IP&R cycle begins in September 2016. Table 5.3 shows the various components of reporting under the framework.

5.3 Components of reporting under the IP&R framework

Name of report	Timing	Description
Community Strategic Plan	<ul style="list-style-type: none"> ■ 10+ years ■ Reviewed every four years 	<ul style="list-style-type: none"> ■ Purpose of the plan is to identify the community's main priorities and aspirations for the future and to plan strategies for achieving these goals ■ Council has a custodial role in initiating, preparing and maintaining the Strategic Plan, but other partners (such as State Agencies and community groups) may also be engaged in delivering the long-term objectives.
Resourcing Strategy	<ul style="list-style-type: none"> ■ Long term financial plan for a minimum of 10 years, but updated annually ■ Workforce Management Strategy for a minimum timeframe of four years ■ Asset Management Strategy and Plan must be for a minimum timeframe of 10 years 	<ul style="list-style-type: none"> ■ This is used by the council to assist the community by identifying who is responsible for what, in terms of the issues identified in the Community Strategic Plan ■ The Resourcing Strategy focuses in detail on matters that are the responsibility of the council and looks more generally at matters that are the responsibility of others.

Name of report	Timing	Description
Delivery Program	<ul style="list-style-type: none"> ▪ Every 4 years (new Council term) 	<ul style="list-style-type: none"> ▪ The Delivery program outlines the what the Council intends to do during its term of office in order to achieve the community's long-term goals. ▪ All plans, projects, activities and funding allocations undertaken over the Council term must be directly linked to the Delivery Program.
Operational Plan	<ul style="list-style-type: none"> ▪ Annual 	<ul style="list-style-type: none"> ▪ The annual Operational Plan supports the Delivery Program and details the individual projects and activities that will be undertaken each year to achieve the commitments made in the Delivery Program
Annual Report	<ul style="list-style-type: none"> ▪ Annual ▪ The council must prepare an annual report within five months of the end of the financial year 	<ul style="list-style-type: none"> ▪ The annual report is a report to the community and forms one of the key points of accountability between a council and its community. ▪ The report will outline the council's achievements in implementing its Delivery Program

Note: The Office of Local Government is currently undertaking reforms that may reduce the burden on councils in some areas, such as asset management and reporting.

Source: DPC (2013), 'Integrated Planning and Reporting Guidelines for Local Government in NSW'

Other pertinent reporting requirements that councils have to comply with under the IP&R framework include:²⁴

- the End of Term Report – tabled at the last meeting of the outgoing council
- the State of the Environment Report – a report on environmental issues relevant to the objectives for the environment established by the Community Strategic Plan
- progress reports – delivered every six months, reporting on progress with respect to the principal activities detailed in the Delivery Program
- budget review statement – delivered three times a year, providing a revised estimate of the income and expenditure for the year

The IP&R framework provides a structure for councils to improve on their strategic planning, budgeting and community consultation.

However, councils in consultation with IPART highlight the resource intensive nature of requirements, which were sometimes duplicative and represented a regulatory burden.

IPART's recommendations do not review the entire IP&R framework, and instead propose more guidance be provided to measure performance and further steps be taken to reduce the compliance burden whilst increasing the value to community.

Costs to NSW Government

The NSW Government will incur costs to carry out the state-wide community satisfaction surveys, develop performance indicators (presumably done in consultation

²⁴ Office of Local Government website, available at <https://www.olg.nsw.gov.au/councils/integrated-planning-and-reporting/framework/reporting>, accessed 22 February 2016

with relevant stakeholders), and amend the guidelines and manuals to incorporate new findings. A timeframe of six months is assumed.

Survey costs alone are estimated to be around \$150 000.²⁵ Other costs, including staff costs, time taken to undertake stakeholder consultations, develop indicators and other implementation costs are likely to amount to a total of \$300 000.

Impact on local councils

Councils highlighted the duplicative requirements across some of the reports that placed an additional regulatory burden. For example, Warringah Council noted that the last State of the Environment report in 2012 required approximately 15 days (of one FTE) to prepare. This then needed to be re-written and formatted as a subset of the End of Term Report, thereby duplicating their efforts.

Parramatta City Council calculated the total costs under the current IP&R framework to be \$100 000 across the four year cycle (therefore, \$25 000 per annum).

Assuming the same costs across all councils, as a conservative estimate, a 10 per cent reduction in these costs was calculated to analyse the impact of IPART's recommendations. This may result from councils facing less duplication and lower regulatory compliance. This translates to a benefit (in terms of total avoided costs to all councils) of \$380 000 per year annum, based on an improvement of \$2 500 per year for one council (or a 10 per cent reduction in annual cost).

However, it is imperative to note that the recommendations could have little to no impact, and instead may even impose further reporting requirements onto councils. For example, if additional performance indicators are introduced under the revised framework, councils might have to implement new methods of measuring and reporting against these indicators, thereby facing increased costs.

Moreover, a common set of indicators across all councils does not take into account the differences between communities or any other localised issues. For instance, a matter pertinent to a rural council may be irrelevant to council in a metropolitan area. Environmental issues can also vary accordingly, making it difficult to compare across councils. Therefore, in the 'low' scenario, the CIE assumes no change in council costs if the gain from reduced duplication is offset by increased measurement and reporting against new performance indicators.

Impact on community

If reporting requirements take into account the results from community-wide satisfaction surveys, there is potential for councils' reporting to cater directly to community's needs. As a result, there may be greater transparency and better accountability. These impacts, although noted, have not been quantified due to the difficulty in obtaining data.

²⁵ This is based on a cost of \$10 per person surveyed survey, across 152 councils with approximately 100 persons per council area. It is assumed that only one survey is carried out per IP&R cycle, that is, once every 4 years.

Impact of IPART's recommendations

IPART's recommendations may assist in reducing the council costs spent on reporting against the requirements under the IP&R framework. Our central estimate is that this could have a net benefit of \$2.2 million over 10 years (table 5.4).

The recommendation may end up making a larger impact, or no impact at all, depending on what performance indicators are developed and whether clarification results in material cost savings to councils.

5.4 Impact of changes to the Integrated Performance and Reporting requirements

Recommendation: Streamline reporting framework (No. 22 and 23)			
Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	0	2 494	4 989
NSW Government	-280	-280	-280
Community	Na	Na	Na
Total	-280	2 214	4 708

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

Financial reporting

IPART's recommendations on councils' financial reporting requirements are shown in box 5.5.

5.5 Financial reporting requirements for councils

- Recommendation 24: That the Office of Local Government remove requirements for councils to report more in the General Purpose Financial Statements than is required by the Australian accounting standards, issued by the Australian Accounting Standards Board, except for requirements which are unique and high value to local government such as Note 21 and Special Schedule 7.

Councils need to produce, on an annual basis, financial statements comprising of:

- the general purpose financial statements
- the special purpose financial statements and
- special schedules

The OLG publishes the *Local Government Code of Accounting Practice and Financial Reporting* (the Code) annually, which sets the form of these statements. In addition to the accounting requirements set by the Australian Accounting Standards Board (AASB), the OLG has further requirements outlined in the Code that councils have to adhere to. The

Code aims to facilitate the implementation of the accounting standards as per the AASB in a practical and effective manner.²⁶

As part of IPART's stakeholder consultations, some of the issues raised by stakeholders indicated that the additional reporting requirements set out in the Code were duplicative, unnecessary or overly complex.

In considering the regulatory burden placed on councils in complying with financial reporting requirements, IPART recommends removing requirements in the Code that exceed the standards issued by AASB. The recommendation however allows that where reasonable and relevant, retain requirements that are specific and of high value to local government.

Impact on councils

Cootamundra Shire Council, in their submission to IPART, highlighted the duplicative nature of the requirements with the same financial information needing to be reported by alternative function categories. The council noted that financial statements would be more meaningful to the average user if unnecessary reporting is removed.

Table 5.6 shows the number of staff hours and costs associated with addressing each of the additional reporting requirements under the three different financial statements. Cootamundra Shire Council also estimated the reduction in these costs (in percentage terms) if these extra requirements are removed. These have been adjusted by the CIE, where relevant, to be in line with IPART's recommendation.

5.6 Estimates of time spent and costs associated with duplicative requirements

Description	Estimated time spent addressing additional/duplicated reporting requirement	Estimated cost at \$65 per hour	By removing duplication and extra requirements, how much of the extra cost can be reduced?	CIE's adjustment to cost reduction	Calculations based on CIE's assumptions	
	hours	\$	%	%	\$	
General Purpose Financial Statements						
Note 2	Duplicates (in part) with SS1, not required for AASBs.	5.0	325	100	100	325
Note 9b	Duplicates with Note 9, SS6, SS4 & Special Purpose Statements	1.0	65	100	100	65

²⁶ NSW Office of Local Government 2015, *Local Government Code of Accounting Practice and Financial Reporting (Guidelines)*, available at [https://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20FINAL%20PDF%20-%20Code%20Update%2023%20-%20General%20Purpose%20Financial%20Statements%20\(Guidelines\).pdf](https://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20FINAL%20PDF%20-%20Code%20Update%2023%20-%20General%20Purpose%20Financial%20Statements%20(Guidelines).pdf), accessed 2 March 2016

Description		Estimated time spent addressing additional/duplicated reporting requirement	Estimated cost at \$65 per hour	By removing duplication and extra requirements, how much of the extra cost can be reduced?	CIE's adjustment to cost reduction	Calculations based on CIE's assumptions
		hours	\$	%	%	\$
Note 15	Above minimum requirements of AASBs	1.0	65	100	100	65
Note 21	Duplicates (in part) with SS3, SS5 & Special Purpose Statements	1.0	65	100	0	0
Note 27	Above minimum requirements of AASBs	5.0	325	100	100	325
Special Purpose Financial Statements						
Income Statement - Water Fund	Not required for AASBs, duplicates SS3 and Note 21	1.0	65	100	100	65
Income Statement - Sewer Fund	Not required for AASBs, duplicates SS5 and note 21.	1.0	65	100	100	65
Income Statement - Each other business activity	Not required for AASBs, duplicates note 21 and SS1 (in part). Nil additional for Coota.	0.0	0	0	0	0
Balance Sheet - Water Fund	Not required for AASBs, duplicates SS4 and Note 21	0.5	32.5	100	100	32.5
Balance Sheet - Sewer Fund	Not required for AASBs, duplicates SS6 and note 21	0.5	32.5	100	100	32.5
Balance Sheet - Each other business activity	Not required for AASBs, duplicates note 21. Nil additional for Coota	0.0	0	0	0	0
Note 2 & Note 3	Not required for AASBs. Duplicated in additional return required to be sent to Office of Water.	4.0	260	100	100	260
Additional Audit Cost for Special Purpose Financial Statements			1 000	100	100	1 000

Description		Estimated time spent addressing additional/duplicated reporting requirement	Estimated cost at \$65 per hour	By removing duplication and extra requirements, how much of the extra cost can be reduced?	CIE's adjustment to cost reduction	Calculations based on CIE's assumptions
		hours	\$	%	%	\$
Special Schedules						
Special Schedule 1	Not required for AASBS, duplicates (in part) note 2.	7.0	455	100	100	455
Special Schedule 2	Not required for AASBS.	0.5	32.5	100	100	32.5
Special Schedules 3 to 6	Not required for AASBS, duplicates (in part) Special Purpose Statements and note 21.	14.0	910	100	100	910
Special Schedule 7	Not required for AASBS.	20.0	1 300	100	0	0
Additional Audit Cost for Assets Audit required this year			8 000	100	100	8 000
Total costs addressing additional requirements		61.5	12 998			11 632.5

Note: In line with IPART's recommendation, it has been assumed that Note 21 and Special Schedule 7 will not be removed, therefore no change in current costs to councils.

Source: Cootamundra Shire Council, Email Correspondence (10 March 2016)

Overall, Cootamundra Shire Council calculated that by removing the additional requirements, councils can save almost \$13 000 annually. A large portion of this was associated with the duplicative requirements for the Special Schedules, which the council approximated to be around \$10 700 annually. This was close to the cost numbers provided by Richmond Valley Council, where they estimated that without having to address the additional requirements in the Special Schedules, the council would be able to lower their costs by approximately \$12 000 annually.²⁷

The estimate provided by Cootamundra Shire Council was adjusted to reflect IPART's recommendation, whereby requirements that are highly specific and pertinent to local government remain as outlined in the Code. That is, there would be no change in Note 21 and Special Schedule 7 and councils continue to incur the associated costs. This results in an annual saving of around \$11 600 for a large council such as Cootamundra.

²⁷ Richmond Valley Council calculated that around \$36 000 is spent annually in staff costs to address all the additional financial reporting requirements. Without the additional requirements for the Special Schedules, they estimated that costs can be reduced by a third, or \$12 000. (Richmond Valley Council, phone conversation on 4 March 2016)

Applying this cost proportionately across the different sized councils,²⁸ provides an annual saving of almost \$1.3 million as shown in table 5.7.

5.7 Total annual avoided costs associated with removing additional financial reporting requirements

Size of council	Avoided costs per council	Councils	Total avoided cost
	\$	no. of councils	\$
Small	2 908	17	49 438
Medium	5 816	55	319 894
Large/Very large	11 633	80	930 600
Total annual avoided cost (\$m)			1.3

Source: CIE calculations based on figures provided by Cootamundra Shire Council

In removing the financial reporting requirements that are additional to those prescribed by the AASB, councils will benefit from a lower regulatory burden, lower costs and ensure that resources are diverted to other uses. As shown in table 5.8, over a period of 10 years, our central estimate is that IPART's recommendations will have net benefits of \$8.5 million over 10 years.

5.8 Impact of changes to financial reporting requirements

Recommendation: Reduce reporting requirements for councils (No. 24)			
Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	8 533	Na
NSW Government	Na	0	Na
Community	Na	0	Na
Total	Na	8 533	Na

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

Tendering and procurement

In their review of the regulations and guidance regarding local government procurement processes, IPART found that the current practices provide adequate levels of probity and flexibility. IPART also noted that the risks associated with tendering processes will differ between councils, depending on their size, maturity of internal controls and the capacity to manage probity risks.

²⁸ That is, assuming that a medium council incurs costs that are half that of a large council like Cootamundra and a small council incurs costs that are approximately a quarter of a large councils.

IPART's recommendations on councils' tendering and procurement processes are shown in box 5.9.

5.9 Recommendations for tendering and procurement processes

- Recommendation 25: That clause 163(2) of the *Local Government (General) Regulation 2005* be amended to allow the Office of Local Government to determine the councils for which the threshold for formal tendering would be increased to \$250,000, with this threshold to be reviewed every five years.
- Recommendation 26: That section 377(1)(i) of the *Local Government Act 1993* be amended to allow the Council to delegate the acceptance of tenders to General Managers.
- Recommendation 27: That section 55(3)(g) of the *Local Government Act 1993* be amended to allow Local Government access to the full range of prequalification panels run by NSW Procurement.

In IPART's consultations with councils and other stakeholders, it was suggested that the current tendering threshold (of \$150 000) is too low. This is more so for councils with larger budgets as low thresholds mean that relatively small projects for the council must undergo the formal tendering process, resulting in additional costs. IPART recommends that OLG develop a criteria to determine the circumstances in which the higher threshold should apply.

It is difficult to quantify the impacts of recommendation 25 without knowing the number of councils that may be allowed a higher threshold for formal tendering. Nonetheless, a higher threshold can increase the risks of corruption for councils that operate on much lower budgets than others. This may arise for example, if any supplier is given preferential treatment over others.

Recommendation 26 is in relation to the requirement that all tenders be considered by the elected council. This requirement is considered an unnecessary administrative burden and IPART's recommendation would reduce this burden by allowing councils to delegate this function to general managers. The main impact of this would be a reduction in the delay costs that councils currently face when waiting for the council meeting to take place, before proceeding with the tender.

Reduced delay costs for Councils

If councils were allowed to delegate the acceptance of tenders to general managers, they would save on the number of days, otherwise spent waiting for council meetings before proceeding with the tender.²⁹ Some stakeholders considered this to be an unnecessary

²⁹ Discussion with Randwick Council showed that time spent per tender is equal to 2 hours for one Senior staff member, 1 hour of a Director's time and 0.5 hours of the General Manager's time. It is assumed that there will be no change in this time taken in going through and

cost as the decisions were rarely changed after the meetings instead just made the process longer.

With recommendation 26 in place, the CIE estimates the average number of days saved to be 14 days, based on a maximum of 30 days (for tenders received shortly after a council meeting) and a minimum of two days (for tenders received right before a council meeting takes place).

Table 5.10 shows the average number of tenders received per annum, for councils of varying sizes.

5.10 Average number of tenders per annum according to size of council

Size of council	Average number of tenders per annum	Source
Small council	8	Holroyd Council estimated that a small council would have half the number of tenders as them.
Medium council	16	Holroyd Council stated that they receive between 12 to 20 tenders per year.
Large council	20	CIE estimate based on the average number of tenders for other councils.
Very large council	33	Randwick City Council assessed that about 2 to 3 tenders go to each Council meeting and there are 11 meetings in a year. Fairfield City Council estimated that they receive about 3 to 5 tenders every month. Therefore, an average of 3 tenders every month for 11 months have been assumed..

Note: Holroyd Council considered themselves to be a medium sized council

Source: Various as stated

If councils are allowed to delegate the acceptance of tenders, it is likely that certain tenders of particular importance or of very high value will still be discussed at council meetings before proceeding. The number of tenders delegated will depend further on IPART's recommendations and whether a threshold value (below which tenders may be delegated) is made explicit.

However, the threshold value should consider differences between councils, as a particular tender deemed to be of low value for a large council may be of very high value for a smaller council. Hence, it may also be better suited for councils themselves to make a decision on what the appropriate value may be, based on individual council characteristics and varying budgets.

Randwick City Council estimated that almost all tenders received will be delegated in order to reduce the delay costs associated with sending reports to council meetings. This is comparable to the estimate provided by Fairfield City Council where they indicated

preparing tender documents. Time taken in preparing briefings to councillors is assumed to be minimal.

that around 70 per cent of tenders may be delegated.³⁰ For the purposes of quantification, it is assumed that 70 per cent of tenders received across all councils will be delegated to senior staff members.

Table 5.11 shows the delay cost savings per annum. Overall, if councils are allowed to delegate the acceptance of tenders, all NSW Councils may benefit from total delay cost savings of more than \$1.7 million per year.

5.11 Delay cost savings per annum

	No. of tenders that will be delegated	Average value of tenders	No. of councils	No. of days saved with legislation	Delay cost savings
	no.	\$(‘000)	no.	no.	\$(‘000)
Small council	6	75	17	14	19
Medium council	11	150	55	14	248
Large council	14	250 ^a	41	14	385
Very large council	23	450 ^b	39	14	1 088
Total delay cost savings (\$‘000)					1 741

^aBased on Fairfield City Council’s estimate that the majority of tenders they receive are between \$150 000 to \$300 000. ^bBased on Randwick Council’s calculations of average value of tenders in the last six months.

Note: The number of councils in each category (small/medium/large/very large) is based on the Australian Classification of Local Governments. Delay cost savings have been calculated in accordance with the NSW Government’s guidelines for estimating savings under red tape reduction target.

Source: CIE.

Risks to community

With the adoption of recommendations 25 and 26, there may be a risk of increased corruption within Councils or lower transparency and accountability to the community. There is also a slight risk that community may lose out if there had been better outcomes from the formal tendering process when the tenders had to go through the Council meetings. However, these risks remain small and are unlikely to outweigh the benefits across all NSW local councils.

Estimated costs and benefits

The estimated costs and benefits of delegating tenders is set out in table 5.12. Overall, this would be expected to have net benefits over a 10 year period of \$11 million, all of which would accrue to councils.

³⁰ Based on discussion with Fairfield City Council, 2nd March 2016

5.12 Impact of changes to the delegation of tenders

Recommendation: Council may delegate tenders to general managers (No. 26)

Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	11 428	Na
NSW Government	Na	0	Na
Community	Na	0	Na
Total	Na	11 428	Na

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

Enabling councils access to prequalification panels

Councils indicated that at present, there are some difficulties associated with using the State Government prequalification panels for tendering activities.

The Department of Finance, Services and Innovation has established a number of prequalification schemes, which assist agencies in finding suppliers that are prequalified to work with government. Councils can achieve the following benefits if they are able to use these panels:³¹

- access to panels comprising of a wide range of expert resources to assist in development of business cases and project quality assurance reports
- streamlined competitive tendering processes by accessing suppliers with an established track record
- enhanced probity standards through third-party assessment and selection of suppliers.

These prequalification panels serve a quality control and contract term standardisation function. Councils using the panels are able to issue RFQs using standard terms and conditions and a simplified contracting process. This allows for a faster procurement process by avoiding a formal tender procedure in favour of using RFQs from a standing offer panel. However, because of the current wording of the Act, it is difficult for councils to use these panels and gain the associated benefits.³²

Wagga Wagga City Council estimated that without having to comply with regulations set out in section 55 of the Local Government Act, they would save around \$85 000 annually. This was based on savings incurred from having fewer staff, less advertising costs and less training (amongst other factors).³³

The CIE estimates that a proportion of these costs are associated with the procurement process to be streamlined under the proposed recommendations. Under a central case, it

³¹ NSW Government, ProcurePoint website available at <https://www.procurepoint.nsw.gov.au/before-you-buy/prequalification-schemes-0>, accessed on 16 March 2016

³² IPART 2016, *Review of reporting and compliance burdens on Local Government – Draft report*

³³ IPART's Councils questionnaire

is assumed around 10 per cent of this relates to the procurement process. That is, if councils are allowed to use the prequalification panels, they would be able to save around 10 per cent of their costs associated with complying with current tendering legislation.³⁴

Wagga Wagga City Council is a medium sized council, and we assume that a small council incurs costs that are half that of a medium council and a large council incurs that are double that of medium council's. Applying these cost ratios across the total number of councils in each size classification, we deduce the annual cost savings for all 152 councils (table 5.13).

5.13 Total annual cost savings according to different council size

	Low	Central	High
	\$('000)	\$('000)	\$('000)
All small councils	36	72	108
All medium councils	234	468	701
All large councils	680	1 360	2 040
Total annual cost savings across all councils	950	1 900	2 850

Note: The number of councils in each category (small/medium/large/very large) is based on the Australian Classification of Local Governments.

Source: CIE.

Over a period of 10 years (and using a discount rate of 7 per cent), the net benefits from the proposed recommendation will range from approximately \$6 million to almost \$19 million, accruing to councils (table 5.14).

5.14 Impact of enabling councils to use prequalification panels

Recommendation: Allow local government access to the full range of prequalification panels (No. 27)

Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	6 235	12 470	18 705
NSW Government	0	0	0
Community	0	0	0
Total	6 235	12 470	18 705

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE

Ministerial approvals

IPART's recommendations on the process for Ministerial approvals are shown in box 5.15.

³⁴ A 5 per cent change is considered for a low case and a 15 per cent change in a high case.

5.15 Recommendations for Ministerial approvals

- Recommendation 28: That the Department of Planning and Environment, through the Office of Local Government, review the requirements in the *Local Government Act 1993* for Ministerial approvals and remove those that are not justified on the basis of corruption prevention, probity or protecting the interests of the State.
- Recommendation 29: That the Office of Local Government introduce guidelines that specify maximum response times for different categories of Ministerial approvals.

Stakeholders identified the process for obtaining Ministerial approval as cumbersome, and pointed out a lack of response commitment by ministers. Some requirements for Ministerial approvals were considered to be unnecessary and did not add value.

IPART's recommendations seek to remove the regulatory burden placed on Councils by removing the requirements for Ministerial approvals where unnecessary. Moreover, to address the concern with the length of time taken to gain approvals, IPART recommends introducing timeframes to improve response times for example:

- 30 days- time frame for low risk or less complex activities
- 60 days- time frame for medium risk/complexity activities and
- 180 days – timeframe for high risk or highly complex activities.

Due to the different nature (and associated risk profiles) of councils, stakeholders noted that what might be a less complex activity for one Council may be more complex for another. This would make it difficult to categorise different activities into distinct groups across all NSW Councils.

We have not sought to quantify these recommendations because there is not sufficient information on what approvals a review would likely seek to remove. For recommendation 29, to provide guidelines for ministerial approvals, it is unlikely that this would have an impact on the time taken for a ministerial approval. Ensuring that the guidelines are adhered to by the Minister's office will be difficult to influence, and may be out of OLG's control.

Section 68 Local Government Act approvals

IPART's recommendations in regards to the Section 68 Local Government Act approvals are shown in box 5.16.

5.16 Recommendation for Section 68 Local Government Act approvals

- Recommendation 30: That the Department of Planning and Environment, through the Office of Local Government, review all approvals required under section 68 of the Local Government Act 1993 in order to:
 - determine the activities for which a separate local council approval under section 68 is necessary
 - revise the regulatory frameworks within NSW legislation to remove duplication
 - place as many approval requirements as possible in specialist legislation, and
 - where appropriate, enable mutual recognition of approvals issued by another council.

Size and nature of the problem

The *Local Government Act* section 68 identifies a set of activities for which local government approval is required. These include water, sewerage and stormwater activities, use of community land, use of public footpaths and various other activities. There are around 120 000 new approvals for these activities every year made by councils (table 5.17).³⁵

Councils can and do set out general conditions for exemption of the requirement to obtain approval. For example, a council might indicate that approval is not required for a wood heater where its flues are sufficiently high. Exemptions are set out in local approvals policies. These currently expire 12 months after the declaration of the poll for each set of council elections.

There appear to be many areas where councils are not enforcing approvals, probably because the risks of the activity are too low.

There is also overlap between section 68 approvals and approval required under the *Roads Act*, *Environmental Planning and Assessment Act*, section 46 of the *Local Government Act* and licencing of plumbers under the *Home Building Act* (table 5.18). In many instances these mean that the section 68 approval requirement is redundant or is having limited impact.

5.17 Approvals under section 68 of the Local Government Act

Area of approval	No. of annual approvals	Area of approval	No. of annual approvals
Approval to Place Waste in a Public Place	44 225	Approval to Engage in a Trade or Business	750
Approval to Operate a System of Sewage Management	25 580	Approval to Install a Domestic Oil or Solid Fuel Heating Appliance other than a Portable Appliance	622

³⁵ Provided by IPART for 2011/12.

Area of approval	No. of annual approvals	Area of approval	No. of annual approvals
Approval to Install Alter Disconnect or Remove a Meter Connected to a Service Pipe	6 922	Approval to Install or Operate Amusement Devices	548
Approval to Use a Vehicle Stall or Stand to Sell any Article in a Public Place	4 807	Approval to Install a Manufactured Home Moveable Dwelling or Associated Structure on Land	516
Approval to Connect a Private Drain or Sewer with a Public Drain or Sewer	4 313	Approval to Direct or Procure a Theatrical Musical or other Entertainment for the Public	448
Approval to Carry Out Sewerage Work	3 997	Approval to Operate a Caravan Park or Camping Ground	292
Approval to Carry Out Stormwater Drainage Work	3 972	Approval to Draw or Sell Water from a Council Water Supply or a Standpipe	219
Approval for Filming	3 570	Approval to Construct a Temporary Enclosure for the Purpose of Entertainment	182
Approval to Install Construct or Alter a Waste Treatment Device or a Human Waste Storage Facility or a Drain Connected to any such Device or Facility	3 482	Approval to Deliver a Public Address or Hold a Religious Service or Public Meeting	172
Approval to Swing or Hoist Goods Across or Over any Part of a Public Road by Means of a Lift Hoist or Tackle Projecting over the Footway	3 203	Approval to Operate a Manufactured Home Estate	29
Approval to Dispose of Waste into a Sewer of the Council	2 827	Approval to Transport Waste Over or Under a Public Place	23
Approval to Play a Musical Instrument or Sing for Fee or Reward	2 150	Approval for Domestic Greywater Diversion	21
Approval to Place a Waste Storage Container in a Public Place	1 472	Approval to Operate Public Car Park	17
Approval to Carry Out Water Supply Work	1 429	Approval to Place or Display Items on a Road or in a Public Place	1 590
Approval to Set Up Operate or Use a Loudspeaker or Sound Amplifying Device	1 369	Approval to Place or Display Items on a Road or in a Public Place (A-frames)	1 232

Note: Data have been extrapolated from those councils that responded to all councils. Data only includes new applications. Councils have also reported renewals and the stock of licences, which are not used for this cost estimation. Data is for 2011/12.

Source: IPART survey as part of its licence review.

5.18 Duplication with other acts

Area of approval	Alternative approval	Area of approval	Alternative approval
Approval to Install Alter Disconnect or Remove a Meter Connected to a Service Pipe	Home Building Act (licences plumbers)	Approval to Install or Operate Amusement Devices	WorkCover
Approval to Connect a Private Drain or Sewer with a Public Drain or Sewer	Home Building Act (licences plumbers)	Approval to Install a Manufactured Home Moveable Dwelling or Associated Structure on Land	EP&A Act
Approval to Carry Out Sewerage Work	Home Building Act (licences plumbers)	Approval to Place or Display Items on a Road or in a Public Place	Road Act and s46 of LG Act

Area of approval	Alternative approval	Area of approval	Alternative approval
Approval to Carry Out Stormwater Drainage Work	Home Building Act (licences plumbers)	Approval to Place or Display Items on a Road or in a Public Place	Road Act
Approval to Swing or Hoist Goods Across or Over any Part of a Public Road by Means of a Lift Hoist or Tackle Projecting over the Footway	Roads Act	Approval to Place or Display Items on a Road or in a Public Place	Road Act and s46 of LG Act
Approval to Carry Out Water Supply Work	Home Building Act (licences plumbers)		
Approval to Carry Out Water Supply Work	Home Building Act (licences plumbers)		

Source: CIE.

Obtaining approval from councils can involve a simple form that would require 5 minutes to complete to more extensive requirements. Those that are most onerous are:

- requirements for installation of onsite sewage management systems can include geotechnical reports at a cost of \$1 500 to \$2 000 and approval to operate can require ongoing inspections;
- requirements for construction standards and public liability insurance (typically \$10 million) related awnings and signboards outside shops³⁶ — public liability cover of \$10 million costs around \$1 750 per year per business more than public liability cover of \$5 million; and
- fees and charges related to applications, which may reflect the costs to councils of processing applications.

Councils may also impose restrictions on activities directly, such as allowing no A-frame signboards, restricting where skip bins can be placed or restricting areas for busking.

The total costs related to section 68 approvals reflect:

- time costs to undertake the application for businesses and people;
- administration costs for sending applications (where electronic provision is not available);
- financial costs associated with providing documentation for approval;
- fees and charges associated with applications; and
- council costs (where fees and charges do not fully recover council costs).

There are also costs associated with overly onerous conditions and restrictions, including reduced business profitability. These would not fall within the typical definition of red

³⁶ Public liability is also required for some other council section 68 approvals, such as stormwater drainage.

tape costs but can be often be more significant in their impacts on businesses than administration costs.³⁷ Insufficient information is available to quantify these impacts.

Approximate estimates of these costs are shown in table 5.19, suggesting red tape costs in the order of \$15 million per year. Financial costs for requirements to obtain approval and fees and charges are likely to be the most costly part of the section 68 approval process. In aggregate, these numbers amount to red tape costs of just over \$100 per approval.

5.19 Costs of section 68 approvals

Item	Cost
	\$/year
Time costs for applications ^a	2.1
Time costs for inspections ^b	0.4
Administrative costs associated with applications ^c	0.2
Financial costs for requirements ^d	6.2
Fees and charges ^e	6.0
Total cost	14.9

^a Reflects an average of 30 minutes to complete application and a rate of \$34.70 per hour. There is substantial variation across items. ^b Based on 10 per cent of approvals requiring inspections and an hour for inspections. ^c Based on \$1.65 per application reflecting stamp costs, paper costs, envelope costs, printing costs and mailing time. ^d Based on costs of public liability costs of \$10 million versus \$5 million for use of footpath/roads and costs of geotechnical reports applied to 20 per cent of onsite sewage management activities. ^e Based on average fees across all items of \$50. In some cases fees are much higher (up to \$1500 for approval of an operator to provide skip bins) and in other cases no fees are applied.

Note: The number of approvals is from table 5.19

Source: CIE.

Impact of IPART's recommendations

The costs for applications under section 68 of the *Local Government Act* are concentrated in areas where there is a reasonable ground for regulation. Costs are low to negligible where approval would have been required under another Act, although to avoid confusion removal of duplication is still warranted in these instances. The focus of IPART's recommendations is to seek to remove as many activities as possible from requiring approval through reducing the scope of coverage of approvals, reducing the costs of remaking exemptions by councils, reducing the need to apply to multiple councils.

We quantify impacts from the changes set out in table 5.20. This is based on review of specific councils. Given the variation in requirements and fees across councils this may not give a good picture of the overall costs avoided — we have sought to be conservative in our estimates. The exemption from various approvals could reduce red tape costs by \$4.8 million per year, with fees and costs of meeting requirements being the most important areas. The largest cost savings are from:

³⁷ For example, see The CIE 2012, *Prioritisation of regulatory reforms*, prepared for the Queensland Office of Best Practice Regulation. This work found that the largest costs of poor regulation were not red tape costs..

- reducing the public liability insurance that businesses would hold because they would not require this for an A-frame. We estimate the cost reduction from reducing liability from \$10 million to \$5 million. Some businesses would hold no public liability insurance if they were not required to. Others would continue to hold coverage to \$10 million even without the requirement, or because of other requirements such as related to awnings or their own reasons. There may be additional cost savings from reducing the level of insurance coverage in other areas if \$10 million is considered to be excessive;
- reducing fees through exempting approval for skip bins. This is based on a conservative \$25 fee per approval. A number of councils have arrangements where accredited providers pay a once off annual fee (as much as \$1500); and
- reducing fees associated with onsite sewage systems because of streamlining the requirement to receive approval to install and to operate into a single approval.

In many other areas the cost reductions are negligible as approval is required under other acts.

We consider that all cost savings can be allocated as reductions in the regulatory burden for businesses and individuals. There would be no impact on councils as long as current fees for administration and inspections are cost reflective.

These changes are likely to have net benefits, although this is not proven. For example, there may be costs associated with allowing A-frame signs without approval in terms of reduced footpath space. In some council areas, these signs are not allowed at all currently.

5.20 Red tape costs avoided by IPART's recommendations

S68 area	Particular exemption	Avoided approvals	Avoided costs				
			Time	Admin	Other	Fees	Total
		No./year	\$000/year	\$000/year	\$000/year	\$000/year	\$000/year
E2	No approval required for A-frames and sandwich boards	1 232	21	2	2 094	131	2 248
F4	No approval required if domestic oil or solid fuel heaters are installed by an accredited operator	622	43	1	0	47	91
D4	All busking activities exempt	2 150	6	4	0	11	21
C3/ C4	Skip bins exempt from approval if accredited operator	34 273	297	57	0	857	1 211
C6	No requirement to obtain approval to operate a sewage management system if inspections undertaken or use an accredited operator to check	12 790	222	21	0	640	883
B5	Stormwater works exempted for single lot residential dwellings or if repairs to existing	1 986	34	3	0	248	286

S68 area	Particular exemption	Avoided approvals No./year	Avoided costs				
			Time \$000/ year	Admin \$000/ year	Other \$000/ year	Fees \$000/ year	Total \$000/ year
D5	Remove requirement for approval to operate a loudspeaker or sound amplifying device	1 369	18	2	0	0	20
D6	Remove requirement for approval to deliver a public address	172	2	0	0	0	3
F5	Remove requirement for approval for amusement devices	548	10	1	0	41	51
A1/F3	Remove requirement for approval for manufactured homes where these require a DA	0	0	0	0	0	0
E2	Remove requirement for footpath dining to require approval under section 68	0	0	0	0	0	0
F7	Remove requirement for mobile vendors to require approval under section 68	0	0	0	0	0	0
Total		55 142	654	91	2 094	1 974	4 813

Note: We have allowed for no change in council net costs on the basis that councils cost recover section 68 approvals.

Source: CIE.

IPART also recommends allowing mutual recognition of approvals by other councils. For most section 68 approvals, approval is related to a site and mutual recognition will therefore not have an impact. However, some councils have enabled approval of operators (such as for skip bins) through their local approvals policies, in which case mutual recognition could reduce costs. The cost reductions estimated in table 5.20 include accreditation of operators and then subsequent exemption. For this reason we have not separately included this cost saving.

A summary of the likely impacts from IPART's recommendations in streamlining local government approvals is set out in table 5.21. The reduction in red tape reflects the avoided costs for people and businesses now not requiring council approval. We have not allocated council cost reductions for fewer approvals on the basis that the fees charged by councils match their costs.

5.21 Impact of a reviewing section 68 approvals

Recommendation: Review of approvals under section 68 of the Local Government Act 1993 (No. 30)

Group	Impact - indicative		
	Low NPV, \$000	Central NPV, \$000	High NPV, \$000
Councils	NA	0	NA
NSW Government	NA	0	NA
Community	NA	31 508	NA
Total	NA	31 508	NA

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

Recruitment and employment – temporary employment

IPART's recommendations around recruitment and employment are shown in box 5.22.

5.22 Recommendations for temporary employment

- Recommendation 31: That the *Local Government Act 1993* be amended to transfer current requirements relating to the length of time for temporary appointments under section 351(2) to the *Local Government (General) Regulation 2005* or the relevant awards.
- Recommendation 32: Extend the maximum periods of temporary employment from 12 months to four years within any continuous period of five years, similar to Rule 10 of the *Government Sector Employment Rules 2014*.

Section 351 (2) of the Local Government Act allows a person to appointed to a temporary position only to continue in that position for:

- 24 months if the holder of position is on parental leave, or
- 12 months in any other case

Stakeholders highlighted the potential problems arising from the legislative requirements that resulted in additional administrative burden placed on councils. The legislation makes it difficult to be flexible especially in where a vacancy had to be filled under extended workers' compensation leave, long service leave or secondment to a different position.

For example, where a workers' compensation leave unexpectedly had to go longer, councils had to undertake a full recruitment process again to find another temporary replacement as the original person appointed to the position temporarily could not continue. Other than the additional costs associated with the search and recruitment process, this also meant that councils had to invest in training a new person for the position again. In the CIE's consultation with councils, it was noted that in some cases, councils had to resort to offering a permanent position to the temporary position holder as they were not allowed to extend their temporary contract.

The main costs to councils in relation to the current legislation are the advertising and time costs associated with the selection process as well as the delay costs.

Councils also mentioned that in relation to the issues of temporary employment, there were some contradiction with other pieces of legislation, which added to the complexity.

The CIE was unable to quantify the exact costs and benefits associated with IPART's recommendations around temporary employment due to the lack of data from councils. Councils contacted were unable to estimate the costs associated with temporary employment and the number of times (on an annual basis) they would have to undertake a recruitment process to fill a position temporarily. However, they acknowledged that these costs were substantial and could be easily avoided if IPART's recommendation was adopted.

Compliance activities for public access to information

As part of the public hearing and submissions to the Draft Report, councils highlighted that issues associated with complying with the GIPA Act and GIPA Regulation. These issues include the significant costs arising from complying with informal information requests as well as uncertainty about council's liability regarding copyright material. In light of these, IPART has proposed three recommendations relating to public access of information (box 5.23).

5.23 Recommendations relating to issues associated with complying with GIPA

- Recommendation 34: That clauses 15 and 16, schedule 3 of the Environmental Planning and Assessment Amendment Act 2014 (which adds new sub-sections 158(1A) and (4A) to the EP&A Act) be proclaimed in order to allow councils a licence or a warranty to use copyright material for the purposes of the EP&A Act (including making available development applications and related documents which may be subject to copyright).
- Recommendation 35: That the NSW Government:
 - Repeal clause 3, schedule 1 of the *Government Information (Public Access) Regulation 2009*
 - Amend the *Environmental Planning and Assessment Act 1979* (EP&A Act) to require councils to make available information and documents currently prescribed as open access information in clause 3, schedule 1 of the *Government Information (Public Access) Regulation 2009* (DA information) to a person (on request)
 - Amend the EP&A Act to allow councils to charge a person making a request the efficient costs of making DA information available (after the 'submission period' under section 79(1) of the EP&A Act has expired)
 - Consistent with recommendation 4, review the efficient costs to councils of making DA information available to a person (on request), and
 - Amend the *Environmental Planning and Assessment Regulation 2000* to set the fees for accessing DA information (after the submission period has closed) at the efficient cost to councils.
- Recommendation 36: That the Office of Local Government assist the Information and Privacy Commission to circulate to councils information related to the *Government Information (Public Access) Act 2009*.

Councils raised concerns relating to the high costs involved in managing and processing informal requests, especially for older DAs that take a significant time to retrieve. As councils are not permitted to charge for handling informal requests, IPART recommends including the costs of informal GIPA requests to councils in the range of statutory fees capped below cost recovery.

Moreover, a considerable number of DAs contain copyrighted material such as floor plans, surveys, specialist reports and drawings. Given the uncertainty around councils' copyright responsibilities and potential liability when publishing DAs online, some

councils minimise the time that the DAs are available online. This contributes to a higher number of informal GIPA requests as the information is not readily available.

In 2014-15, Port Stephens Council reported processing 376 informal GIPA requests which amounted to 806.7 hours of work. Similarly, in 2015, Holroyd City Council recorded a total of 526 informal GIPA applications. On a population basis, the number of applications per person is comparable across the two councils (0.0057 for Port Stephens and 0.0054 for Holroyd).

Applying the number of informal GIPA requests per person across NSW, and assuming staff time of 2.14 hours per request, the annual cost to all councils is \$4.17 million (table 5.24).

5.24 Costs associated with processing GIPA requests

Description	
Port Stephens	
No. of informal GIPA requests (no.)	376
Total no. of hours of work (hours)	806.5
No. of hours of work to process one informal GIPA request (no.)	2.14
Total staff cost per informal GIPA request ^a (\$)	103.98
Estimated residential population (no.)	65 464
No. of informal GIPA requests per population (no.)	0.005744
Total NSW	
Total NSW residential population (no.)	6 983 056
Total annual costs (\$m)	4.17

^a This is calculated using an admin rate of \$27.70 per hour and a 1.75 multiplier for on-costs, based on OBPR's rates

Source: CIE calculations based on number from Port Stephens Council

If IPART's proposed recommendations are adopted, councils will be allowed to recover part of the costs associated with processing informal GIPA requests by charging fees per request. The NSW Government will reimburse any shortfall in costs. Therefore, the current costs of \$4.17 million undertaken by councils will shift to the community and the NSW Government. The exact split of the cost transfer will depend on how much councils are allowed to charge per informal application.

Councils will benefit from a lower administration cost through both the cost recovery mechanism as well as potentially fewer requests due to the new application fee. However, there may be reduced transparency if the community is required to pay for access and the NSW Government does not make a contribution for these requests.

An annual avoided cost of \$4.17 million to councils represents a net present value of \$31.3 million over 10 years (using a discount rate of 7 per cent), that will be transferred to both the community and the NSW Government. We assume that no charges are imposed on the community, therefore the costs simply shift to the NSW Government. If the copyright issue was resolved, this may lead to fewer overall informal requests, which would be an additional net saving for councils rather than cost shifting.

5.25 Impact of making information and documents available at the efficient cost

Recommendation: GIPA requests (No. 35)

Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	31 272	Na
NSW Government	Na	-31 272	Na
Community	Na	0	Na
Total	Na	0	Na

Note: Zero net benefit as the cost would be shifted from councils to the NSW Government if there was no charge imposed on the community.

Source: CIE.

6 Building and construction

Summary

The overall impacts of IPART's recommendations relating to building and construction are set out in table 6.1. Overall net benefits are expected of \$5.6 million over 10 years, largely accruing to councils.

6.1 Summary of recommendations for building and construction

Group	Impact		
	Recommendation 37	Recommendation 38	Total
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	849	4 190	5 039
NSW Government	- 86	0	- 86
Community	613	0	613
Total	1 376	4 190	5 566

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

Fire safety statements

IPART's recommendation in relation to annual fire safety statements (AFSS) are shown in box 6.2.

6.2 Recommendation for fire safety statements

- Recommendation 37: That the Building Professionals Board or the proposed Office of Building Regulation (in consultation with Department of Planning and Environment, Fire & Rescue NSW and local government) design the new online system for submitting annual fire safety statements (AFSS) to allow councils to identify buildings in their area that require an AFSS, and where follow up or enforcement action is required.

The net benefits of this recommendation are estimated at around \$1.4 million in present value terms over ten years, using a discount rate of 7 per cent (table 6.3).

6.3 Impacts of online fire safety certificates

Recommendation: Allow fire safety certificates to be lodged online (No. 37)			
Group	Impact – full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	849	Na
NSW Government	Na	-86	Na
Community	Na	613	Na
Total	Na	1 376	Na

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

It is likely that any online system for submitting AFSSs would be an additional module on the existing e-planning system. The CIE previously estimated that the cost of developing this additional module could be in the order of \$1 million.

The benefits from the online system are the reduced administrative burden on councils, NSW Fire & Rescue, as well as the organisations responsible for submitting AFSSs.

NSW Fire & Rescue estimate they receive approximately 20 000 AFSSs annually. They also report that the administrative tasks associated with these statements requires one FTE. The cost (including overheads) would therefore be in the order of \$120 000 per year. We assume councils would achieve similar savings (this cost would be spread across all councils).

There may also be minor savings for organisations required to prepare AFSSs, as they would be able to submit them online, rather than sending separate hard copies to both Fire & Rescue NSW and the relevant council. Savings would include the cost of two stamps and envelopes plus any associated administration time (compared to online lodgement). We estimate this could be around \$4 per AFSS.

Fire safety enforcement actions

IPART's recommendation in relation to fire safety enforcement actions are in box 6.4.

6.4 Recommendations on fire safety enforcement actions

- Recommendation 38: That the *Environmental Planning and Assessment Regulation 2000* be amended to clarify what constitutes a 'significant fire safety issue'.
- Recommendation 39: That section 121ZD of the *Environmental Planning and Assessment Act 1979* be amended to allow councils to delegate authority to the General Manager to consider a report by the Fire Brigade, make a determination and issue an order, rather than having the report considered at the next council meeting.

Clarifying what constitutes a significant fire safety issue

The benefit of clarifying what constitutes a ‘significant fire safety issue’ would primarily be a reduction in the number of fire safety audits. Currently, councils must conduct a fire safety audit, where they have been notified by a certifier that there is a ‘significant fire safety issue’. Some councils reported to IPART that the lack of clarity around what constitutes a ‘significant fire safety issue’ has resulted in certifiers to notify councils of all fire safety-related departures from the Building Code of Australia (BCA). Conducting unnecessary fire safety audits (such as for minor issues) creates a burden for councils.

The number of fire safety audits currently performed by councils is not known. Furthermore, it is not clear the extent to which clarifying what constitutes a ‘significant fire safety issue’ would reduce the number performed by councils.

Nevertheless in its response to IPART’s survey, the Shoalhaven Council estimated that the associated costs are around \$13 776 per annum and around 80 per cent of these costs are unnecessary. This implies a potential saving of around \$11 000 (this would depend on how ‘significant fire safety issues’ are defined).

The problem of over-reporting of fire safety issues appears mainly related to private certifiers (presumably it is easier for councils to provide guidance to their own certifiers on what constitutes a significant fire safety issue). According to Local Development Performance Monitoring data, Shoalhaven Council makes up around 1.8 per cent of all construction certificates, occupation certificates and complying development certificates issued by private certifiers in NSW (see table 6.5). Extrapolating the potential savings for the Shoalhaven council across all councils on this basis suggests that the total savings could be in the order of \$600 000 per year across NSW.

6.5 Certificates issued by private certifiers

	Shoalhaven Council	All councils	Shoalhaven share of total
	No.	No.	Per cent
Construction certificates	590	29 179	2.0
Occupation certificates	646	30 383	2.1
Complying development certificates	313	24 964	1.3
Total	1 549	84 526	1.8

Source: Local Development Performance Monitoring data, CIE.

There may be some relatively modest upfront cost to the NSW Government associated with clarifying what constitutes a significant fire safety issue. However, these costs have not been estimated. We also assume that the fewer number of fire safety audits conducted by councils does not lead to poorer safety outcomes.

Impact of IPART’s recommendations

We estimate that clarifying what constitutes a significant fire safety issue could save councils around \$600 000 per year. In net present value terms, this is around \$4.2 million over ten years, using a discount rate of 7 per cent (table 6.6).

6.6 Impacts of clarification of significant fire safety issue

Recommendation: Clarify what constitutes a significant fire safety issue (No. 38)			
Group	Impact - indicative		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	4 190	Na
NSW Government	Na	0	Na
Community	Na	0	Na
Total	Na	4 190	Na

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

We did not estimate the benefits and costs of recommendation 39. Nevertheless, we would expect the benefits to be small and the costs to be close to zero, resulting in a small net benefit.

Delegation of responsibility for issuing fire safety orders

The delegating responsibility for issuing fire safety orders to the General Manager may result in modest administrative savings for councils. However, the main objective of this recommendation is to streamline the administrative processes so that councils can issue fire safety orders immediately, rather than waiting until the next (monthly) council meeting.

On average, this recommendation could be expected to result in fire safety orders being issued approximately 15 days earlier. If fire safety issues are attended to earlier, there could potentially be safety benefits, such as, fewer lives lost, reduced property damage, and lower firefighting costs. The extent of these safety benefits would depend on the number of fires prevented by bringing

There is no information available on the incidence of fires occurring within the period between a council receiving notification of a fire safety issue and the order being issued. Nevertheless, there is at least one example of a fatal fire occurring after fire safety issues had been identified (see box 6.7 for details). Although the delay between council receiving notification and issuing an Order was a small fraction of the overall delay, this example nonetheless highlights the importance of an efficient process in addressing fire safety issues.

6.7 Fire at 2-4 West Terrace Bankstown³⁸

On 6 September 2012, a fire in an apartment block in Bankstown resulted in one fatality and serious injuries, involving 10 months in hospital and permanent disability for another resident.

An inspection on 15 October 2010 identified a number of deficiencies with essential fire safety measures in the building. This included deficiencies with the Automatic fire detection and alarm systems, the occupant warning system, and the absence of portable fire extinguishers.

The council initially issued an Order on 1 February 2011 (having been notified by Fire & Rescue NSW on 22 December 2010). Despite this (and several subsequent Orders), the various fire safety issues had not been addressed at the time of the fire, more than 19 months later.

³⁸ Coroners Court NSW, Inquest into the death of Connie Zhang, Inquiry into fire at Unit 53, 4 West Terrace, Bankstown, 18 September 2015.

7 Public land and infrastructure

Summary

The overall impacts of IPART's recommendations relating to public land and infrastructure are set out in table 7.1. Overall, these recommendations are estimated to deliver a net cost of around \$7.3 million over 10 years, largely accruing to councils. The net cost largely reflects the cost associated with preparing plans of management for Crown reserves managed by councils, consistent with the requirements of the Local Government Act. These costs are estimated to outweigh cost savings associated with reporting and Ministerial approvals. Nevertheless, these estimates are highly uncertain. If the costs associated with preparing plans of management can be reduced significantly, recommendations 40 and 41 could potentially deliver a net benefit.

7.1 Summary of recommendations for public land and infrastructure

Group	Impact			Total
	Recommendation 40 and 41	Recommendation 42	Recommendation 44	
	NPV, \$000	NPV, \$000	NPV, \$000	NPV, \$000
Councils	-17 685	639	7 563	-9 483
NSW Government	682	1 489	0	2 171
Community	0	0	0	0
Total	-17 002	2 128	7 563	-7 311

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate. Recommendation 45 has been quantified, however we estimate the impact to be temporary, therefore have not included it in the total. Source: CIE.

Crown reserves reporting and management

IPART's recommendations in relation to crown reserves reporting and management are outlined in box 7.2.

7.2 Recommendation around Crown reserves reporting and management

- Recommendation 40: That the NSW Government transfer Crown reserves with local interests to councils:
 - as recommended by the NSW Crown Lands Management Review and piloted through the Local Land Program Pilot, and
 - where the transfer is agreed by the council, including where this agreement is conditional on change of land classification.

- Recommendation 41: Consistent with its response to the Crown Lands Legislation White Paper, that the NSW Government ensure that Crown reserves managed by councils are subject to *Local Government Act 1993* requirements in relation to:
 - Ministerial approval of licences and leases, and
 - reporting.

Currently there are two different regulatory frameworks for public land managed by councils:

- public land classified as ‘community land’ is managed under the regulatory framework provided by the *Local Government Act 1993*
- Crown reserves managed by councils must comply with *Crown Lands Act 1989*.

Currently, councils managing Crown reserves must comply with the key regulatory requirements under the Crown Lands Act including:

- councils must prepare a separate report for each Crown reserve managed annually
- all leases and licences over Crown reserves must be approved by the Minister.

These requirements impose an administrative burden on councils. By contrast, there are no ongoing reporting requirements for community land under the Local Government Act. Although there are various requirements relating to leases and licences over community land under the Local Government Act, Ministerial approval/consent is not required for leases and licences relating to community land, unless:

- the term of the lease/licence is greater than five years and the council has received an objection to the proposal (councils may not grant leases or licence for terms over 21 years); or
- the Minister specifically requires it.

On the other hand, in some circumstances the Local Government Act could impose an additional burden on councils in relation to plans of management. Under the Local Government Act councils are required to prepare a plan of management for **all** community land. By contrast, the Crown Lands Act does not specify when a plan of management is to be prepared. Nevertheless, plans of management may be prepared when considered appropriate by a reserve trust (with the consent of the Minister) or where required by the Minister.

Impact of IPART’s recommendations

Under IPART’s recommendation (No. 40), Crown reserves would be transferred to councils only if they agree to it. Consequently, the number that will be transferred to councils is unknown. Nevertheless, we understand that even if a council chooses not to take effective ownership of the land, the regulatory framework for community land set out in the *Local Government Act 1993* would apply, consistent with recommendation No. 41.

This means that all Crown reserves managed by councils under the Reserve Trust system would require a plan of management. As councils would be preparing multiple plans of

management simultaneously (or within a relatively short period if the reforms are phased in over time) there could potentially be associated economies of scale.

Even assuming that councils are able to save 50 per cent of the costs by preparing multiple plans of management simultaneously, we estimate that the cost of preparing plans of management would outweigh the reporting and compliance cost savings. We estimate that IPART's recommendations could deliver a net cost of around \$17.7 million on councils in present value terms over ten years, using a discount rate of 7 per cent (table 7.3). This estimate also assumes that streamlining the process for preparing plans of management could achieve savings of around 10 per cent. This estimate also excludes the administrative costs to both the NSW Government and councils, should councils choose to transfer land.

7.3 Impacts of transferring Crown reserves to local councils

Recommendation: Crown lands transferred to local councils and subject to the requirements under the Local Government Act (No. 40 and 41)

Group	Impact - indicative		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	6 224	-17 685	-65 502
NSW Government	682	682	682
Community	0	0	0
Total	6 907	-17 002	-64 820

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

These costs could be as high as \$65.5 million if councils are unable to achieve any economies of scale by completing multiple plans of management simultaneously. On the other hand, if councils can save 75 per cent of the costs, IPART's recommendations could deliver a net benefit of around \$6.9 million.

There are currently 7 846 Crown reserves managed by councils, including 5 713 Crown reserves managed under the Reserve Trust system and 2 133 Crown reserves where management has been devolved to councils under the Local Government Act (table 7.4). DPI Lands has advised that arrangements for Crown reserves managed by councils will not change. Consequently, the maximum number of Crown reserves affected by IPART's recommendation is 5 713.

7.4 Crown reserves managed by councils

	Reserves
	No.
Reserve trust	5 713
Devolved to councils	2 133
Total	7 846

Source: DPI Crown Lands.

Benefits from reduced reporting requirements

Several councils reported that the reporting requirements relating to Crown reserves were relatively onerous. Council responses to IPART's survey suggest that the time spent on these reporting requirements ranged between around 35 hours, up to around 200 hours. However, it is difficult to extrapolate these estimates across all councils, as the time spent preparing annual reports for Crown reserves is likely to vary across councils, depending on the number of Crown reserves managed and a range of other factors.

Based on subsequent discussions with councils, we estimate the cost of preparing each annual report could be around \$570. Across all 5 713 Crown reserves currently managed by councils under the Reserve Trust system, this implies a total cost of around \$3.3 million needed per year under current arrangements.

We understand that under IPART's recommendations, annual reports would not be required for any of these Crown reserves. Consequently, the savings to councils would be around \$3.3 million per year.

Reduced need for Ministerial approvals

DPI Crown Lands reports that over the past five years, there has been an average of 190 leases or licences requiring Ministerial approval (or the approval of a DPI Lands staff member under delegation from the Minister) granted by councils in relation to Crown reserves per year. DPI Lands notes that: 66 per cent of all cases investigated by the Department command an annual rent of less than \$5 000; and over 90 per cent of all agreements command an annual rent of less than \$50 000.

The main cost to councils is the delays caused by this process. DPI Lands report that the overall process can take many months, depending on factors such as: the complexity of the proposal; whether the proposal needs to be amended and resubmitted; and the relative priorities and workloads in the local Departmental office. As noted by Lismore City Council in their response to IPART's survey, the cost to council is the rent foregone as a result of the delay. Ku-ring-gai council also estimated that the preparation of the lease documents and the associated legal costs were around \$3 500. However, all (or most) of these costs would still be incurred even if Ministerial approval were not required.

Assuming an average lease value of around \$14 000 (based on the distribution provided by DPI Lands above) and an average delay of six months, this suggests that the cost to

councils from delays associated with obtaining Ministerial approval for leases or licences could be around \$1.3 million per year (table 7.5).

7.5 Indicative annual savings from avoiding Ministerial approvals

	Share of licences/leases ^a	Annual leases/licence ^a	Indicative annual value ^b	Estimated annual savings ^c
	Per cent	No.	\$	\$'000
Less than \$5k	66	126	2 500	157
Between \$5k and \$50k	24	46	27 500	629
Greater than \$50k	10	19	57 500 ^d	548
Total	100	191		1 334

^a Based on information provided by DPI Lands. ^b Based on midpoint of range. ^c Based on an assumed six month delay associated with obtaining Ministerial approval. ^d CIE assumption.

Source: DPI Lands, CIE.

The requirement for Ministerial approval also imposes costs on DPI Lands. The Department was unable to estimate the average cost, but indicated an individual investigation would take a minimum of four hours. We assume that on average each investigation takes one day (7.5 hours), implying a cost of around \$545 (assuming an hourly wage rate of \$72.75 based on an annual salary of around \$120 000 including on-costs) per investigation. This implies that the total savings to the Department could be in the order of \$104 000 per year.

Requirement for a plan of management

As discussed above, Crown reserves managed by councils currently prepare a plan of management only if considered appropriate by the Trust or if required by the Minister. The DPI Lands website lists around 58 plans of management that have been adopted for Crown reserves.³⁹ Around 28 of these plans of management relate to Crown reserves managed by councils. This implies that new plans of management would need to be prepared for 5685 Crown reserves.

Councils indicated that the cost of preparing a plan of management for community land can vary significantly. The cost of preparing a plan of management for a small children's playground could be around \$5000-10 000. Alternatively, for a large and complex parcel of land, the costs could exceed \$100 000.

It is likely that some of the larger, more complex Crown reserves would already have a plan of management. We therefore assume that the average cost of preparing a plan of management could be around \$20 000, closer to the lower end of the range. If streamlining the process for preparing a plan of management (see recommendation No. 42 below) can achieve a 10 per cent cost saving, the cost for each plan of management would be around \$18 000.

³⁹ DPI Lands website,

http://www.crownland.nsw.gov.au/crown_land/crown_reserves/management/adopted_plans_of_management, accessed 17 March 2016.

This would imply that the total (one-off) costs could be in the order of \$102.3 million. However, there are potential savings with preparing a large number of plans of management at the same time. For example, it may be possible to prepare a single plan of management for multiple Crown reserves, or alternatively plans of management that are very similar would be relatively easy to duplicate. Furthermore, there may be savings associated with undertaking the relevant consultations etc. at the same time.

If councils were able to achieve savings of around 50 per cent of the total cost, the total cost to councils could be in the order of \$51.1 million. We understand that the NSW Government is considering whether to provide financial support to councils to prepare plans of management, but no decision has yet been made.

As an alternative lower bound assumption, we assume that the savings associated with preparing multiple plans of management simultaneously are around 75 per cent. Under this scenario, the cost to councils would be \$25.6 million.

As an upper bound assumption, we assume that there are no savings associated with preparing multiple plans of management simultaneously. Under this assumption, the cost to councils would be around \$102.3 million.

Crown road closures

IPART's recommendations in relation to crown road closures are shown in box 7.6.

7.6 Recommendations on Crown road closures

- Recommendation 42: That the NSW Government streamline the statutory process for closing Crown roads, including the arrangements for advertising road closure applications.
- Recommendation 43: That the NSW Government reduce the backlog of Crown road closure applications to eliminate the current waiting period for applications to be processed.

Streamlining the process for Crown road closures

The process for closing Crown roads appears relatively onerous for both councils and the Department. IPART's draft report notes there is currently a backlog of around 7 000 applications.

DPI Crown Lands reports that:

- around 550 new applications are received per year;
- they currently process around 1 700 applications per year; and
- the cost of process each application is around \$3 100.

At the current rate of processing, the backlog would be cleared in slightly more than six years. This suggests that the total cost to DPI (at the current processing rate) is around \$5.3 million over the next six years and around \$1.7 million thereafter. If we assume the

cost of processing an application is the same for councils, the costs would also be around \$1.7 million per year.

DPI notes that it would not be possible to streamline the process under the current legislation. Even with legislative change, DPI notes that the obligation to undertake due process and afford all parties procedural fairness means that in most cases, similar steps would be required to ensure all relevant information was available to the delegated decision maker.

Given the apparently limited scope for streamlining opportunities, we assume that only modest savings of around 5 per cent could be achieved (we use zero and 10 per cent as lower and upper bounds). This would equate to a benefit to DPI of around \$264 000 for the first six years and \$85 000 thereafter, while the annual benefit to councils would be around \$85 000.

Reducing the backlog of Crown road closure applications

As discussed above, there is currently a backlog of approximately 7 000 applications, with around 550 new applications per year. At the current processing rate of around 1700 applications per year, the backlog will be cleared in around 6 years.

IPART's recommendation does not specify how quickly the backlog should be cleared. If we assume that the backlog is to be cleared in half the current time (i.e. three years), this would require DPI Lands to increase the processing rate to 2883 per year for three years.

The impact of IPART's recommendation would be to bring forward both the costs associated with processing applications, as well as the benefits. Based on a cost of \$3100 per application estimated above, the additional 1183 applications to be processed per year would cost an additional \$3.7 million for the first three years. In the subsequent three years, there would be a similar saving (as the backlog would already have been cleared). Although bringing forward these costs is a zero sum exercise in nominal terms, in present value terms, the net cost would be around \$1.8 million (using a discount rate of 7 per cent).

The benefits of reducing the backlog would be reduced delays in closing Crown roads, allowing the land to be used for alternative purposes. Estimating these benefits is difficult and has not therefore been attempted.

Impact of IPART's recommendations

Based on advice from DPI Lands, there appears to be limited scope to streamline the process for Crown road closures, while undertaking due process and affording all parties procedural fairness. Nevertheless, based on a modest 5 per cent improvement, we estimate that streamlining this process could deliver a net benefit of around \$2.1 million in present value terms over ten years (using a discount rate of 7 per cent).

7.7 Impacts of streamlining the process for closing Crown roads

Recommendation: Streamlining the process for Crown road closures (No. 42)

Group	Impact - indicative		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	639	Na
NSW Government	Na	1489	Na
Community	Na	0	Na
Total	Na	2 128	Na

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

We were unable to estimate the benefits of reducing the backlog of applications. However, the cost in present value terms was estimated at around \$2 million.

Community land — plans of management

IPART's recommendations in relation to community land plans of management are shown in box 7.8.

7.8 Recommendation on Community land plans of management

- Recommendation 44: That the NSW Government streamline the provisions of the *Local Government Act 1993* relating to plans of management for community land to enable councils to align public notice and consultation with councils' community engagement for Integrated Planning and Reporting purposes

The Local Government Act sets out the consultative processes that must be followed in the development of a plan of management for community land. This includes a minimum of public exhibition of a draft plan of management, public hearing and consideration of submissions.⁴⁰ One council reported that the whole process can take around six months. The community engagement requirements for Integrated Planning and Reporting purposes is less prescriptive, although there is a general requirement to identify stakeholders and plan methods of engaging each of these groups.⁴¹

In our discussions with stakeholders, the views on this recommendation were mixed. The Office of Local Government were concerned that any reduction in public engagement relating to community land would not be accepted by the community. One council argued that the stakeholders and the information gathered from them is significantly

⁴⁰ IPART, *Review of reporting and compliance burdens on Local Government*, Local Government — Draft Report, January 2016, p. 150.

⁴¹ Office of Local Government, *Integrated Planning and Reporting Manual for local government in NSW*, March 2013, p. 37.

different for a plan of management, compared to strategic planning; the information gathered for strategic planning purposes is broad and 'high level', while the information required for a plan of management is very specific. Furthermore, linking the community engagement for plans of management to Integrated Planning and Reporting purposes may be restrictive for councils in terms of timing. Nevertheless, one council estimated that the savings from IPART's recommendation could potentially be in the order of 10-20 per cent.

As discussed above, the cost of preparing a plan of management for community land can vary significantly, ranging from as little as \$5-10 000 up to more than \$100 000. To estimate the potential costs and benefits of recommendations 40 and 41, we assumed an average cost of \$20 000. Based on a 10 per cent cost reduction achieved from IPART's recommendation, suggests a saving of around \$2000 per plan of management.

The number of plans of management for community land developed or revised each year is not known. For indicative purposes, we assume one plan of management is developed (or revised) per council per year or around 150 plans of management per year. In addition, we estimated above that around 5685 new plans of management may need to be developed if/when land currently managed under the Crown Lands Act comes under the regulatory framework set out in the Local Government Act (assuming also that councils could achieve cost savings of around 50 per cent by preparing multiple plans of management simultaneously).

Impact of IPART's recommendations

While there were mixed views on this recommendation among stakeholders consulted, we estimate that IPART's recommendation could deliver benefits to council of around \$7.6 million in present value terms over ten years (using a discount rate of 7 per cent). This was based on an indicative saving of 10 per cent in plan development costs (consistent with the assumptions used for recommendations 41 and 42).

7.9 Impacts of streamlining community land plans of management

Recommendation: Aligning community engagement for plans of management with IP&R (No. 44)

Group	Impact - Indicative		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	4 766	7 563	13 156
NSW Government	0	0	0
Community	0	0	0
Total	4 766	7 563	13 156

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

The lower and upper bound estimates are based on alternative assumptions about the cost savings that could be achieved through streamlining the process for preparing plans of management for community land. Specifically:

- the lower bound estimate is based on a 5 per cent cost saving
- the upper bound estimate is based on a 20 per cent cost savings.

Under the assumptions outlined above, the benefit to councils of streamlining the process for preparing plans of management for community land could range between \$4.8 million and \$13.2 million in present value terms over ten years (using a discount rate of 7 per cent), with a central case estimate of \$7.6 million.

National Heavy Vehicle Regulation

IPART's recommendation in relation to National Heavy Vehicle Regulation is shown in box 7.10.

7.10 Recommendation on National Heavy Vehicle Regulation

- Recommendation 45: That Roads and Maritime Services provide greater support for councils to develop the competency to conduct route access assessments and process heavy vehicle applications. This support should be focused on developing the competency and skills within councils to perform these regulatory functions.

Various studies have highlighted that heavy vehicle access to roads owned by local councils is a significant issue. The CIE previously estimated that the costs of limitations on heavy vehicle access arising from regulatory fragmentation and inconsistency to NSW could be up to \$366 million per year.⁴²

Addressing fragmentation was a key reason for the establishment of the National Heavy Vehicle Regulator (NHVR). The NHVR took over responsibility for coordinating road access requests from state road authorities, including councils from February 2014.

In its review of local government compliance and enforcement, IPART previously recommended that the NSW Government fund an interim unit to provide assistance to local government in the event of delay in the National Heavy Vehicle Regulator (NHVR) providing:

- technical assistance to councils in certifying local road for access by heavy vehicles; and
- guidelines to councils for assessing applications for heavy vehicle access to local roads in relation to potential amenity and safety impacts (Draft recommendation 31).⁴³

Since IPART's previous draft report, both the NHVR and the RMS have developed guidance material for councils, including:

⁴² For further details, see CIE, 2013, *Local Government Compliance and Enforcement: Cost-benefit analysis of IPART's recommendations*, prepared for IPART, pp. 102-103.

⁴³ IPART, *Local government compliance and enforcement*, Regulation Review — Draft Report, October 2013, p. 265.

- the NHVR Guidelines for Granting Access, which contains high-level guidance and clarity on aspects of heavy vehicle access decision making under the HVNL;⁴⁴ and
- the RMS Road Manager Toolkit.

Nevertheless, there appears to be concern that some councils do not have sufficient expertise to adequately assess road access requests. Furthermore, some councils may not get road access requests frequently enough to make it worthwhile to make the investment to get sufficient expertise.

The impact of IPART's recommendation is the incremental benefits and costs of the support already available to councils through existing guidance material. Information available from the NHVR suggested that the average time taken to respond to consent requests exceeded the legislated 28 day period for 19 councils in 2015.⁴⁵

RMS and NHVR are currently investigating whether these delays are due to a lack of relevant expertise, or a lack of willingness on the part of councils to provide access to their roads. We note that in many circumstances, councils have little incentive to provide access to their roads, as the associated costs are borne by the council and/or constituents within the local government area (LGA), while the benefits often flow to businesses or individuals outside the LGA.

Impact of IPART's recommendations

We estimate that IPART's recommendation could deliver net benefits of around \$18.7 million in present value terms, using a discount rate of 7 per cent. As this appears to be an interim measure until the NHVR system is fully effective, we estimated these benefits over three years. This estimate is indicative only. This recommendation has not yet been included in the total because of this.

7.11 Impacts of improved support for heavy vehicle applications

Recommendation: RMS providing greater support for councils to conduct route assessments (No. 45)			
Group	Impact - Indicative		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	1 312	Na
NSW Government	Na	-1 968	Na
Community	Na	19 354	Na
Total	Na	18 698	Na

Note: The net present value is over the period covering 3 years after implementation and uses a 7 per cent discount rate.

Source: CIE.

⁴⁴ National Heavy Vehicle Regulator website, <https://www.nhvr.gov.au/road-access/local-government-road-managers/guidelines-for-granting-access>, accessed 1 March 2016.

⁴⁵ National Heavy Vehicle Regulator website, <https://www.nhvr.gov.au/road-access/local-government-road-managers/local-government-road-manager-resources>, accessed 1 March 2016.

We estimate that the cost to RMS of providing additional support to councils would be around \$750 000 per year, which we assume would be provided for three years, until the NHVR becomes fully effective.

The CIE estimated that the benefits of IPART's previous (similar) recommendation could be around \$59 million per year, while the costs were estimated at around \$4 million per year.⁴⁶ Given the guidance material already available to councils, the benefits of IPART's new recommendation would be some proportion of the benefits previously estimated.

As discussed above, in 2015, 19 out of 152 councils or 12.5 per cent of all councils did not meet the legislated timeframe. This suggests that the benefits of IPART's recommendation could be around \$7.4 million per year.

It is not clear whether these benefits should be treated as temporary or permanent. On the one hand, if the support provided by RMS builds capacity (as recommended by IPART), the benefits could arguably be treated as permanent. On the other hand, if the RMS support is filling a gap in council capacity until the NHVR becomes fully effective, the benefits should be treated as temporary, lasting for the assumed three years.

On balance, we consider that the benefits should be treated as temporary. As noted by IPART, for some councils, the frequency of permit applications may be insufficient to justify a dedicated resource. Furthermore, where council staff do not have the relevant qualifications, it may not be possible for RMS to build capacity.

In addition, there are potentially cost savings to councils. In its submission to IPART's Issues Paper, Albury City Council estimated that the cost to councils of complying with the new arrangements relating to heavy vehicles is around \$10 000 per year (although this would vary across councils depending on the number of permit applications received). Based on our estimate of 19 councils, the savings to councils would be around \$190 000 per year. As we estimated the investment by RMS would be around \$750 000 per year, this implies a net increase in government resources of around \$560 000 per year. There may be some duplication/inefficiencies associated with having both state and local government involved in this process; however, a net increase of almost 300 per cent seems excessive. We therefore assume that savings to councils could be around \$500 000 per year.

Impounding unattended boat trailers, caravans and advertising trailers

IPART's recommendation in relation to impounding caravans and advertising trailers is shown in box 7.12.

7.12 Recommendation on impounding caravans and advertising trailers

- Recommendation 46: That the *Impounding Act 1993* be amended to treat caravans and trailers (including advertising trailers) in the same way as boat trailers when considering whether they are unattended for the purposes of the Act.

⁴⁶ For further details, see CIE, 2013, *Local Government Compliance and Enforcement: Cost-benefit analysis of IPART's recommendations*, prepared for IPART, p. 104.

Under the *Impounding Amendment (Unattended Boat Trailers) Act 2015*, boat trailers that have not been moved for 28 days may be impounded. If caravans and advertising trailers were treated in the same way, as per IPART's recommendation, the impacts could include:

- an increase the number of caravans and advertising trailers impounded
- owners storing caravans and advertising trailers on their own property (where possible)
- owners moving their caravans and advertising trailers more frequently (although a movement along the same road without passing an intersection with another road is not considered to have been moved for the purposes of the Act); and
- in the longer term, fewer people owning caravans and advertising trailers.

This would increase the availability of parking spaces for other vehicles (mainly cars). This is a benefit for car owners as parking spaces have significant value, particularly in high density areas.

However, owners of caravans and advertising trailers also value the parking space. Losing the ability to conveniently park a caravan or advertising trailer on the street is therefore a cost to owners. Costs to owners of caravans and advertising trailers could include:

- the cost (loss of amenity, usable space) of storing a caravan or advertising trailer on their own property
- any inconvenience associated with having to move their caravan or advertising trailer relatively frequently
- loss of enjoyment/revenue from owning the caravan or advertising trailer.

The net effect of this re-allocation of parking spaces from owners of caravans and advertising trailers to other vehicle (mainly car) owners ultimately depends on which group places a higher value on the parking space. One clear case of a net benefit is where additional parking spaces become available when a genuinely abandoned caravan or advertising trailer is impounded.

In addition, to the extent that extending the impounding arrangements for boat trailers to caravans and advertising trailers increases the number impounded, the council would bear some associated resource costs. These costs would presumably be passed onto to owners through the penalty.

The outcome of this recommendation is what some may consider to be a fairer allocation of parking spots, rather than an overall net benefit. It is difficult to take 'fairness' considerations into account in CBA. Furthermore, there is little quantitative information readily available on the extent to which long-term on-street parking of caravans and advertising trailers is a problem. Consequently, we have not been able to estimate the costs and benefits of this recommendation.

8 *Companion animals*

IPART has made a recommendation to make companion animals registration processes easier for users and councils (box 8.1).

8.1 Recommendations for companion animals

- Recommendation 47: That the Office of Local Government's redesign and modernisation of the central Register of Companion Animals includes the following functionality:
 - online registration, accessible via mobile devices anywhere
 - a one-step registration process, undertaken at the time of microchipping and identifying an animal
 - the ability for owners to update change of ownership, change of address and other personal details online
 - unique identification information in relation to the pet owner (ie, owner's date of birth, driver licence number or Medicare number)
 - the ability to search by owner details
 - the ability for data to be analysed by Local Government Area (not just by regions)
 - the ability for data to be directly uploaded from pound systems, and
 - centralised collection of registration fees so funding can be directly allocated to councils.
- Recommendation 48: That the Companion Animals Act 1998 and Companion Animals Regulation 2008 be amended to require unique identification information in relation to the pet owner (ie, owner's date of birth, drivers licence number or Medicare number), to be entered in the register at the time of entering animal identification information and when there is a change of ownership.

Size and nature of the problem

There are over 2 million companion animals registered in NSW and 219 000 new registrations each year. There are a large number of companion animals not registered in addition to this (38 per cent of dogs and 56 per cent of cats are not registered).⁴⁷

Companion animal expenditures by councils are significant and these are not fully covered by revenues. Data reported by councils to OLG suggests costs in the order of

⁴⁷ DLG, Companion Animals Taskforce Discussion Paper, May 2012, p. 17

\$31 million per year and revenues of \$11 million per year.⁴⁸ These figures are confirmed by other information sources. The shortfall in revenue from administration of the *Companion Animals Act 1998* is reported to be between 0.15 per cent and 0.25 per cent of total council expenditure by the Local Government and Shires Association of NSW (now Local Government NSW).⁴⁹ This is equivalent to \$14 to \$23 million per year across all NSW local governments.

Some parts of the costs for councils associated with the administration of the *Companion Animals Act* are a result of difficulties in enforcement because animals are not registered and owners cannot be identified from registration information. A further part is associated with lack of responsible pet ownership.

The processes for registration are also overly administrative, with registration and changes required to be entered by councils rather than directly into the register. This was a significant issue raised by councils in their responses to IPART's survey of compliance costs. This has also been recognised by the NSW Government, with the Office of Local Government undertaking a comprehensive review and redesign of the Register and registration system.

Table 8.2 sets out the council responses for the costs of administering Companion Animals regulations.

8.2 Costs of administering Companion Animals regulations for councils

Council	Item	Cost
Kiama Council	Follow up for unregistered animals	\$14 000 per year
Port Stephens Council	Provision of dog attack data	\$1 800 per year
Shoalhaven City Council	Updating register and animal control	\$300 000 per year, including 2 FTEs for data entry for Companion Animal Register
Campbelltown City Council	Costs of payment and reconciliation process for register fees	<\$10 000 per year for
Campbelltown City Council	Costs of following up unregistered animals	\$60 000 per year
Leichardt City Council	Costs of matching and entering data on Register	\$80 654 per year
Sutherland Shire Council	Lodgement of Pound data	\$3 906 per year
Sutherland Shire Council	Dog attack data	\$1 938 per year

⁴⁸ Data provided by DLG. Note that 138 councils reported expenditures and 134 reported revenues. Those not reporting included a number of major councils.

⁴⁹ Local Government and Shires Association of NSW 2012, *The impact of cost shifting on NSW local government 2010/11*, Appendix B.

Council	Item	Cost
Sutherland Shire Council	Entering data for register	\$40 000-\$45 000 per year
Lake Macquarie Council	Pound data survey	\$2000 per year

Source: Council survey responses to IPART.

Impact of IPART's recommendations

IPART's recommendations aim to reduce the compliance costs for councils and users associated with registration of animals and changing registration details.

Administration costs related to Companion Animals are high as there is no online system for registration and the process is unnecessarily burdensome in the way it is set up. Currently, all changes to registration go through local councils. The changes proposed in IPART's recommendations would allow this to be undertaken directly by pet owners and vets at the time of microchipping, avoiding administration associated with councils.

We estimate that allowing for online registration would:

- reduce time costs for those making registrations through not having to go through council by (conservatively) 5 minutes per registration;
- reduce administration costs (such as postage) by \$1.65 per registration; and
- reduce processing costs for councils by \$2 per registration in terms of document management costs;
- based on the responses from councils, the data entry costs avoided would be very large, including for entering data into the register and providing pound data (which would now be automated). These are estimated by councils at around 1 FTE per council (see table 8.2 above).⁵⁰ We allow for a cost saving of \$30 000 to \$50 000 per council. Councils also noted costs related to follow up on unregistered animals, which we assume would continue to be incurred by councils.

There will be implementation costs associated with IT for online processing. The implementation costs for the Government Licensing Service (GLS) were in the order of \$30 per ongoing license held. The Companion Animals Register already exists and allows for entry by council officers online. The changes to the system would be expected to be a smaller than the costs of GLS because of this. We allow for costs of \$10 per average number of new licences added per year, giving total implementation costs of \$2 million.

After accounting for implementation costs the net benefits would be in the order of \$45 million over 10 years (table 8.3). We note that this is substantially higher than our previous estimate, as the survey of councils has indicated much larger costs for their management and interactions with the Register than previously allowed for.

⁵⁰ Note that this was not included in The CIE 2013, Local government compliance and enforcement: quantifying the impacts of IPART's recommendations, prepared for IPART.

8.3 Impacts of an improved Companion Animal Register

Recommendation: Develop online animal registration system with specific functionality (No. 47 and 48)

Group	Impact - full		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	33 031	43 008	52 986
NSW Government	-2 056	-2 056	-2 056
Community	3 650	3 650	3 650
Total	34 625	44 602	54 580

Note: Using a discount rate of 7 per cent over 10 years.

Source: CIE.

9 Community order

Alcohol free zones and alcohol free areas

IPART's recommendations into alcohol free zones (AFZs) and Alcohol Prohibited Areas (APAs) are shown in box 9.1.

9.1 Recommendations on alcohol free zones and alcohol free areas

- Recommendation 49: That the NSW Government, in consultation with councils, review how councils are currently applying Alcohol Free Zone (AFZ) and Alcohol Prohibited Area (APA) provisions in response to alcohol related anti-social behaviour and clarify the rationale and processes for declaring AFZs and APAs in the *Local Government Act 1993* and Ministerial Guidelines on Alcohol-Free Zones.
- Recommendation 50: That the NSW Government provide an efficient process for consultation and decision making on temporary and events-based alcohol restrictions.

The Office of Local Government (OLG) reported that a similar review had been undertaken 3-4 years ago. Based on previous reviews, the Office of Local Government estimated that a review of how councils are currently applying AFZ and APA provisions would take two officers around six months. This amounts to one FTE, which could cost around \$120 000.

The benefits from the review would depend on the findings. This is not currently known. The number of AFZs and APAs that apply across NSW is also unknown. Consequently, we have not attempted to estimate the benefits of this recommendation.

Graffiti control act

IPART's recommendation around the Graffiti Control Act is shown in box 9.2.

9.2 Recommendation on the Graffiti control Act

- Recommendation 51: That the *Graffiti Control Act 2008* be amended to:
 - allow councils to prosecute individuals and organisations that commission or produce bill posters that are visible from a public place within their local government area, and
 - provide councils with compliance and enforcement powers to support their enforcement role under the Act, similar to those provided under Chapter 7 of the Protection of the Environment Operations Act 1997.

The practice of affixing bills for music and other events in Sydney is a common method of advertising. Sydney based councils have raised concerns about the high costs associated with removing posters and their inability to prosecute the organisation that is financially benefiting from the practice.

The consultation conducted by the Department of Justice revealed that although there are a number of big music festivals that advertise in this manner, it is also a cost effective way for smaller venues or organisations to engage the local community for small events, particularly for organisations that do not have a large online presence.

The Department of Justice confirm that the level of penalties currently issued is very low. The City of Sydney Council expect that the law change will result in significant behaviour change by the community as fines are a strong deterrent.

If the fine is prohibitive and smaller venues decide to no longer advertise through posters, this may have an adverse impact on their patronage for the live music industry, particularly small or community events. This impact is not quantified.

The key assumptions used in this analysis are in table 9.3.

9.3 Key assumptions

	Central
Annual growth in bill posters (%)	1
Behaviour change ^a (%)	-45
Maximum Penalty	\$440
Estimated number of fines	10

^a Behaviour change is 0% in year one, -15% in year two, -30% in year three, and -45% from year four onwards.

Note: These estimates were provided by the City of Sydney Council.

Source: CIE.

Impact of IPART's recommendation

The estimated impact from amending the Graffiti Control Act 2008 is at table 9.4.

9.4 Impacts of enabling Councils to fine organisations that affix bill posters

Recommendation: Allow councils to prosecute individuals or organisations that commission posters and have them affixed in a public place (No. 51)

Group	Impact - indicative		
	Low	Central	High
	NPV, \$000	NPV, \$000	NPV, \$000
Councils	Na	3 446	Na
NSW Government	Na	55	Na
Community	Na	-29	Na
Total	Na	3 472	Na

Note: The net present value is over the period covering 10 years after implementation and uses a 7 per cent discount rate. Wages (and on-cost) are used in accordance with the NSW Better Regulation Office 2012 *Guidelines for estimating savings under the red tape reduction target*

Source: CIE.

Costs to NSW Government - Implementation costs

Implementation costs include consultation costs, drafting costs and following the process through Parliament. Assumptions used for implementation costs at table 9.5.

9.5 Implementation Costs

	units	
Consultation timeframe	(weeks)	11
Drafting and implementation timeframe	(weeks)	16
No. of staff from Department of Justice	(FTE)	1
No. of hours in a week per FTE	(no.)	37.5
Average hourly wage	(\$)	32.2
Total implementation cost	(\$'000)	58.8

Note: Employee costs (wages and on-costs) and set in accordance with the NSW Better Regulation Office 2012 *Guidelines for estimating savings under the red tape reduction target*

Source: CIE estimate. On-cost



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