INVERELL
SHIRE COUNCIL

Australian music icons Daryl Braithwaite and Samantha Jade will perform a free concert on the River Stage in Campbell Park Inverell on Saturday 5th November 2022.
The event delivered by Inverell Shire Council, has been made possible through funding from NSW Government as part of the Reconnecting Rural Communities Grant Program.
The evening will commence at 7pm and will culminate with the biggest Fireworks Show ever hosted in Inverell.

Business Paper

Ordinary Meeting of Council

Wednesday, 26 October 2022

INVERELL SHIRE COUNCIL

NOTICE OF ORDINARY MEETING OF COUNCIL

21 October, 2022

An Ordinary Meeting of Council will be held in the Council Chambers, Administrative Centre, 144 Otho Street, Inverell on Wednesday, 26 October, 2022, commencing at **3.00pm**.

Your attendance at this Ordinary Meeting of Council would be appreciated.

Please Note: Under the provisions of the Code of Meeting Practice the proceedings of this meeting (including presentations, deputations and debate) will be recorded. The audio recording of the meeting will be uploaded on the Council's website at a later time. Your attendance at this meeting is taken as consent to the possibility that your voice may be recorded and broadcast to the public.

I would like to remind those present that an audio recording of the meeting will be uploaded on the Council's website at a later time and participants should be mindful not to make any defamatory or offensive statements.

P J HENRY PSM

GENERAL MANAGER

Agenda

Recording of Council Meetings

Council meetings are recorded. By entering the Chambers during an open session of Council, you consent to your attendance and participation being recorded.

The recording will be archived. All care is taken to maintain your privacy; however as a visitor of the public gallery, your presence may be recorded.

Ethical Decision Making and Conflicts of Interest

A guiding checklist for Councillors, officers and community committees

Ethical decision making

- Is the decision or conduct legal?
- Is it consistent with Government policy, Council's objectives and Code of Conduct?
- What will the outcome be for you, your colleagues, the Council, anyone else?
- Does it raise a conflict of interest?
- Do you stand to gain personally at public expense?
- Can the decision be justified in terms of public interest?
- Would it withstand public scrutiny?

Conflict of interest

A conflict of interest is a clash between private interest and public duty. There are two types of conflict:

- ***Pecuniary*** – regulated by the Code of Conduct and Office of Local Government
- ***Non-pecuniary*** – regulated by Code of Conduct and policy. ICAC, Ombudsman, Office of Local Government (advice only). If declaring a Non-Pecuniary Conflict of Interest, Councillors can choose to either disclose and vote, disclose and not vote or leave the Chamber.

The test for conflict of interest

- Is it likely I could be influenced by personal interest in carrying out my public duty?
- Would a fair and reasonable person believe I could be so influenced?
- Conflict of interest is closely tied to the layperson's definition of 'corruption' – using public office for private gain.
- Important to consider public perceptions of whether you have a conflict of interest.

Identifying problems

1st Do I have private interests affected by a matter I am officially involved in?
2nd Is my official role one of influence or perceived influence over the matter?
3rd Do my private interests conflict with my official role?

Code of Conduct

For more detailed definitions refer to Council's and Model Code of Conduct, Part 4 – Pecuniary Interests and Part 5 – Non – Pecuniary Conflicts of Interest.

Disclosure of pecuniary interests / non-pecuniary interests

Under the provisions of Part 4 of the Model Code of Conduct prescribed by the Local Government (Discipline) Regulation (conflict of interests) it is necessary for you to disclose the nature of the interest when making a disclosure of a pecuniary interest or a non-pecuniary conflict of interest at a meeting.

A Declaration form should be completed and handed to the General Manager as soon as practicable once the interest is identified. Declarations are made at Item 3 of the Agenda: Declarations - Pecuniary, Non-Pecuniary and Political Donation Disclosures, and prior to each Item being discussed: The Declaration Form can be downloaded at Disclosure of Pecuniary Interests form or Non-Pecuniary Interests form

Quick Reference Guide

Below is a legend that is common between the:

- Inverell Shire Council Strategic Plan;
- Inverell Shire Council Delivery Plan; and
- Inverell Shire Council Operational Plan.

Inverell Shire Council

MEETING CALENDAR

January 2022 – December 2022

Ordinary Meetings:
Time: 3.00 pm
Venue: Council Chambers

JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed
No Meeting	23	23	27	25	^22	27	24	28	26	30	14

Major Committee Meetings:
Civil and Environmental Services - 9.00 am
Economic and Community Sustainability - 10.30 am
Venue: Committee Room

JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed	Wed
No Meeting	9	9	13	11	8	13	10	14	12	9	No Meeting

Members of the public are invited to observe meetings of the Council.

Should you wish to address Council, please contact the Office of the General Manager on 6728 8206.

^ Meeting at which the Management Plan for 2022/2023 is adopted.

INVERELL SHIRE COUNCIL

INTERNAL CALENDAR
November 2022

SUN	MON	TUE	WED	THU	FRI	SAT
		1.	**2.**	Inverell Theatre Company Production: Agatha Crusty and the Beaulieu Hall Murders **3.**	2:30pm Inverell Library Book Launch: Wonderful Wildlife by Heather Kerridge Inverell Theatre Company Production: Agatha Crusty and the Beaulieu Hall Murders **4.**	7:00pm Music Under the Stars Concert – Campbell Park (Daryl Braithwaite & Samantha Jade) **5.**
Sapphire City Markets **6.**	**7.**	Library Conference **8.**	9.00am Civil & Environmental Committee Meeting 10.30am Economic & Community Sustainability Committee Meeting Library Conference **9.**	**10.**	Remembrance Day **11.**	10:00am Eat Drink Live New England **12.**
13.	Reports due for Ordinary Council Meeting by 4.30pm 5:30pm Cultural Committee Meeting (Inverell Library) **14.**	ARIC Meeting **15.**	**16.**	**17.**	**18.**	**19.**
Sapphire City Markets **20.**	**21.**	**22.**	**23.**	BROC Meeting **24.**	**25.**	**26.**
27.	CVPT Meeting NEJO Board Meeting **28.**	**29.**	3.00pm Ordinary Council Meeting **30.**			

Council office closed

1 APOLOGIES

2 CONFIRMATION OF MINUTES

RECOMMENDATION:

That the Minutes of the Ordinary Meeting of Council held on 28 September, 2022, as circulated to members, be confirmed as a true and correct record of that meeting.

MINUTES OF INVERELL SHIRE COUNCIL
ORDINARY COUNCIL MEETING
HELD AT THE COUNCIL CHAMBERS, ADMINISTRATIVE CENTRE, 144 OTHO STREET, INVERELL
ON WEDNESDAY, 28 SEPTEMBER 2022 AT 3.00PM

PRESENT: Cr Paul Harmon (Mayor), Cr Jo Williams, Cr Di Baker, Cr Stewart Berryman, Cr Kate Dight, Cr Paul King OAM, Cr Wendy Wilks, and Cr Nicky Lavender

IN ATTENDANCE: Paul Henry (General Manager), Brett McInnes (Director Civil and Environmental Services), and Paul Pay (Director Corporate and Economic Services)

1 APOLOGIES

APOLOGY

RESOLUTION 2022/119

Moved: Cr Di Baker
Seconded: Cr Kate Dight

That the apology received from Cr Jacko Ross for personal reasons be accepted and leave of absence granted.

CARRIED

2 CONFIRMATION OF MINUTES

RESOLUTION 2022/120

Moved: Cr Paul King OAM
Seconded: Cr Nicky Lavender

That the Minutes of the Ordinary Meeting of Council held on 24 August, 2022, as circulated to members, be confirmed as a true and correct record of that meeting.

CARRIED

3 DISCLOSURE OF INTERESTS / PECUNIARY AND NON-PECUNIARY INTERESTS

Cr Di Baker declared a Non-Pecuniary Interest in Item #12.1 ‘Consideration of the Aquatic Centre Sunset Committee Recommendations’ as Cr Baker is a member of the Regional Planning Panel which may be required to evaluate the Development Application for the redevelopment of the Inverell Aquatic Centre.

Cr Wendy Wilks declared a Pecuniary Interest in Item #12.1 ‘Consideration of the Aquatic Centre Sunset Committee Recommendations’ as a family member is listed as a subcontractor to one of that maybe invited to tender for this project.

June Civil & Environmental Services Committee Meeting Minutes:

Cr Nicky Lavender declared a Non-Pecuniary Interest in Item #9.1.1 of the Committee Reports “Road Closure – Eat Drink Live New England” as she is a committee member of Eat Drink Live.

Cr Nicky Lavender declared a Pecuniary Interest in Item #9.1.5 of the Committee Reports “Planning Proposal – Request to amend Inverell Local Environmental Plan 2012 – 1 Burgess Street, Inverell” as she is the CEO of IDFS, the applicant.

4 PUBLIC FORUM

Nil

5 MAYORAL MINUTE

Nil

6 ADVOCACY REPORTS

6.1 2022 LOCAL GOVERNMENT NSW CONFERENCE - MOTION S14.3.13

RESOLUTION 2022/121

Moved: Cr Di Baker
Seconded: Cr Jo Williams

‘That Local Government NSW calls on the NSW State Government to:

i. *Undertake a state-wide survey of past and present elected councillors and local government staff on bullying, harassment and intimidation as soon as practicable or in the 2023/24 financial year, to improve workplace and councillor safety;*

ii. *That the results of the survey and review be reported back to LGNSW and all councils for further action if required’.*

CARRIED

6.2 BORDER REGIONAL ORGANISATION OF COUNCILS (BROC) MEETING & BRUXNER WAY JOINT COMMITTEE MEETING - 12 AUGUST 2022 S14.10.1

RESOLUTION 2022/122

Moved: Cr Kate Dight
Seconded: Cr Di Baker

That:

i) *The minutes of the Border Regional Organisation of Councils meeting held on 12 August 2022 be received and noted;*

ii) *The minutes of the Bruxner Way Joint Committee meeting held on 12 August 2022 be received and noted; and*

iii) *The Civil and Environmental Services Committee be requested to consider the views of the Bruxner Way Committee in relation to the Getta Getta Road and how Council’s current classification of this road matches this view.*

CARRIED

7 NOTICES OF BUSINESS

Nil

8 QUESTIONS WITH NOTICE

Nil

9 COMMITTEE REPORTS

At 3.12 pm, Cr Nicky Lavender left the meeting having previously declared a Non-Pecuniary Interest in relation to Item #9.1.1 “Road Closure – Eat Drink Live New England” and a Pecuniary Interest in Item #9.1.5 “Planning Proposal – Request to amend Inverell Local Environmental Plan 2012 – 1 Burgess Street, Inverell”.

9.1 CIVIL AND ENVIRONMENTAL SERVICES COMMITTEE MINUTES - 14 SEPTEMBER 2022

RESOLUTION 2022/123

Moved: Cr Stewart Berryman
Seconded: Cr Wendy Wilks

i. That the Minutes of the Civil and Environmental Services Committee held on Wednesday, 14 September, 2022, be received and noted; and

ii. The following recommendations of the Civil and Environmental Services Committee be adopted by Council.

CARRIED

9.1.1 Road Closure - Eat Drink Live New England

RECOMMENDATION:

That:

1) Council approve the closure of Evans Street between Otho Street and Campbell Street from 12pm on Friday, 11 November 2022 until 6pm Saturday, 12 November 2022; and

2) Council by way of donation cover the costs of the road closure and other in-kind support to facilitate the Eat Drink Live New England Event.

9.1.2 Inverell Polocrosse Club - Review of 2022 Swan Cup

RECOMMENDATION:

That:

1) Council assist the Inverell Polocrosse Club to prepare for the 2023 Swan Cup by investigating the available options to:

a. Supply and spread sand on the fields

b. Fill water tanks

c. Promote the event through the Inverell Tourist Centre

2) Council encourage the Inverell Polocrosse Club to prepare a detailed master plan for their polocrosse arena complex.

9.1.3 Employment Zones Reform

RECOMMENDATION:

That:

i. *A "recreation facility (outdoor)" be included as a permitted land use in the E4 General Industrial Zone and to advise the Department Planning and Environment's employment zones reform team; and*

ii. *The Director Civil and Environmental Services be authorised to undertake the procedural steps associated with the progress of the employment zones reform, including any changes and minor amendments consistent with the intent of the reforms.*

9.1.4 Extension of Temporary Traffic Management Arrangements for Drought Relief Transport

RECOMMENDATION:

That the extension of the temporary Drought Recovery Access for Restricted Access Vehicles hauling agricultural commodities on the Shire road network until 19 September, 2023 be approved under the General Manager's Delegation.

9.1.5 Planning Proposal - Request to Amend Inverell Local Environmental Plan 2012 - 1 Burgess Street, Inverell

RECOMMENDATION:

That:

i. *The Planning Proposal to amend the Inverell Local Environmental Plan 2012 to permit a 'centre-based child care facility' as an Additional Permitted Use on 1 Burgess Street, Inverell be forwarded to the NSW Department of Planning and Environment requesting a Gateway determination in accordance with sections 3.33 and 3.34 of the Environmental Planning and Assessment Act 1979;*

ii. *The Director Civil and Environmental Services be authorised to undertake the procedural steps associated with the progress of the Planning Proposal and obtaining the Gateway determination, including any minor amendments, information requests and public exhibition; and*

iii. *A further report be submitted in relation to this matter following public exhibition.*

S375A Record of Voting	Councillors For:	Councillors Against:
Harmon	√	
Baker	√	
Berryman	√	
Dight	√	
King	√	
Williams	√	
Wilks	√	

9.1.6 Memorandum of Understanding - Access and Use of OneRoad

RECOMMENDATION:

That the Memorandum of Understanding with Transport for NSW – Access and Use of OneRoad be executed by Council.

9.1.7 Information Reports

RECOMMENDATION

That the information reports be received and noted.

At 3.14 pm, Cr Nicky Lavender returned to the meeting.

9.2 ECONOMIC AND COMMUNITY SUSTAINABILITY COMMITTEE MINUTES - 14 SEPTEMBER 2022

RESOLUTION 2022/124

Moved: Cr Paul King OAM
Seconded: Cr Kate Dight

i. That the Minutes of the Economic and Community Sustainability Committee held on Wednesday, 14 September, 2022, be received and noted; and

ii. The following recommendations of the Economic and Community Sustainability Committee be adopted by Council.

CARRIED

9.2.1 Inverell Showground Land Manager - Request for a Donation for Sewer Charges

RECOMMENDATION:

That:

i. Council makes a donation in lieu of sewer rates to the Inverell Showground equivalent to 15% of the sewerage rates for the 2022/2023 financial year; and

ii. Council recommend to the Inverell Showground Land Managers that they review the number of toilets required at the showground.

9.2.2 Arts North West Membership

RECOMMENDATION:

That:

(a) The information be noted; and

(b) The request from the Sapphire City Concert Band for an additional donation be declined.

9.2.3 Transfer of Internally Restricted Assets and Budget Revotes From 2021/2022

RECOMMENDATION:

That:

i) The report be received and noted;

ii) The list of revotes in the attachment be revoted to the 2022/2023 budget; and

iii) The transfers to Council's Externally / Internally Restricted Assets for the 2021/2022 Financial Year totalling $7,277,088 and Council's transfers from Externally / Internally Restricted Assets for the 2021/2022 Financial Year totalling $3,498,443 be endorsed.

9.2.4 Information Reports

RECOMMENDATION:

That the information reports be received and noted.

9.2.5 Governance - Monthly Investment Report

RECOMMENDATION:

That:

i) The report indicating Council's Fund Management position be received and noted; and

ii) The Certification of the Responsible Accounting Officer be noted.

9.2.6 General & Special Purpose Financial Reports 2021/2022

RECOMMENDATION:

That:

i) The report be received and noted;

ii) Council's DRAFT 2021/2022 Financial Statements be "referred to audit" in accordance with s413(1) of the Local Government Act 1993.

iii) If during the audit process, the NSW Audit Office requires any material changes, or discovers any audit issues that would render the Financial Statements false or misleading in any way, the draft financial statements are to be returned to Council for further consideration.

iv) Council record as an opinion of Council, in accordance with s413 (2c) of the Local Government Act 1993, that the draft 2021/2022 annual financial report is in accordance with:

- *the Local Government Act 1993 (as amended) and the Regulations made there under,*
- *the Australian Accounting Standards and professional pronouncements,*
- *the Local Government Code of Accounting Practice and Financial Reporting, and*
- *presents fairly the Council's operating result and financial position for the year, and*
- *accords with Council's accounting and other records; and*
- *that the Council is not aware of any matter that would render this report false or misleading in any way.*

v) Subject to no material audit changes or audit issues discovered as a result of the audit process:

i) The Mayor, Deputy Mayor, General Manager and Responsible Accounting Officer be authorised to sign the statements as required by s413(2) of the Local Government Act 1993;

ii) Council authorise the General Manager to forward the Financial Statements to the Office of Local Government upon receipt of the Audit Reports from the NSW Audit Office;

iii) Council authorise the General Manager to place the audited Financial Statements on public exhibition and provide notice in accordance with s418(3) of the Local Government Act 1993, that Council will consider the Reports of its Auditors for the year ended 30 June, 2022 at its Ordinary Meeting to be held on Wednesday 23 November, 2022; and

iv) Council present the signed audited Financial Statements to the public at the Ordinary Council meeting to be held on 23 November, 2022 in accordance with s 419 (1) Local Government Act 1993.

10 DESTINATION REPORTS

10.1 2022 - 2032 DRAFT COMMUNITY STRATEGIC PLAN S4.13.2

RESOLUTION 2022/125

Moved: Cr Di Baker
Seconded: Cr Kate Dight

That:

i. The 2022 – 2032 Community Strategic Plan be endorsed; and

ii. The draft document be placed on public exhibition for 28 days for community feedback.

CARRIED

10.2 CONSULTATION - CORRUPTION RISKS IN THE LOBBYING OF PUBLIC OFFICIALS S14.6.1

RESOLUTION 2022/126

Moved: Cr Kate Dight
Seconded: Cr Di Baker

That in respect of the OLG's request to consider the preferred approach to managing risk in "Lobbying", Council supports:

i) Office of Local Government issue guidelines under section 23A of the Local Government Act.
ii) Council agrees with the ICAC recommendations from operation Dasha and operation Witney, which should form the basis of the s23A Guidelines on "Lobbying of Coucnil Officials".

CARRIED

10.3 CONSIDERATION OF THE AQUATIC CENTRE SUNSET COMMITTEE RECOMMENDATIONS S5.9.27

RESOLUTION 2022/127

Moved: Cr Kate Dight
Seconded: Cr Nicky Lavender

That a supplementary report on this matter be received.

CARRIED

11 INFORMATION REPORTS

RESOLUTION 2022/128

Moved: Cr Stewart Berryman
Seconded: Cr Kate Dight

That the information reports be received and noted.

CARRIED

11.1 COMMUNITY LOCAL INFRASTRUCTURE RECOVERY (CLIR) S15.8.127

11.2 SUMMARY OF DEVELOPMENT APPLICATIONS, CONSTRUCTION CERTIFICATES AND COMPLYING DEVELOPMENT CERTIFICATES DURING AUGUST 2022 S18.10.2/15

11.3 ORDINANCE ACTIVITIES REPORT FOR AUGUST 2022 S18.10.1

11.4 OPERA NORTH WEST LTD S6.8.9

11.5 HOMES FOR THE AGED S6.8.9

11.6 STRATEGIC TASKS - 'SIGN OFF' - AUGUST 2022 S13.5.2/15

12. SUPPLEMENTARY REPORTS

At 3.40 pm, Cr Di Baker left the meeting having previously declared a Non-Pecuniary Interest in relation to Item #12.1 ‘Aquatic Centre Planning Sunset Committee Minutes’.

At 3.40 pm, Cr Wendy Wilks left the meeting having previously declared a Non-Pecuniary Interest in relation to Item #12.1 ‘Aquatic Centre Planning Sunset Committee Minutes’.

12.1 AQUATIC CENTRE PLANNING SUNSET COMMITTEE MINUTES - 28 SEPTEMBER 2022

RESOLUTION 2022/129

Moved: Cr Stewart Berryman
Seconded: Cr Kate Dight

i. That the Minutes of the Aquatic Centre Planning Sunset Committee held on Wednesday, 28 September, 2022, be received and noted subject to Cr P King being removed as an attendee at the meeting; and

ii. The following recommendations of the Aquatic Centre Planning Sunset Committee be adopted by Council .

CARRIED

12.1.1 Inverell Aquatic Centre Replacement Design and Construction Procurement - Expressions of Interest

RECOMMENDATION:

That Council in accordance with Section 168 (4) of the Local Government (General) Regulation 2021 invite the following applicants to tender for the proposed contract:

i) Hines Construction Pty Ltd

ii) Lipman Pty Ltd

and decline to invite tenders from the following applicants:

i) Dalski Pty Ltd
ii) North Construction & Building Pty Ltd.

At 3.43 pm, Cr Di Baker and Cr Wendy Wilks returned to the meeting.

13 GOVERNANCE REPORTS

Nil

14 CONFIDENTIAL MATTERS (COMMITTEE-OF-THE-WHOLE)

Nil

The Meeting closed at 3.44pm.

3 DISCLOSURE OF INTERESTS / PECUNIARY AND NON-PECUNIARY INTERESTS

4 PUBLIC FORUM

5 MAYORAL MINUTE

Nil

6 ADVOCACY REPORTS

Nil

7 NOTICES OF BUSINESS

Nil

8 QUESTIONS WITH NOTICE

Nil

9 COMMITTEE REPORTS

9.1 INVERELL LIQUOR CONSULTATIVE COMMITTEE MINUTES - 30 AUGUST 2022

File Number: **S19.9.1 / 22/36723**

Author: **Melanie Ford, Administration Officer - Corporate Services**

SUMMARY:

Meeting held on Tuesday, 30 August, 2022.

For the consideration of Council.

COMMENTARY:

Refer to the attached minutes of the meeting.

RECOMMENDATION:

i. That the Minutes of the Inverell Liquor Consultative Committee held on Tuesday, 30 August, 2022, be received and noted; and

ii. The following recommendations of the Inverell Liquor Consultative Committee be adopted by Council.

9.1.1 MULTI VENUE BARRING POLICY

RECOMMENDATION:

That:

a) A Multi Venue Barring Policy be adopted for pubs and clubs in the Inverell & District Liquor Accord area,

b) Barring be reviewed by a panel comprising of four (4) Liquor Accord representatives plus the licensee issuing the barring notice,

c) Further feedback be sought from bottleshops and licensed restaurants regarding their possible inclusion in the initiative, and

d) *The Accord seek to have the Multi Venue Barring Policy in place by 1 December 2022.*

ATTACHMENTS:

1. Minutes of Inverell Liquor Consultative Committee Meeting 30 August, 2022

MINUTES OF INVERELL SHIRE COUNCIL
INVERELL LIQUOR CONSULTATIVE MEETING
HELD AT INVERELL SHIRE COUNCIL CHAMBERS. 144 OTHO STREET, INVERELL
ON TUESDAY, 30 AUGUST 2022 AT 10AM

PRESENT: Tim Palmer - Chairperson (Inverell RSM Club), Colleen Ritchie (The Inverell Club), Murray Harper (The Inverell Club), Emma Luke (Ritchies IGA), Ewan Wilkinson (Liquorland), Bonnie Haverhoek (Transport for NSW), Colleen Kemp (BWS), Rowan O'Brien (NSW Police), Ross Chilcott (NSW Police), Cr Paul King OAM (Inverell Shire Council) and Colin Bird (NSW Police.

IN ATTENDANCE: Anthony Alliston (Inverell Shire Council) and Sharon Stafford (Inverell Shire Council).

1 APOLOGIES

COMMITTEE RESOLUTION

Moved: Ewan Wilkinson (Liquorland)
Seconded: Paul King OAM

That the apologies received from Scott Williams, Damien Smith and the Delungra Hotel be accepted and leave of absence granted.

CARRIED

2 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Member Ewan Wilkinson (Liquorland)
Seconded: Member Murray Harper

That the Minutes of the Inverell Liquor Consultative Meeting held on 31 May, 2022, as circulated to members, be confirmed as a true and correct record of that meeting.

CARRIED

3 DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS

Nil

<u>Council</u>

Smoking Ban in the CBD

- Ban will come into force once signs are erected later in the year
- Ban will extend from:
  Byron Street – Campbell Street to Lawrence Street
  Otho Street – Byron Street to Rivers Street
  Evans Street – Otho Street to Campbell Street
- The ban includes e-cigarettes

Police

- Walkthroughs – following a request being made at the last meeting, the Police have increased the number of walkthroughs at licensed premises. Licensees expressed their appreciation for this high visibility policing.
- Multi Venue Barring Policy (MVBP) – general discussion was held and queries answered by the Police on the push for towns in this region to implement a multi venue barring policy. It was noted that MVBPs seek to reduce alcohol related violence, anti- social behaviour and other alcohol related harm in and around licensed premises. Policies are up and running well in Coffs Harbour, Lismore and Ballina. Armidale is about to launch their policy and Moree is currently considering implementation of a policy. Licensees noted that they already have the Standard Barring Policy at their disposal – the MVBP would be an extension of this. The MVBP would give licensees the ability to make application to have a person who demonstrates significantly inappropriate behaviour in or around a licensed premises being barred from entering any licensed venue in the Inverell & District area. A system called ‘Bar Boss’ was noted as being an effective tool for communicating information about banned patrons to other licensed premises.

4 DESTINATION REPORTS

4.1 MULTI VENUE BARRING POLICY S19.9.1

RECOMMENDATION:

That:

a) A Multi Venue Barring Policy be adopted for pubs and clubs in the Inverell & District Liquor Accord area,

b) Barring be reviewed by a panel comprising of four (4) Liquor Accord representatives plus the licensee issuing the barring notice,

c) Further feedback be sought from bottleshops and licensed restaurants regarding their possible inclusion in the initiative, and

d) The Accord seek to have the Multi Venue Barring Policy in place by 1 December 2022.

5 GENERAL BUSINESS

Transport for NSW

Bonnie Haverhoek, Community & Safety Support Officer, New England Precinct, Regional and Outer Metropolitan addressed the meeting on the ‘Plan B’ initiative. Bonnie advised the Department is keen to get involved in initiatives for events that involve patrons getting home safely e.g. provision of transport, Plan B merchandise, posters, free water etc. Bonnie urged licensees to help get the message out about ‘Plan B’. Bonnie’s contact details will be shared with the Committee.

The Meeting closed at 10.50am.

9.2 CIVIL AND ENVIRONMENTAL SERVICES COMMITTEE MINUTES - 12 OCTOBER 2022

File Number: **S4.11.16/14 / 22/36800**

Author: **Melanie Ford, Administration Officer - Corporate Services**

SUMMARY:

Meeting held on Wednesday, 12 October, 2022.

For the consideration of Council.

COMMENTARY:

Refer to the attached minutes of the meeting.

RECOMMENDATION:

i. *That the Minutes of the Civil and Environmental Services Committee held on Wednesday, 12 October, 2022, be received and noted; and*

ii. *The following recommendations of the Civil and Environmental Services Committee be adopted by Council.*

9.2.1 Annual Heritage Advisory Service Update

RECOMMENDATION:

i. *That the 2021/2022 annual reporting and funding acquittals to the NSW Office and Environment and Heritage be noted.*

9.2.2 Inverell Polocrosse Club - Options to assist

RECOMMENDATION:

That:

i. *Council supply and spread sand (30mm) for one polocrosse field;*
ii. *Council cart water (approximately 120,000L) over the three days of the 2023 Swan Cup; and*
iii. *Council assist the Inverell Polocrosse Club to develop a master plan for their facility.*

9.2.3 Repair Program Funding Allocation 2022/2023

RECOMMENDATION:

That the 2022/2023 REPAIR Program funding be allocated as follows:

i. *MR137 "Wandera South" Road rehabilitation project (Stage 1) additional works - $350,000; and*

ii. *MR137 "Wandera South" Stage 2 - $739,986.*

9.2.4 Governance - Performance Reporting on Road Maintenance Council Contracts

RECOMMENDATION:

That the information be received and noted.

9.2.5 Information Reports

RECOMMENDATION

That the information reports be received and noted.

ATTACHMENTS:

1. Minutes of Civil and Environmental Services Committee Meeting 12 October, 2022

**MINUTES OF INVERELL SHIRE COUNCIL
CIVIL AND ENVIRONMENTAL SERVICES COMMITTEE MEETING
HELD AT THE COMMITTEE ROOM, ADMINISTRATIVE CENTRE, 144 OTHO STREET, INVERELL
ON WEDNESDAY, 12 OCTOBER 2022 AT 9:00AM**

PRESENT: Cr Stewart Berryman (Chairperson), Cr Paul Harmon (Mayor), Cr Jacko Ross, and Cr Wendy Wilks,.

IN ATTENDANCE: Cr Kate Dight, Cr Nicky Lavender and Cr Jo Williams

Paul Henry (General Manager), Brett McInnes (Director Civil & Environmental Services), Paul Pay (Director Corporate and Economic Services), Justin Pay (Manager Civil Engineering) and Anthony Alliston (Manager Development Services)

1 APOLOGIES

APOLOGY

COMMITTEE RESOLUTION

Moved: Cr Paul Harmon
Seconded: Cr Wendy Wilks

That the apology received from Cr Di Baker for personal reasons be accepted and leave of absence granted.

CARRIED

2 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Jacko Ross
Seconded: Cr Wendy Wilks

That the Minutes of the Civil and Environmental Services Committee Meeting held on 14 September, 2022, as circulated to members, be confirmed as a true and correct record of that meeting.

CARRIED

3 DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS

Nil

4 PUBLIC FORUM

Nil

5 DESTINATION REPORTS

5.1 ANNUAL HERITAGE ADVISORY SERVICE UPDATE S18.8.3

COMMITTEE RESOLUTION

Moved: Cr Paul Harmon
Seconded: Cr Jacko Ross

i. That the Committee suspend standing orders to allow Heritage Advisor, Mr Mitch McKay, the opportunity to address the Committee; and

ii. That the Committee recommend to Council that the 2021/2022 annual reporting and funding acquittals to the NSW Office and Environment and Heritage be noted.

CARRIED

Mr Mitch McKay delivered the Heritage Advisory Services Update covering a period of 12 August 2020 – 11 October 2022.

During this time period Mr McKay made 21 visits to Inverell and undertook the following works:

- 41 site inspections;
- 35 heritage and urban design advisements;
- 4 pre-DA advice;
- 9 advisements on DA's;
- discussions with Council staff on various projects including the upgrades to the former Tingha Town Hall, Wing Hing Long Store and Newstead Woolshed, and a ABC Radio Interview about a Heritage Walk for the Inverell Town Centre;
- The Heritage walk is being developed through grant funding of $43,000 from Heritage NSW and will include a walks booklet and sound trail; and
- preparation of a Heritage Strategy 2022-2027. This Strategy aims to guide heritage management within the Inverell Local Government Area (LGA) and establishes the key strategic priorities and associated actions for heritage management for the years 2022 - 2027.

Council has also continued to run a Heritage Assistance Fund program. During 2020 and 2021 the program received 27 applications, with 21 offers being made, 20 of which were accepted.

Funds available from Council totalled $92,000 which resulted in works to the value of nearly $350,000 being completed.

Since 2012-13 this program has seen Council allocate $251,650 to 73 projects completing works to the value of $856,500.87. Projects have included:

- repainting
- replacement of guttering and downpipes, weatherboards, flooring
- reroofing including reshingling
- repairs to chimneys, verandas, ceilings, stairs, timber window frames
- restumping and repiering
- reinstatement of missing items such as fences/handrails/coloured glass
- addressing rising damp in walls and render repairs
- foundation work, and
- repointing of brickwork.

Applications for 2022-2023 program were called on 15 August and closed 30 September, 2022. Council received 14 applications, which is similar in number to the previous 6 years. Assessment of these applications is now underway.

RESUMPTION OF STANDING ORDERS

Moved: Cr Paul Harmon
Seconded: Cr Jacko Ross

That standing orders be resumed.

5.2 INVERELL POLOCROSSE CLUB - OPTIONS TO ASSIST S26.1.1/13

COMMITTEE RESOLUTION

Moved: Cr Paul Harmon
Seconded: Cr Wendy Wilks

The Committee recommend to Council that:

i. Council supply and spread sand (30mm) for one polocrosse field;
ii. Council cart water (approximately 120,000L) over the three days of the 2023 Swan Cup; and
iii. Council assist the Inverell Polocrosse Club to develop a master plan for their facility.

CARRIED

5.3 REPAIR PROGRAM FUNDING ALLOCATION 2022/2023 S15.8.22

COMMITTEE RESOLUTION

Moved: Cr Wendy Wilks
Seconded: Cr Jacko Ross

The Committee recommend to Council that the 2022/2023 REPAIR Program funding be allocated as follows:

i. MR137 “Wandera South” Road rehabilitation project (Stage 1) additional works - $350,000; and

ii. MR137 “Wandera South” Stage 2 - $739,986.

CARRIED

6 INFORMATION REPORTS

COMMITTEE RESOLUTION

Moved: Cr Jacko Ross
Seconded: Cr Wendy Wilks

That the information reports be received and noted

CARRIED

6.1 WORKS UPDATE S28.21.1/15

7 GOVERNANCE REPORTS

7.1 GOVERNANCE - PERFORMANCE REPORTING ON ROAD MAINTENANCE COUNCIL CONTRACTS S1.2.3/15

COMMITTEE RESOLUTION

Moved: Cr Paul Harmon
Seconded: Cr Jacko Ross

That the information be received and noted.

CARRIED

The Meeting closed at 9.35 am.

9.3 ECONOMIC AND COMMUNITY SUSTAINABILITY COMMITTEE MINUTES - 12 OCTOBER 2022

File Number: **S4.11.17/14 / 22/36803**

Author: **Melanie Ford, Administration Officer - Corporate Services**

SUMMARY:

Meeting held on Wednesday, 12 October, 2022.

For the consideration of Council.

COMMENTARY:

Refer to the attached minutes of the meeting.

RECOMMENDATION:

i. *That the Minutes of the Economic and Community Sustainability Committee held on Wednesday, 12 October, 2022, be received and noted; and*

ii. *The following recommendations of the Economic and Community Sustainability Committee be adopted by Council.*

9.3.1 Bundarra Residents Association - Update

RECOMMENDATION:

That the report be received and noted.

9.3.2 Rate Peg for 2022/23

RECOMMENDATION:

That the report be received and noted.

9.3.3 Reconnecting Regional NSW Community Events Program

RECOMMENDATION:

That the report be received and noted.

9.3.4 Governance - Monthly Investment Report

RECOMMENDATION:

That:

i) The report indicating Council's Fund Management position be received and noted; and

ii) The Certification of the Responsible Accounting Officer be noted.

ATTACHMENTS:

1. **Minutes of Economic and Community Sustainability Committee Meeting 12 October, 2022**

MINUTES OF INVERELL SHIRE COUNCIL
ECONOMIC AND COMMUNITY SUSTAINABILITY COMMITTEE MEETING
HELD AT THE COMMITTEE ROOM, ADMINISTRATIVE CENTRE, 144 OTHO STREET, INVERELL
ON WEDNESDAY, 12 OCTOBER 2022 AT 10:45 AM

PRESENT: Cr Paul Harmon (Chairperson), Cr Kate Dight, Cr Nicky Lavender, and Cr Jo Williams

IN ATTENDANCE: Cr Stewart Berryman, Cr Jacko Ross, and Cr Wendy Wilks,

Paul Henry (General Manager), Brett McInnes (Director Civil & Environmental Services), and Paul Pay (Director Corporate and Economic Services)

1 APOLOGIES

APOLOGY

COMMITTEE RESOLUTION

Moved: Cr Nicky Lavender
Seconded: Cr Kate Dight

That the apology received from Cr Paul King for personal reasons be accepted and leave of absence granted.

CARRIED

2 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Kate Dight
Seconded: Cr Jo Williams

That the Minutes of the Economic and Community Sustainability Committee Meeting held on 14 September, 2022, as circulated to members, be confirmed as a true and correct record of that meeting.

CARRIED

3 DISCLOSURE OF CONFLICT OF INTERESTS/PECUNIARY AND NON-PECUNIARY INTERESTS

NIL

4 INFORMATION REPORTS

4.1 BUNDARRA RESIDENTS ASSOCIATION - UPDATE S13.1.1

COMMITTEE RESOLUTION

Moved: Cr Kate Dight
Seconded: Cr Jo Williams

That the report be received and noted.

CARRIED

4.2 RATE PEG FOR 2022/2023 S25.11.3

COMMITTEE RESOLUTION

Moved: Cr Nicky Lavender
Seconded: Cr Kate Dight

That the report be received and noted

CARRIED

4.3 RECONNECTING REGIONAL NSW COMMUNITY EVENTS PROGRAM S15.8.126

COMMITTEE RESOLUTION

Moved: Cr Kate Dight
Seconded: Cr Nicky Lavender

That the report be received and noted

CARRIED

5 GOVERNANCE REPORTS

5.1 GOVERNANCE - MONTHLY INVESTMENT REPORT S12.12.2

COMMITTEE RESOLUTION

Moved: Cr Nicky Lavender
Seconded: Cr Jo Williams

The Committee recommend to Council that:

i) the report indicating Council's Fund Management position be received and noted; and

ii) the Certification of the Responsible Accounting Officer be noted.

CARRIED

The Meeting closed at 11.02 am

10 DESTINATION REPORTS

10.1 DUTIES OF DISCLOSURE - PECUNIARY AND OTHER MATTERS

File Number: **S13.6.5/14 / 22/35697**

Author: **Paul Henry, General Manager**

SUMMARY:

Clause 4.9 of the Model Code of Conduct for Local Councils in NSW requires that Councillors must submit a return within 3 months after 30 June each year.

The purpose of this report is to table the disclosure forms submitted by Councillors.

RECOMMENDATION:

That the tabling of the 'Disclosure of Pecuniary Interests and Other Matters' returns by the General Manager be noted.

COMMENTARY:

Under the provisions of Clause 4.9 of the Model Code of Conduct for Local Councils in NSW, Councillors must complete and lodge with the General Manager a 'Disclosure of Pecuniary Interests and Other Matters' return within 3 months after 30 June of each year.

In accordance with the Act, the completed Disclosure Forms will be tabled at today's meeting.

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

Nil

LEGAL IMPLICATIONS:

Compliance with Clause 4.9 – 4.15 of the Model Code of Conduct:

Disclosure of interests in written returns

4.9 A Councillor must make and lodge with the General Manager a return in the form set out in schedule 2 to this code, disclosing the Councillor's interests as specified in schedule 1 to this code within 3 months after:
- (a) becoming a Councillor, and
- (b) 30 June of each year, and
- (c) the Councillor becoming aware of an interest they are required to disclose under schedule 1 that has not been previously disclosed in a return lodged under paragraphs (a) or (b).

4.10 A Councillor need not make and lodge a return under clause 4.9 paragraphs (a) and (b) if:
- (a) they made and lodged a return under that clause in the preceding 3 months, or
- (b) they have ceased to be a Councillor in the preceding 3 months.

4.11 A Councillor must not make and lodge a return that the Councillor knows or ought reasonably to know is false or misleading in a material particular.

4.12 The General Manager must keep a register of returns required to be made and lodged with the General Manager.

4.13 Returns required to be lodged with the General Manager under Clause 4.9(a) and (b) must be tabled at the first meeting of the council after the last day the return is required to be lodged.

4.14 Returns required to be lodged with the General Manager under Clause 4.9(c) must be tabled at the next council meeting after the return is lodged.

4.15 Information contained in returns made and lodged under Clause 4.9 is to be made publicly available in accordance with the requirements of the *Government Information (Public Access) Act 2009*, the *Government Information (Public Access) Regulation 2009* and any guidelines issued by the Information Commissioner.

ATTACHMENTS:

Nil

10.2 REVIEW OF RATE PEG METHODOLOGY

File Number: **S25.11.3 / 22/36308**

Author: **Paul Henry, General Manager**

SUMMARY:

A paper, prepared by a UNE academic, on the methodology of determining the ‘Rate Peg’ has been provided to Council. Council may determine a position on the recommendations.

RECOMMENDATION:

A matter for Council.

COMMENTARY:

The United Services Union (which covers the majority of the 53,000 persons employed in the Local Government sector) has been concerned for some time at the ‘financial sustainability’ of Councils. The concern arises from the view that if Councils are not viable, then employment opportunities in the sector will diminish.

The Union believes that two (2) issues significantly impacting LG financial sustainability are:

- The share of federal tax revenues going to Council, and
- The operation of ‘rate pegging’.

In order to frame the Union’s future lobbying activities on the issue of the ‘Rate Peg’, the Union commissioned Professor Brian Dollery to investigate and report on the current NSW Rate Peg methodology. Professor Dollery’s paper has now been released to all Councils.

A complete copy of the paper is attached.

The paper discusses:

i) The history of rate capping in NSW

ii) The foundation principles of rate capping

iii) International and Australian evidence on the use of rate capping

iv) Problems with the current IPART Rate Peg Methodology.

The paper offers two (2) recommendations:

1. Abolish rate pegging and grant local councils the freedom to strike their own rates, or
2. Retain rate pegging with seven modifications to the methodology.

The paper by Professor Dollery states that recommendation 1 is supported by the empirical evidence, but acknowledges that the abolition of rate pegging needs to be considered in the ‘harsh political reality’ that removing caps on rates will be an extremely difficult task.

It is for that reason that the second recommendation was prepared.

The USU has asked Council to indicate a response to the following questions:

a) Does Council believe the current system for setting Council rates is ‘fair or sustainable’?

b) If not, which of the two recommendations addressed in the paper is supported? and

c) If this preferred recommendation is not achieved, would Council support the other recommendation?

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

Nil

LEGAL IMPLICATIONS:

Nil

ATTACHMENTS:

1. Rate Peg Methodology Report - Brian Dollery ⇩

RATE CAPPING IN NEW SOUTH WALES LOCAL GOVERNMENT: ADDRESSING THE QUESTIONS RAISED IN THE IPART (2022) *REVIEW OF RATE PEG METHODOLOGY: ISSUES PAPER* AND FURTHER RECOMMENDATIONS FOR IMPROVEMENT

Contacts

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Disclaimer

This Report was prepared by Brian Dollery on behalf of New England Education and Research Proprietary Limited for the United Services Union (USU). The author is grateful for the assistance of Professor Joseph Drew. This Report was produced for the USU as a strictly independent Report. The opinions expressed in the Report are thus exclusively the views of its author and do not necessarily coincide with the views of the USU or any other body. The information provided in this Report may be reproduced in whole or in part for media review, quotation in literature, or non-commercial purposes, subject to the inclusion of acknowledgement of the source and provided no commercial use or sale of the material occurs.

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1. Introduction

Under section 9 of the *Independent Pricing and Regulatory Tribunal Act* 1992, the NSW Minister for Local Government Wendy Tuckerman asked the Independent Pricing and Regulatory Tribunal (IPART) to investigate and report on the current NSW rate peg methodology. In particular, the Minister for Local Government sought IPART to investigate and make recommendations on the following six matters:

1. 'Possible approaches to set the rate peg methodology to ensure it is reflective of inflation and costs of providing local government goods and services';
2. 'Possible approaches to stabilizing volatility in the rate peg, and options for better capturing more timely changes in both councils' costs and inflation movements';
3. 'Alternate data sources to measure changes in councils' costs';
4. 'Options for capturing external changes, outside of councils' control, which are reflected in councils' costs';
5. 'The effectiveness of the current LGCI approach'; and
6. 'Whether the population growth factor is achieving its intended purpose'.

In reviewing these matters, the Minister for Local Government required IPART to have regard for the following factors:

(a) 'The Government's commitment to protect ratepayers from excessive rate increases and to independently set a rate peg that is reflective of inflation and cost and enabling financial sustainability for councils.
(b) The differing needs and circumstances of councils and communities in metropolitan, regional and rural areas of the State.
(c) Ensuring the rate peg is simple to understand and administer'.

Following this request, IPART (2022) published its *Review of Rate Peg Methodology: Issues Paper* on 29 September 2022. In the *Issues Paper*, IPART (2022) identified twenty matters on which it sought input from both the NSW local government sector and the broader general public by 4 November 2022:

1. To what extent does the Local Government Cost Index reflect changes in councils' costs and inflation? Is there a better approach?
2. What is the best way to measure changes in councils' costs and inflation, and how can this be done in a timely way?
3. What alternate data sources could be used to measure the changes in council costs?
4. Last year we included a population factor in our rate peg methodology. Do you have any feedback on how it is operating? What improvements could be made?
5. How can the rate peg methodology best reflect improvements in productivity and the efficient delivery of services by councils?
6. What other external factors should the rate peg methodology make adjustments for? How should this be done?
7. Has the rate peg protected ratepayers from unnecessary rate increases?
8. Has the rate peg provided councils with sufficient income to deliver services to their communities?
9. How has the rate peg impacted the financial performance and sustainability of councils?
10. In what ways could the rate peg methodology better reflect how councils differ from each other?
11. What are the benefits of introducing different cost indexes for different council types?
12. Is volatility in the rate peg a problem? How could it be stabilised?
13. Would councils prefer more certainty about the future rate peg, or better alignment with changes in costs?
14. Are there benefits in setting a longer term rate peg, say over multiple years?
15. Should the rate peg be released later in the year if this reduced the lag?
16. How should we account for the change in efficient labour costs?
17. Should external costs be reflected in the rate peg methodology and if so, how?
18. Are council-specific adjustments for external costs needed, and if so, how could this be achieved?
19. What types of costs which are outside councils' control should be included in the rate peg methodology?
20. How can we simplify the rate peg calculation and ensure it reflects, as far as possible, inflation and changes in costs of providing services?

The present Report was prepared in response to the IPART request for comment on its *Review of Rate Peg Methodology: Issues Paper*. By way of background, the Report presents existing international and Australian conceptual and empirical work on municipal property tax limitations, as well as the findings of a number of recent official inquiries and reports into rate-capping in NSW. Drawing on this material, the Report then addresses the twenty questions posed by IPART (2022) in its *Review of Rate Peg Methodology: Issues Paper*.

The Report consists of ten main parts:

- Section 2 briefly summarises the main arguments that have been employed in the debate over rate-pegging in NSW local government by way of institutional background.
- Section 3 provides a synoptic outline of the theoretical literature on property tax limitations, including rate-pegging.
- Section 4 offers a succinct account of the international empirical literature on property tax limitations.
- Section 5 summarizes the extant Australian empirical literature on rate-capping.
- Section 6 considers the findings of a number of recent official reports on the operation of rate-pegging on NSW local government.
- Section 7 briefly outlines the new IPART rate-pegging methodology.
- Section 8 describes the numerous problems with the IPART methodology.
- Section 9 addresses the twenty questions raised by IPART in its *Review of Rate Peg Methodology: Issues Paper*.
- Section 10 concludes the Report by offering two alternative generic recommendations for dealing with the manifold problems besetting the current NSW rate-pegging regime.

2. Genesis and Evolution of Rate Capping in NSW

Legally enforced constraints on increases in property taxes – colloquially known as ‘rate capping’ or ‘rate pegging’ in Australia – form part of a broader category of state government imposed limitations on the expenditure and taxation by local government, including property taxation (Dollery and Wijeweera, 2010). Under its longstanding rate capping regime, the NSW Government determines the maximum annual percentage amount by which a local council can increase its rates income for a given financial year. The rate peg does not apply to stormwater, waste collection, water and sewerage charges. Moreover, local authorities enjoy discretion to determine how to allocate the stipulated rate peg rise between different categories of ratepayer in their respective local government areas.

A rate cap was first introduced in NSW local government in 1901 and it lasted until 1952 (Dollery, Crase and Johnson, 2006), when it was discontinued due to its ‘impracticality’ (NSW Local Government and Shires Association, 2008, p.16). The modern NSW rate-pegging regime began with the adoption of the 1977 *Local Government (Rating) Further Amendment Bill*, which was subsequently amended to its contemporary form in 1978. The initial motivation for the imposition of the rate peg legislation derived from the period of high inflation in the 1970s. For example, over the period 1973 to 1976, property taxes rose by an average of 188 per cent, while average weekly earnings over the same period increased by only 75 per cent, with the inflation rate at 56 per cent (Johnson, 2001, p.5).

Rate pegging has been controversial in NSW since its inception and it has generated considerable debate (Johnson, 2001). IPART (2008, p.55) has summarised four major arguments that have been proposed in support of the NSW rate-capping regime. Firstly, it has been claimed that municipal revenue regulation through rate pegging prevents the exploitation of monopoly power by local authorities in the provision of local services. Secondly, advocates of rate pegging have argued that it assists in preventing ‘cross-subsidisation’ and imposes restrictions on the ‘provision of non-core services and infrastructure that might prove unsustainable to ratepayers’. Thirdly, proponents contend that rate capping manages governance risk in the local government sector by constraining council income and thereby limiting council expenditure. Finally, it has been argued that rate pegging reduces the ability of local councils to divert funds from essential infrastructure to other projects as well as expenditure on ‘marginal services’ that are better provided by the private sector or the voluntary sector.

Opponents of rate pegging have contested all of these arguments (Dollery and Wijeweera, 2010). For instance, the claim that rate capping restrains monopoly power and thus increases the supply of municipal services is problematic since rate pegging curtails municipal output by restricting funding. Moreover, the rate peg does not apply to several sources of municipal income, such as water and sewage charges, where monopoly power could also be exploited. Along analogous lines, it is difficult to see how rate capping will dampen cross-subsidisation, given that municipal fees and charges are likely to rise to counteract the negative impact of rate pegging on municipal revenue. Furthermore, rate pegging has not constrained the provision of ‘non-core’ local services.

In this regard, Dollery, Wallis and Allan (2006) have demonstrated that an ongoing shift in all Australian state and territory local government systems away from a traditional emphasis on ‘services to property’ towards ‘services to people’ has occurred, including in NSW local government. This finding also undermines the claim that rate pegging limits the ability of councils to divert funds from essential infrastructure to other projects as well as the argument that expenditure on local services is better delivered by the private sector and the voluntary sector.

IPART (2008, p.55) has also identified four main arguments against rate capping in the NSW debate. Firstly, it has been claimed that rate pegging constrains the ability of local authorities to provide local services by limiting their financial capacity. Secondly, opponents of rate capping have argued that it has generated a sizeable infrastructure backlog in NSW local government. Thirdly, it is claimed that rate pegging has obliged local councils to impose higher user pays charges to compensate for their loss of revenue from limitations on rate increases. Finally, foes of rate capping have claimed more broadly that the imposition of rate pegging is an attack on local autonomy and the accountability of local government.

Some of these arguments are convincing (Dollery and Wijeweera, 2010). For example, rate pegging clearly constrains the capacity of local councils to provide local services. If the net effect of rate pegging has been to constrain aggregate municipal income, then it must have limited local service provision to some degree. Similarly, the argument that rate capping has stimulated an increase in fees and charges is especially convincing. Indeed, the NSW Treasury (2008, p.14) has itself noted that ‘constraints on general revenue distort revenue raising sources and result in higher user charges’.

However, the claim that rate pegging has spawned a local infrastructure backlog is less convincing because it seems that the problem is endemic to the entire country. In its National Financial Sustainability Study of Local Government, PriceWaterhouseCoopers (2006) established that not only was a large number of local councils in all Australian local government jurisdictions financially unsustainable in the long run, but that most local authorities faced a massive local infrastructure backlog, regardless of the rate setting regime in their state. Since this problem is endemic to all Australian jurisdictions and it does not seem to be more acute in NSW, the NSW local infrastructure backlog cannot thus be solely ascribed to rate pegging.

In addition to these arguments against rate capping in NSW local government, the Local Government and Shires Associations of NSW (2008) proposed a more general argument against rate capping embedded in broader political terms. It claimed that rate pegging has a wider unintended ‘dampening’ effect on rates than simply the pegged limit. Along these lines, the Association (2008, p.14) contended that ‘one likely explanation for the dampening effect is that rate pegging provides a public framework and creates public expectations about maximum rate increases, placing political pressure on councils to stay within the limit and not seek special variations’.

A second element of this argument is that rate capping provides an avenue for local councils to engage in politically expedient ‘blame shifting’ onto the NSW state government. This phenomenon has also be described as ‘learned helplessness’ by Drew (2021). The Association (2008, p.15) argued that rate capping ‘provides an easy default option from both a political and managerial perspective’ since (a) all rate increases can be attributed to the state government; (b) the need for community consultation to justify rate increases is weakened; (c) adhering to the rate peg limit avoids the problems contingent on Special Rate Variation applications; (d) ‘councils can blame the state government for their financial deficiencies’; and (e) the existence of rate capping enables councils to avoid long-term planning. The net result of these factors has been the ‘under-provision of community infrastructure and services’, the emergence of a local infrastructure backlog and an ‘undermining’ of both the financial sustainability of councils and democratic accountability at the local level.

3. Conceptual Foundations of Rate Capping

A voluminous theoretical and empirical literature has examined central and state government limitations imposed on municipal expenditure and revenue-raising activities, including property taxation or rating (see, for instance, Florestano, 1981; Temple, 1996; Mullins and Wallin, 2004; Anderson, 2006; McCubbins and Moule, 2010). Although the majority of this scholarly effort has focused on American local government, where state-imposed constraints on local fees, charges and taxes are common (Figlio and O’Sullivan, 2001), researchers have also studied other local government systems, including European local government systems (Boadway and Shah, 2009; Blom-Hansen *et al.,* 2014) and Australian state and territory local government systems (Dollery and Wijeweera, 2010; Drew and Dollery, 2015; Dollery and McQuestin, 2017; Yarram, Tran and Dollery, 2021).

The economic foundations for rate pegging derive from the normative prescriptions of standard neoclassical economic theory: local government enjoys a monopoly in essential local service provision. Consequently, in line with other monopoly suppliers, local government will offer these local services at excessive prices and/or in an inefficient manner. This provides the justification for regulation by higher tiers of government to ensure efficient and equitable outcomes (Bailey, 1999). However, in accordance with economic theory, regulation must be judiciously employed since badly designed and implemented regulation can generate worse outcomes than an absence of any regulation (Hillman, 2005).

To maximise economic efficiency, optimal regulation should seek to achieve (a) allocative efficiency, whereby the composition of local services delivered must correspond with local community preferences, and (b) productive efficiency, where local services must be produced at the lowest possible cost. In addition, optimal regulation should attempt to ensure that equity objectives are achieved. For example, essential local services should be delivered to low income households by local authorities at reasonable prices.

It should be stressed that the effective application of regulation is notoriously difficult in all spheres of economic activity, including in local government systems (Bos, 1994). Moreover, regulation is further complicated in local government since local councils enjoy the legal authority to tax, which is a monopoly power lacking in both the private sector and in most public utilities. In addition, in local municipal revenue regulation through rate pegging, regulatory agencies face additional problems since they cannot regulate the specific prices of particular local services but rather must regulate the 'tax-price' of a whole genre of municipal goods and services that are mostly unpriced.

In the theoretical literature, two conceptual models have attempted to explain property tax limitations, such as rate capping (Drew and Dollery, 2015). In the first place, agency theory (Jensen and Meckling, 1976) holds that local citizens (as principals) fear that 'agency failure' by local councils (as agents) can induce excessive local government outlays. Accordingly, local residents thus seek state government intervention through rate pegging to limit excessive expenditure by local authorities.

Municipal councillors are typically elected every four years in NSW local government and local residents can remove elected representatives who do not embody their best interests.

However, the effectiveness of local elections for minimising 'agency failure' is limited in at least three ways: (a) high information costs mean that local citizens are often ignorant of excessive and/or unwarranted municipal expenditure (hence the suggestion by Drew (2021) for compulsory short financial sustainability statements to be posted to voters prior to elections); (b) the long period between elections allows extensive 'agency failure' to develop; and (c) Cutler *et al.* (1999, p. 320) have argued that 'candidates come as bundles, so that incumbents might be able to spend more and maintain their position if they satisfy people's views along other dimensions'. Dollery *et al.* (2006) have gathered these arguments to develop a public choice approach to rate pegging based on voter scepticism over their ability to exercise control of municipal outlays, which gives rise to a desire for state government intervention.

Secondly, personal finance theory (Cutler *et al.*, 1999) holds that local citizens evaluate the value of the local services they receive from their local authorities relative to their municipal tax burden. Thus, the higher the perceived rate of property tax, the more likely it is that a local resident will support rate pegging. Furthermore, significant rises in property taxes predispose local citizens to support property tax limitations. This argument is especially relevant in NSW local government since municipal rates are highly visible as a result of regular rate bills being sent on a quarterly basis to local residents by local councils (Drew and Dollery, 2015).

4. International Empirical Evidence on Property Tax Limitations

Notwithstanding the substantial empirical literature on the impact of revenue and expenditure limitations on local government, a degree of uncertainty exists over their likely consequences (Dollery and McQuestin, 2017). However, extant empirical evidence has shown that important unanticipated and unintended effects frequently occur (Skidmore, 1999; Mullins and Wallin, 2004). For instance, Temple (1996) demonstrated that rate pegging reduced outlays on local services more than on local administration.

From an Australian local government perspective, the international empirical literature has illuminated two relevant aspects of rate pegging (Dollery and McQuestin, 2010; Yarram, Tran and Dollery, 2021). Firstly, limitations on property tax increases can encourage local authorities to raise income from revenue sources other than property taxes. For instance, in his study of 29 American states, Shadbegian (1999) demonstrated that many local governments substituted foregone property tax income with monies raised under 'miscellaneous revenue'. Along analogous lines, Skidmore (1999) found similar outcomes for 49 American states. In a more recent study, Kousser *et al.* (2008) demonstrated that most US state local government systems increased fees and charges following the application of property tax limitations. Moreover, Mullins and Joyce (1996) examined 48 American states over the period 1970 to 1990 and established that while property tax limitations constrained local taxes, this foregone revenue was replaced by increases in fees and charges. In their study of 1,400 American local governments, Preston and Ichniowski (1991) showed that property tax limitations decreased tax revenue but boosted 'other revenue'.

Secondly, international empirical evidence has demonstrated that property tax limitations do not have a uniform impact across all local councils in a given local government system. By contrast, the impact of rate pegging hinges largely on the characteristics of local authorities. For instance, Brown (2000) showed that in the Colorado local government system the effects of property tax limitations depended on council size by population, with their impact more pronounced in small local authorities. In an analogous study, Mullins (2004) demonstrated that property tax limitations were more potent in poor local authorities.

5. Australian Empirical Evidence on Rate Capping

To date, five scholarly studies have examined the impact of rate pegging in Australian local government. Firstly, Dollery and Wijeweera (2010) investigated rate capping in NSW local government, the conceptual basis for rate capping and the controversy over its desirability, as well as its economic impact on NSW local government financial sustainability compared to other Australian local government systems. Dollery and Wijeweera (2010, p.74) drew two major conclusions from their empirical analysis. Firstly, 'rate-pegging has achieved its basic objective of slowing increases in NSW council rates over time relative to other Australian jurisdictions'. Secondly, 'rate-pegging has enjoyed ongoing and strong public support' that suggests 'the operation of an efficient "political market" in NSW' (Dollery, Crase and Byrnes 2006, p. 397).

Secondly, Drew and Dollery (2015) examined NSW local government with its rate peg compared with (then) uncapped Victorian local government to determine the probable impact of rate capping on Victorian local government. Three dimensions of municipal performance were considered. First, Drew and Dollery (2015) evaluated inter-municipal revenue effort equity by assessing residential tax effort. Residential tax effort measures the proportion of residential rates paid with respect to the total annual incomes accruing to local residents in a given local government area. Drew and Dollery (2015) found that rate pegging in NSW had significantly *decreased* inter-municipal equity, possibly due to the compounding impact of a rate-cap where initial residential tax effort differed between local councils.

Second, Drew and Dollery (2015) considered the effects of rate capping on financial sustainability by considering local government liabilities per household for NSW and Victorian councils over the period 2009 to 2013. They found that NSW had much greater levels of council debt per household. They also considered the average infrastructure renewal ratio in NSW and Victoria as a measure of the infrastructure backlog and found that NSW had a much larger local infrastructure backlog.

Finally, Drew and Dollery (2015) investigated the claim that rate pegging forced local councils to become more efficient. Using data envelopment analysis (DEA) to study the relationship between inputs and outputs, Drew and Dollery (2015, p. 145) found empirical evidence indicating a ‘slightly higher average municipal efficiency for Victorian councils’ – a finding starkly at odds with the claims of rate cap proponents.

In a third study, following the approach used by Drew and Dollery (2015), Dollery and McQuestin (2017) empirically investigated the likely impact of the imposition of a rate cap in South Australian (SA) local government by comparing the performance of SA local government with its NSW counterpart using three separate performance indicators (revenue effort, financial sustainability and operational efficiency) for the period 2013 to 2016. Dollery and McQuestin (2017, p.84) found that for revenue effort ‘the results from our stratified sample show that rate-capping in NSW has not served to reduce inter-municipal revenue effort inequities’. Furthermore, rate capping is thus ‘most unlikely to minimise these inequities in SA local government’. Secondly, they established that the ‘claims made by advocates of rate-pegging that it improves financial sustainability are rebutted by our findings’. Employing council debt per capita as a proxy for financial sustainability, Dollery and McQuestin (2017) showed that ‘NSW local authorities have much higher debt than their SA counterparts despite the four decade long rate-pegging regime in NSW’. Dollery and McQuestin (2017, p.84) found that the operational efficiency of local councils did not increase under rate capping. Using council expenditure per capita as a measure of the operational efficiency of local authorities, Dollery and McQuestin (2017, p.84) showed that ‘rate-pegging does not increase the efficiency of local councils: for each year in our sample, the efficiency of NSW councils falls well below SA councils’.

Dollery and McQuestin (2017, p.84) determined that 'on all three dimensions of local government examined in our empirical analysis, we find SA councils performance better than NSW local government notwithstanding the latter's longstanding rate-pegging policy'. Moreover, relative to NSW, 'SA municipalities exhibit superior performance'. Given these findings, Dollery and McQuestin (2017, p.84) argued that 'the empirical evidence presented in the paper demonstrates that rate-pegging should not be imposed on SA local government and instead other more promising policies [should be] considered'.

In the fourth study, Yarram, Tran and Dollery (2021) employed expenditure data covering the period 2014/15 to 2017/18 to empirically investigate the short-term effects of rate capping on municipal expenditure in the Victorian local government system to determine whether it had differential effects on expenditure by different categories of local council. Yarram, Tran and Dollery (2021, p.11) determined that 'it is clear that the impact of rate capping varies between urban and rural councils'. Moreover, 'rural councils that generally rely more on assessment rates are unsurprisingly unable to incur higher expenditure following a rate-capping'. This contrasts sharply with urban councils 'that are able to increase total expenditure, perhaps through other sources of funding'. Moreover, with respect to the impact of rate capping on different kinds of municipal expenditure, Yarram, Tran and Dollery (2021, p.11) found that 'rate-capping reduces outlays, especially on aged and disabled services, in both rural and urban councils'. Furthermore, they found that 'there is a reduction in expenditure on family and community services in urban councils'.

Yarram, Tran and Dollery (2021, p.17) concluded their study by considering it in the context of the earlier empirical studies on the impact of rate capping on Australian local government. They noted that 'the findings of this study are broadly consistent with previous results of Drew and Dollery (2015) who found that rate-capping in NSW made its local councils more constrained compared to councils in Victoria before the rate-capping'. They noted further that 'our findings are also consistent with Dollery and McQuestin (2017) who established that NSW councils under a rate-capping regime suffered in terms of unsustainable financing and lower operational efficiency compared to councils in SA, which did not have any rate limitations'.

In terms of the international empirical literature on the impact of property tax limitations, Yarram, Tran and Dollery (2021, p.17) noted that 'the findings of this study are also consistent with the findings of Skidmore (1999) and Kousser *et al.* (2008), who established that limitations on tax and expenditure at the state level are often frustrated by increased user charges'.

Finally, Nahum (2021) considered the impact of the imposition of a rate cap on Victorian local government. Nahum (2021, p.5) argued that 'far from "protecting" ratepayers (that is, residents), rate caps hurt them, in several different ways', including 'compromised service delivery', lower employment levels and/or lower employee wages amongst those local residents employed in local government, higher fees and charges by local councils and 'lower expenditures flowing back into the private sector'.

Nahum (2021) examined the empirical magnitude of some of these negative effects. He found that rate capping reduced aggregate Victorian employment by 7,425 jobs in the 2021/22 financial year. This comprised both local government jobs *per se* and indirect private sector positions. Moreover, rate pegging also reduced state gross income by $890 million in 2021/22. Nahum (2021, p.5) concluded that 'the costs of suppressed local government revenues, and corresponding austerity in the delivery of local government services, will continue to grow with each passing year if the policy is maintained'.

6. New South Wales Official Reports on Rate Pegging

Numerous official inquiries and reports have considered the impact of rate capping on local government in Australia. Given that NSW local government has had a rate cap continuously since 1977, unsurprisingly most of these official documents have focussed on rate capping in NSW local government. In section 6, we briefly consider recent important official reports and their findings on rate capping in NSW.

In May 2006, the Independent Inquiry into the Financial Sustainability of NSW Local Government published its *Are Councils Sustainable? Final Report: Findings and Recommendations* (sometimes known as the Allan Report) that was prepared for the (then) Local Government and Shires Associations of NSW (LGSA). The Allan Report (2006, p.29) adopted Recommendation 21: Rate Pegging which held that 'the State Government free councils to determine their own income by removing statutory limitations on their rates (i.e. rate-pegging) and certain fees (e.g. development application processing fees) in return for councils adopting longer term strategic and financial planning with outcome targets'. The Allan Report (2006, p.29) argued that rate deregulation of this kind would 'bring NSW into line with all other states and territories' and make each local authority 'answerable to its local constituency rather than the state for its taxation policy'.

In support of Recommendation 21, the Allan Report (2006, p.202) argued that ‘a sound local government rating system should ideally exhibit four traits; it should be financially adequate, administratively simple, vertically and horizontally equitable and economically efficient’. However, the Allan Report (2006, p.2007) argued that in NSW local government ‘rate-pegging had been a major constraint on councils’ revenue raising capacity causing it to fall behind other states, notwithstanding NSW’s relatively strong property market’. Consequently, in NSW the rating system did not deliver a financially adequate stream of income and hence numerous NSW local authorities could not sustainably finance service provision as well as local infrastructure maintenance and renewal.

In 2015, the NSW Government charged the Independent Pricing and Regulation Tribunal (IPART) with critically examining the municipal rating system in NSW and offering recommendations on how to improve the equity and efficiency of the rating system in order enhance the financial sustainability of NSW local government in the long-run. IPART examined the valuation method used to calculate rates in NSW, exemptions and rating categories, the impact of population growth on council revenue, the distribution of rates across different ratepayers, as well as rate exemptions and concessions. IPART made various recommendations that sought to maintain average rates paid by current ratepayers, but make rate revenue collection more efficient and equitable.

In its 2016 *IPART Review of the Local Government Rating System: Final Report,* IPART offered various recommendations for improving the NSW local government rating system. These recommendations targeted six main aspects of the rating system. Firstly, IPART called for the adoption of the Capital Improved Value (CIV) valuation method to levy local council rates. Secondly, IPART recommended that the rate cap calculation methodology be modified to include population as part of its formula. Thirdly, IPART proposed that local authorities should be accorded greater flexibility in rate setting in their residential areas. Fourthly, IPART argued that rate exemption eligibility should be revised and based on land use rather than land ownership. Fifthly, IPART called for greater rate relief assistance for pensioners. Finally, IPART recommended that local councils enjoy a greater range of options with regard to setting rates within rating categories. These recommendations were designed to mesh with the existing *Local Government Act 1993 (NSW).* Indeed, IPART specified in detail how changes to the Act should be framed to embody its recommendations.

In November 2020, the NSW Productivity Commission published its *Review of Infrastructure Contributions in New South Wales: Final Report.* The NSW Productivity Commission (2020, p.39) argued that in NSW 'local government is constrained in its ability to service growing communities due to the long-standing practice of rate-pegging', especially since the rate capping formula 'does not allow councils to increase their rates revenue with population'. A consequence of this constraint has been 'declining per capita revenue for high growth councils' that has acted as a 'disincentive for councils to accept development'. The NSW Productivity Commission (2020, p.39) argued that reform of the rate cap methodology was required to allow for the inclusion of population growth. It argued that rate cap reform along these lines would increase aggregate council revenue by $18.5 billion over 20 years. This additional revenue could be employed to 'fund local operating and maintenance costs of providing services to a growing population', as well as 'service debt to forward fund infrastructure', thereby enabling local authorities 'to better coordinate infrastructure with development'. It thus recommended that subject to review by IPART, the NSW Government should 'reform the local government rate peg to allow councils' general income to increase with population'.

In December 2020, the NSW Productivity Commission released its *Final Report: Evaluation of Infrastructure Contributions Reform in New South Wales* prepared by the Centre for International Economics. The *Final Report: Evaluation of Infrastructure Contributions Reform in New South Wales* (2020, p.2) held that there should be 'reform of the local government rate peg to enable rates revenue to grow in line with population, removing the existing financial disincentive councils face with respect to growth'. The resultant growth in rates revenue would 'enable councils to recoup the operating and maintenance costs associated with providing services to a larger population'. Moreover, 'extra revenue can help service debt to forward fund infrastructure, improving the coordination of service delivery with development'.

The *Final Report: Evaluation of Infrastructure Contributions Reform in New South Wales* (2020, p.3) further argued that if this was done, then 'we estimate that rates revenue would be around $925 million per year higher'. This additional income could fund 'the operating and maintenance costs of a growing population, to increase borrowing capacity and help finance debt'.

The *Final Report: Evaluation of Infrastructure Contributions Reform in New South Wales* (2020, p.51) argued that the impact of rate capping on NSW local government had been deleterious, particularly on local authorities with high population growth rates. This sub-category of council had experienced ‘slower growth in revenue per capita’, ‘slower growth in expenses per capita’ and ‘less improvement in their net operating balance’.

Flowing from the earlier reports by IPART and the NSW Productivity Commission, the NSW Government asked IPART to investigate methods of improving the NSW rate cap regime, including explicit incorporation of population growth. On 25 March 2021, IPART released *Issues Paper - Review of the rate peg to include population growth,* followed by its *Draft Report - IPART Review of the rate peg to include population growth* on 29 June 2021 and its *Final Report - Review of the rate peg to include population growth* on 5 October. In these reports, IPART developed a new methodology to enable local councils to maintain per capita general income over time as their local populations grew. This was done on the assumption that maintaining per capita general income would assist local councils to maintain existing service levels, as well as provide those local services their growing local communities required.

On 9 October 2021, (then) Minister for Local Government Shelley Hancock announced that the NSW Government had accepted IPART’s recommended rate peg methodology that incorporated population growth. She argued that the new methodology would generate at least $250 million in additional municipal revenue (Hancock, 2021). The new rate peg calculation methodology would operate from July 2022 onwards.

7. IPART Rate Peg Methodology

In its *Review of the Rate Peg to include Population Growth: Final Report,* IPART (2021) outlined its new methodology and then applied it to each NSW local council for the 2022/23 financial year to determine the rate cap for each council. The new formula included a population factor that varied for each local council depending on its rate of population growth (IPART, 2021):

$$Rate\ peg = change\ in\ LGCI - productivity\ factor + other\ adjustments + population\ factor$$

The new formula employs four independent variables as the basis for calculating the annual rate cap for each council:

(a) *Change in LGCI* comprises the annual change in the Local Government Cost Index (LGCI). The LGCI measures price changes over a given year for goods, materials and labour employed by an 'average council'. In particular, the LGCI computes the average change in prices of a fixed 'basket' of goods and services used by councils relative to the prices of the same basket in a base period. The LGCI has 26 cost components, containing *inter alia* employee benefits and on-costs, as well as building materials for bridges, footpaths and roads. These cost components embody the purchases made by an average council to pursue its 'typical activities'. IPART employs ABS price indexes for wage costs, producer prices and consumer prices. In calculating these price indexes, the ABS includes quality adjustments in its price measures to accommodate increases in capital and labour productivity.

(b) Productivity factor is included in the formula since productivity increases offset changes in the LGCI. For example, if labour productivity rises, then this will decrease the net price of labour by the extent of the productivity increase. However, as we have seen, since the ABS price index data has already been adjusted for productivity, in practice IPART sets the productivity factor at zero in the formula.

(c) *Other adjustments* is included in the formula to make provision any additional payments or transfers to local government that may have occurred. For instance, in its 2022/23 rate peg calculations IPART (2021, p.2) included a downward adjustment of 0.2% to remove the additional revenue that was included in the 2021-22 rate peg to meet the costs of the 2021 local government elections.

(d) *Population factor* is calculated for each local council. The population factor is equal to the annual change in residential population adjusted for revenue derived from supplementary valuations. In particular, the population factor equals the maximum change in the residential population less the supplementary valuations percentage or zero. Local authorities with negative population growth receive a population factor of zero. This means that no local council accrues a smaller increase in general income, relative to a rate peg calculated using the LGCI, a productivity factor and any adjustments. Those local councils that accrued more from supplementary valuations than required to maintain per capita general income as their population grows will also have a population factor of zero. The population factor is computed employing the following formula: $Population\ factor = max(0, change\ in\ population - supplementary\ valuations\ percentage)$

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> The change in population is calculated using the *Estimated* Residential Population (ERP; emphasis added) published by the ABS.

IPART calculated the rate peg for the financial year 2022/23 using the new formula embodying LGCI change, a population factor and an adjustment to remove the costs of the 2021 local government elections that were included in the 2021-22 rate peg. This generated a 2022/23 rate peg for each NSW local authority at between 0.7% and 5.0%, contingent on its population factor. The population factor ranged between 0% and 4.3% (IPART, 2021, p.1).

8. Problems with the IPART Rate Peg Methodology

In addition to the myriad of conceptual and empirical problems with property tax limitations, such as the NSW rate capping regime, identified in the scholarly literature that we considered in sections 2, 3, 4 and 5 of this Report, several analysts have found significant flaws in the new IPART rate peg methodology with its population factor approach. In particular, while acknowledging that the introduction of different rate caps for different local councils represented a significant improvement in NSW rate pegging, Drew (2021; 2022) recognized three major problems with the new IPART rate cap formula.

Firstly, the use of population size in the IPART rate peg methodology is highly problematic for at least three reasons (Drew (2021; 2022). Firstly, given the composition and range of services provided by NSW local councils, which concentrate on 'services to property' rather than 'services to people' (Dollery, Wallis and Allan, 2006), the number of rateable assessments in a given local government area is a much more accurate proxy variable for municipal size than absolute population size (Drew and Dollery, 2014). Secondly, it is universally recognized that population estimates of intercensal years contain significant errors, ranging from 2.4% in large councils to 15.6% in small local authorities (Drew, 2022). Thirdly, given the potential magnitudes involved, annual population changes can generate significant changes in rates under the IPART methodology, which can be highly destabilising to municipal financial planning. It follows that *if* [1] we incorporate a population factor into the rate cap, then it is best to employ a five-year moving average to reduce volatility and partially mitigate the large intercensal errors (give that censes only take place every five years).

Secondly, the LGCI is plagued by a number of problems that render it entirely inappropriate as a reliable index of municipal costs. Drew (2022) has identified six main problems with the

[1] As we will show, there are much more appropriate ways of compensating councils for growth rather than by using a population number known to be both inaccurate and irrelevant.

LGCI. Firstly, the LGCI contains too few items and thus cannot accurately represent the typical 'basket of goods and services' purchased by NSW local councils. Secondly, given the fact that the composition of municipal input consumption changes over time, the weightings embodied in the LGCI should be calculated as a three-year moving average rather than a fixed ratio recalculated every four years (IPART, 2021). The current approach of altering the weightings is too infrequent and accordingly exacerbates volatility. Thirdly, given that the LGCI data employed to calculate rate caps in the forthcoming financial year reflects the previous annual price data, it is 'rearward facing'. This is particularly problematic when cost inflation occurs, as it is at present with all the various supply shocks escalating prices. Fourthly, the LGCI represents a composite of cost indexes derived from different tiers of government - as IPART (2021) itself has conceded - rather than a cost index of NSW local government *per se.* Fifth, the LGCI has no regional weightings for NSW local government despite significant regional cost disparities across NSW (arising from the very disparate municipal service profile between various regions). Finally, the LGCI ignores the operating environment in which local authorities operate, even though this represents a major cost factor for local councils.

Finally, the IPART methodology for annual rate cap determination places two important categories of NSW local council at greater financial risk: rural local authorities and retirement community councils. For example, many rural councils have experienced ongoing population declines, together with an ageing population profile. This not only diminishes their rateable base, but also generates a higher proportion of pensioner rate rebates, which are not fully funded by NSW government grants (Dollery, Johnson and Byrnes, 2008). Similarly, for local councils with growing populations substantially comprised largely of retirees, like Port Stephens Council, a high proportion of older residents typically impose substantial additional service demands on local councils. A rate cap calculation formula that does not recognise the differential demands on different kinds of local council will thus place more councils at risk.

9. Twenty Questions in the IPART *Review of Rate Peg Methodology: Issues Paper*

Before embarking on the journey of answering IPART's twenty questions, it is apposite that we first pose a question of our own:

What is the goal of the NSW Rate Cap regime?

Until IPART and the NSW Government are able to clearly articulate the basic aim of their rate cap regime, it is hard to believe that they will ever experience any success in achieving its unstipulated aim.

Official documentation implies various objectives, including: (a) reduced rates, (b) maintain financial sustainability, (c) simplicity and (d) accuracy. However, most of these implied goals contradict with one another. For instance, it is difficult to see how reducing rates might be expected to result in financial sustainability (without additional measures being implemented). In similar vein, it is clear that a myopic pursuit of simplicity must result in concomitant loss of accuracy (and hence also financial sustainability).

Thus, the most important question that ought to have been posed at the outset has been sadly eschewed and this will likely prove to be the Achilles heal of any review of the rate cap.

1. To what extent does the Local Government Cost Index reflect changes in councils' costs and inflation? Is there a better approach?

As we have seen in section 8 of this Report, the Local Government Cost Index (LGCI) is highly problematic and it is entirely inappropriate as a reliable index of municipal costs in NSW local government. Drew (2022) pinpointed six major deficiencies the IPART LGCI. In the first place, the LGCI comprises too few items and thus does not accurately depict the typical ‘basket of goods and services’ purchased by NSW local councils. Secondly, given the fact that the composition of municipal input purchases evolves through time, the weightings embodied in the LGCI should be calculated as a three-year moving average rather than a fixed ratio recalculated every four years (IPART, 2021). The present method of changing the weightings is too infrequent and thereby exacerbates the volatility of the LGCI. Thirdly, since the LGCI data employed to calculate rate caps in the forthcoming financial year reflects the previous annual price data, it is ‘rearward facing’. This is particularly problematical when cost inflation arises, as it presently has, with various supply shocks escalating prices. Fourthly, the LGCI represents a composite of cost indexes derived from different tiers of government - as IPART (2021) itself has conceded - rather than a cost index of NSW local government *per se.* Fifth, the LGCI has no regional weightings for NSW local government despite significant regional cost disparities across NSW. Finally, the LGCI disregards the operating environment in which local authorities operate, even though this represents a major cost factor for local councils. In other words, the local government taxes in each council area are the price for quite disparate baskets of goods and services: it thus follows that changes to these prices should vary in response to the different goods and services that make up the particular baskets.

A much better approach can easily be identified. As we have seen, the current LGCI employed by IPART is awash with problems that render it unsuitable as a basis for determining cost increases in operation of NSW local government. Given the spatial variation in municipal costs and municipal resource use across NSW, especially between metropolitan councils and their regional, rural and remote counterparts, Drew (2021) has argued that different cost indexes should be employed for – at a minimum – the four main categories of council (i.e. metropolitan, regional, rural and remote councils). The construction of these indexes should include the use of three-year moving averages of the mix and weighting of the basket of items in the index, a price increase projection for the forthcoming financial year and consideration of the operating environment of the four different categories of council. In particular, the environmental cost factor could be calculated in a precise manner by using econometric techniques on a three-year panel of socio-demographic data along with publicly available financial information. Moreover, using moving averages as suggested would considerably reduce volatility and thereby partially mitigate the problem whereby some local councils find it difficult to predict future rate caps for budgeting purposes.

It is also important to take into account the macro-economic challenges and trends that might face councils in the forthcoming financial year in determining the final rate cap. Put differently, the rate cap cannot entirely comprise an empirical exercise, since judgement must be exercised on future inflationary pressures.

2. What is the best way to measure changes in councils' costs and inflation, and how can this be done in a timely way?

As we have noted under question 1 above, much better approach exists. Given the geographical variation in municipal costs and municipal resource employment across NSW, particularly between metropolitan councils and their regional, rural and remote counterparts, Drew (2021) contended that different cost indexes should be employed for metropolitan, regional, rural and remote councils. These indexes should be constructed on the basis of three-year moving averages of the mix and weighting of the basket of items in the index, a price increase projection for the forthcoming financial year and an assessment of the operating environment of the four different types of council. Moreover, the environmental cost factor could be computed with precision by using econometric techniques and a three-year panel of socio-demographic data together with publicly available financial information. Furthermore, employing moving averages would substantially reduce volatility and thereby partially mitigate the problem whereby some local councils find it difficult to predict future rate caps for budgeting purposes.

Moreover, if we are truly interested in accuracy then a number of changes to extant practice must follow. First, the rate cap needs to be issued far more precisely – to at least three decimal places – which would be reasonable given that it is multiplied through to millions of dollars of revenue[2]. It is simply not acceptable to have material and avoidable rounding errors given that much more precise figures could easily be generated from index numbers and the like. Second, we need to use far more inputs to mitigate extant extreme synecdoche. We also need to use more precise inputs, rather than relying on known inaccurate proxies (such as wage price indexes[3], CPI, or population estimates that we can be certain do not reflect actual costs). Third, this considerably expanded basket of goods and services purchased by local councils need to be re-priced at least annually and at a time more proximate to the use of the LGCI.

In addition, as we noted under question 1 above, it critical to consider the main macro-economic trends that might face local authorities in the forthcoming financial year in determining the final rate cap. In essence, the rate cap cannot entirely consist of an empirical exercise; judgement must be exercised on future inflationary pressures.

3. What alternate data sources could be used to measure the changes in council costs?

There is a wide range of actual and accurate data that ought to be used in place of the proxies that are currently heavily relied upon. This includes: (i) actual wage increase data for local government employees, (ii) actual auditing costs, (iii) actual audit committee costs, (iv) number of assessment data (that is both more closely related to the cost of local government provision and also far more accurate and timely), (iv) actual remuneration rulings for councillors, (v) the actual costs for hundreds of major items used by local governments on a regular basis, (vi) precise operating environment factors generated econometrically, (vi)

[2] Moreover, it would seem a relatively straight-forward matter to ensure that any rounding error in a given year was mitigated in the next year.
[3] The use of the WPI is particularly perplexing given both the ease of using actual local government wage cost data and the size of this component (about a third of most NSW local council costs).

revaluation adjustment data[4], (vii) precise costs for holding elections and (viii) precise compliance costs.

4. Last year we included a population factor in our rate peg methodology. Do you have any feedback on how it is operating? What improvements could be made?

As we demonstrated in section 8 of this Report, the adoption of population size in the IPART rate peg methodology is highly problematical for three main reasons. In the first place, if we consider the mix of municipal services provided by NSW local authorities, which comprise mainly 'services to property' rather than 'services to people', the number of rateable assessments in a given local government area represents a much more accurate proxy variable for local government size than absolute population size, as demonstrated by Drew and Dollery (2014). Secondly, it is widely agreed that population estimates of intercensal years typically contain substantial errors, ranging from 2.4% in large councils to 15.6% in small local councils (Drew, 2022). Moreover, the ABS population data is often lagged by one or two years. Thus it is known to be inaccurate and irrelevant at the time of its use in the construction of the rate cap. Third, given the population magnitudes involved, annual population changes can produce significant changes in rates under the IPART methodology, which can be highly destabilising to local government financial planning. As we showed in section 8 of this Report, if we incorporate a population factor into the rate cap, then we should use a five-year moving average to reduce rate income volatility and partially alleviate the large intercensal errors (given that censes only take place every five years).

The simplest and most effective way to compensate councils for growth in the local government area – consistent with one of the stated goals of the rate cap (to reduce pressure on the tax liability for the average ratepayer) – is to apply the cap to the average rate for each of the categories. As we have already described in previous submissions, this automatically adjusts for growth in a way that uses reliable and timely data (number of assessments[5]). It also has the benefit of discouraging the use of minimum and base rates that are clearly contrary to another purported goal of the rate cap (distributive justice (Drew (2021)).

[4] The aggressive revaluation of assets by the Auditor-General is significantly affecting the income statements of Councils – if we want local governments to aspire to balanced budgets then these costs ought to be recognised (because it can't be reliably assumed that previous rate caps recognised the costs of these long-lived assets in earlier periods of cost-allocation).

[5] Notably organic growth (for instance births in an existing household) exert very limited cost pressures on councils compared to the subdivision of properties and establishment of new developments. Thus, responding to new assessments is likely to be much more important than responding to additional people.

However, the fact remains that a factor for growth disadvantages most rural and remote communities in a relative sense. These rural and remote councils are the most financially unsustainable category of local governments in NSW. Thus, a factor to compensate for operating environment (as we outlined earlier) is an absolutely essential element of any new rate cap methodology if we are to avoid further financial collapses in NSW local government.

5. How can the rate peg methodology best reflect improvements in productivity and the efficient delivery of services by councils?

If the NSW Government wishes to reflect improvements to efficiency and productivity, then it will be necessary to first accurately measure these constructs. Extant measures – such as operational expenditure per capita – are woefully inadequate as proxies for efficiency (Drew and Dollery, 2015). Instead, intertemporal data envelopment analysis (with appropriate adjustments) would need to be employed. Moreover, it would be essential to have an annual consistent survey of citizen satisfaction (or another reliable proxy for service quality) to ensure that supposed efficiencies were indeed the case (rather than merely reductions to service quality).

However, there is significant potential that policy adjustments to reflect efficiency would have serious, undesirable and unintended consequences. First, it would entirely remove the incentive for local councils to improve efficiency, because doing so would reduce their revenue. Accordingly, an efficiency dividend could well run contrary to the long-run interests of ratepayers. Second, it would further exacerbate the financial sustainability crisis that already grips around two-thirds of NSW local councils. At present, most councils actively seek out efficiencies as a way to partially-mitigate perceived inadequacies in rate cap dictates. If IPART or the NSW Government were to reduce the rate cap according to efficiencies achieved, then this would likely bring forward the time for a looming local government financial crises.

Most councils in NSW are active in pursuing efficiencies to try to maintain a semblance of financial sustainability. It would thus be a grave mistake to do anything to dissuade or punish them for these efforts (especially if we were to use inaccurate measures of efficiency as is currently the case).

6. What other external factors should the rate peg methodology make adjustments for? How should this be done?

As we have noted earlier, any rate peg calculation method must embody ‘forward facing’ elements, especially with respect to inflationary pressures. This means *inter alia* that the computation of the rate cap will embody forecasts of future cost increases and price rises that NSW local councils will experience. As we have suggested under section 10 of this Report, a rate cap setting panel should be established comprising *bona fide* experts on local government economics who can offer informed judgements on future cost increases and price rises in NSW local government.

Moreover, as the RBA (Lowe, 2021) has graphically illustrated in recent times, making predictions regarding likely inflation outcomes is thwart with danger. For this reason, it is essential that our recommendation for a rate cap range, made in earlier submissions, be adopted. Specifically, offering councils a rate cap range reflective of the uncertainty in both future predictions and past data[6] allows local decision-makers to better tailor their tax increases to their local knowledge regarding the specific challenges emerging in their council area. It also improves democratic accountability and reduces the problem of learned helplessness that has been noted in the literature (Drew, 2021).

7. Has the rate peg protected ratepayers from unnecessary rate increases?

In the short-run a rate peg might protect ratepayers from increases to their tax liability. However, this protection currently comes at significant costs especially to the most vulnerable in the community.

What typically occurs is that councils delay required tax increases because of the expense and political controversy likely to be engendered by a Special Rate Variation (SRV). However, ultimately matters come to a crisis point and then ratepayers are confronted with an extraordinarily large rate increase. It is not hard to find evidence of hefty local rate increases in the IPART determinations, such as 94.787% for Balranald in 2018-19 and 53.5% for Cootamundra-Gundagai in 2021-22. Indeed, there are dozens of SRVs of thirty percent or more. It is hard to believe that residents in these areas would agree that the rate cap saved them from unnecessary rate increases! It is much more likely that they would contend that the rate cap merely spared them a little bit of pain over many years that metastasized into a great burden later because it had been left un-checked.

[6] Able to be precisely quantified using relatively rudimentary statistical measures.

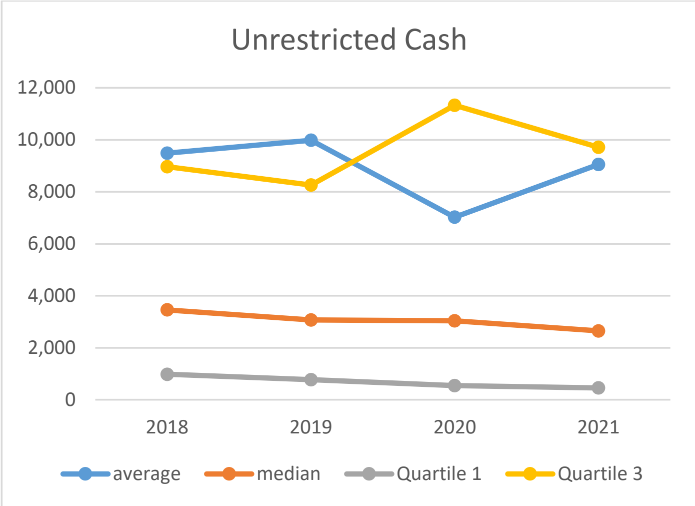
Moreover, deferral of needed rate increases, which is a prominent feature of the rate cap regime, also presents significant intergenerational equity risks. This occurs because existing residents may avoid needed rate increases for a decade or more which are ultimately forced onto contemporary ratepayers who may not have been beneficiaries of past expenditure (for instance if they only recently became homeowners in the local government area).

Furthermore, large and unexpected SRVs needed to mitigate inadequate rate caps over many years tend to disproportionately hurt the most disadvantaged in our communities. These people are the least likely to have savings to draw on to mitigate unexpected rate shocks that accompany SRVs. In addition, the services most likely to be cut by councils to cope with constraints on rate revenue tend to be discretionary projects such as programs tailored to the aged, unemployed, disabled or culturally diverse groups. This is the stark consequence of less-than-competent execution of seeking to reduce ‘unnecessary’ tax increases.

For all these reasons, in our previous work, we have strongly advocated for automatic triggers linked to a competent financial sustainability monitoring system (which sadly is not our current system). Automatic triggers would force councils to apply for a SRV when data demonstrated that financial sustainability had waned significantly, thus avoiding inappropriate delays to adjust rates which ultimately result in unacceptable large rate shocks.

8. ***Has the rate peg provided councils with sufficient income to deliver services to their communities?***

Financial failures in NSW local government, together with dwindling cash reserves (that have now reached critical levels for median and quartile 1 councils) clearly demonstrate that the rate peg has not delivered sufficient income for councils and their communities. Indeed, frequent approvals of hefty SRVs to address ‘financial sustainability’ submissions to the IPART, also underline the inadequacy of current practice.



It is unlikely that a ‘one-size-fits-all’ rate cap will ever be able to provide the disparate NSW cohort of councils and communities with sufficient income to deliver needed services. In accordance with the decentralization theorem, each council provides a different set of goods and services tailored to the particular tastes and preferences of their citizens. This is the whole point of decentralized local government. Furthermore, each community faces different challenges, operating and economic environments. Thus, it follows that each local council needs the flexibility to set the particular rate of the increase to their specific basket of goods provided according to their superior local appreciation of local conditions. This can best be achieved by providing a short range of rate cap for each major category of local government and trusting the democratic accountability and high professionalism of local government decision-makers to make appropriate decisions about the precise price rise required for their specific councils.

9. How has the rate peg impacted the financial performance and sustainability of councils?

As we have seen in section 5 of this Report, Dollery and McQuestin (2017) empirically investigated the likely effects of a rate cap on South Australian (SA) local government by comparing the performance of SA local government with NSW local government employing three performance indicators (revenue effort, financial sustainability and operational efficiency) over the period 2013 to 2016. Dollery and McQuestin (2017, p.84) established that ‘rate-capping in NSW has not served to reduce inter-municipal revenue effort inequities’. Moreover, rate capping is thus ‘most unlikely to minimise these inequities in SA local government’. In addition, Dollery and McQuestin (2017) found that the ‘claims made by proponents of rate-pegging that it improved financial sustainability’ were falsified by their findings. For example, comparing council debt per capita as a proxy for financial sustainability, Dollery and McQuestin (2017) found that ‘NSW local authorities have much higher debt than their SA counterparts despite the four decade long rate-pegging regime in NSW’. Furthermore, Dollery and McQuestin (2017, p.84) established that the operational efficiency of local councils did not increase under rate capping. Using council expenditure per capita as a measure of the operational efficiency of local councils, Dollery and McQuestin (2017, p.84) demonstrated that ‘rate-pegging does not increase the efficiency of local councils: for each year in our sample, the efficiency of NSW councils falls well below SA councils’.

In sum, Dollery and McQuestin (2017, p.84) found that ‘on all three dimensions of local government examined in our empirical analysis, we find SA councils performance better than NSW local government notwithstanding the latter’s longstanding rate-pegging policy’. Furthermore, compared to NSW, ‘SA municipalities exhibit superior performance’. In light of their findings, Dollery and McQuestin (2017, p.84) concluded that ‘the empirical evidence presented in the paper demonstrates that rate-pegging should not be imposed on SA local government and instead other more promising policies [should be] considered’.

10. In what ways could the rate peg methodology better reflect how councils differ from each other?

Following from our observations under question 1 above on regional variations in the LGCI, different rate caps should be calculated for councils falling in (at least) the four main municipal categories in NSW local government (metropolitan, regional, rural and remote councils). This will not only more accurately reflect the different operating environments facing these categories of council, but also facilitate comparisons between the performance of local councils in each category. As a consequence, there will be greater transparency for local residents and more accountability for local councillors.

As noted in this Report as well as in our earlier submission, the rate cap should also be provided as a range for these four main categories of councils. This will allow local government decision-makers to use their superior knowledge of local conditions to set a precise price increase for the basket of goods and services that best reflects their community’s specific needs and circumstances. It will also promote democratic accountability and combat learned helplessness.

People outside of Sydney rarely understand the importance of rural councils having the flexibility to tax at higher rates in good agricultural seasons to build up reserves against local economic shocks arising from poor agricultural seasons at other times. Rural economies are very dependent on weather conditions, as well as commodity prices, and a failure to provide the flexibility to properly respond to prevailing conditions has caused much harm to rural communities. Accordingly, a flexible range of rate caps is especially important in rural areas.

11. What are the benefits of introducing different cost indexes for different council types?

As we have observed, given the spatial variation in municipal costs and municipal resource use across NSW local government, especially between metropolitan councils and their regional, rural and remote counterparts, Drew (2021) and others have argued that different cost indexes should be employed for (at a minimum) four main categories of council (metropolitan, regional, rural and remote councils). The construction of these indexes should include the use of three-year moving averages of the mix and weighting of the basket of items in the index, a price increase projection for the forthcoming financial year and consideration of the operating environment of the four different categories of council. In essence, using moving averages as suggested would considerably reduce volatility and thereby partially mitigate the problem whereby some local governments find it difficult to predict future caps for budgeting purposes.

However, if we truly wished a rate cap to be responsive to the particular needs and circumstances of different communities then it would either be: (a) necessary to have a much more carefully assembled LGCI constructed for each individual council, or (b) a rate cap range provided to each category of local government so that relevant decision-makers might use their superior local knowledge of the precise circumstances faced by their communities to set an appropriate price increase.

12. Is volatility in the rate peg a problem? How could it be stabilized?

A certain degree of volatility in the rate cap is to be expected. However, what is problematic is when the volatility is *unanticipated* and out of line with official Australian Bureau of Statistics (ABS) CPI and PPI data. Put differently, it is the volatility between the expected rate cap and the actual rate cap proclaimed that is the real problem for local government. Indeed, current instructions for councils to assume a rate cap of 2.5% (which does not seem to have changed for well over a decade) should be reviewed far more regularly to avoid significant errors creeping into LTFP and thereby exposing communities to fiscal risk.

As we have already detailed, the rate cap can be stabilized by using moving averages. However, it is also important that far more up-to-date data is used in the calculation of the rate cap. Moreover, the gap between expected rate cap and actual rate cap can be redressed by also considering forward-looking indicators when determining the rate, as well as issuing a final cap at a time much closer to when councils might reasonably be expected to be incorporating it into their decision making (i.e. March-May each financial year). In this regard it would seem prudent to provide an indicative rate cap early on for the drafting of budgets, but only proclaim the final rate cap proximate to its final use.

13. Would councils prefer more certainty about the future rate peg, or better alignment with changes in costs?

It should go without saying that local councils and local communities alike would prefer a rate cap that was accurate and adequately met the demands of financial sustainability. Certainty that the rate cap would be appropriate and responsive to actual economic conditions is much preferred to certainty about it being a particular number. At present, there is little confidence in the NSW local government community that future rate caps will be appropriate for the economic conditions that actually prevail at the relevant time. This represents a substantial problem that IPART and the NSW government must respond to.

14. Are there benefits in setting a longer term rate peg, say over multiple years?

Given that the RBA informed us in November 2021 that inflation would be transitory (Lowe, 2021), it is hard to imagine how IPART might think that an accurate long-term rate cap could possibly be divined. As we have already stressed, it is not certainty in a particular number that is at stake here. Rather local councils simply need to be certain that the rate cap will be appropriate for the specific conditions that they face at the relevant time.

15. Should the rate peg be released later in the year if this reduced the lag?

As we have already outlined, an indicative rate cap should be released at around the same time as occurs at present to assist with forward budgeting. However, the final rate cap should certainly be proclaimed as late as practical (i.e. April-May each financial year) in order to ensure that it is sufficiently responsive to prevailing macro-economic conditions. This is particularly important in a high inflation environment where macro-economic forces are volatile and unpredictable. Indeed, had this practice been adopted in the past, local councils and local communities would have been spared the unnecessary cost and time involved in the recent ASV.

16. How should we account for the change in efficient labour costs?

As we detailed in our response to question 5 it would be a grave mistake to penalize councils for efficiency improvements. First, it would be necessary to measure efficiency correctly (which is presently not done owing to methodological and data problems). Second, it would likely result in deleterious unanticipated consequences.

17. Should external costs be reflected in the rate peg methodology and if so, how?

It is not quite clear what IPART means by ‘external costs’. However, certainly all costs must be considered as part of the compilation of a competent rate cap.

At present it appears that many important costs are not considered, such as new compliance costs (like the ARIC committees and the significantly higher audit costs after central auditing), cost-shifting and aggressive revaluations of existing assets pursued by auditors (that should have been reflected in past rate caps but certainly have a large bearing on current bottom lines).

Moreover, sensible adjustments need to be made to the permissible general income calculation to account for the portion of the pensioner rebates *not* refunded by the NSW Government (i.e. the notional general income should be increased by the amount of the rebates *not* received back as a subsidy). This simple change would mean that rural and fringe councils, which are often in the most precarious financial position, would no longer be penalised by the higher and increasing proportion of pensioners that choose to live in their areas.

In addition to calculating the rate cap so as to minimise uncertainty and reduce income volatility, it is also important to take into account the macro-economic challenges and trends that might face councils in the forthcoming financial year(s) under the stipulated rate cap. Put differently, the rate cap cannot be a purely empirical exercise; judgements must also be made about future inflationary pressures and other external forces that will impinge upon council costs.

18. Are council-specific adjustments for external costs needed, and if so, how could this be achieved? Please see our response to question 17**.**

19. What types of costs which are outside councils' control should be included in the rate peg methodology?

As detailed in our response to previous questions, adjustments must be made for a range of compliance, audit revaluation, cost-shifting and pensioner-discount costs. Indeed, adjustments should have been made for the substantial direct and indirect costs associated with COVID requirements and it would be appropriate to include a catch-up factor for this in the next rate cap.

Given the problem with sourcing appropriately trained staff, especially in rural and remote areas, it would also be appropriate to adjust rate caps for staff training and relocation expenses (or alternatively these costs could be reflected in the notional general income calculation).

In addition, it is absolutely essential that costs associated with local economic shocks are reflected in rates. This is particularly important in rural areas where climatic conditions and changes to commodity prices can have large effects on both ‘capacity to pay’ and ‘need’ for local government services (and hardship provisions).

As we have suggested a number of times, a rate cap range will often be the best way to reflect external costs that are specific to particular councils. Often it would not be possible for IPART to understand or quantify the myriad of specific external costs faced by various local communities at particular times. We need to trust to the superior local knowledge of local decision-makers to do so. Moreover, the democratic process has a built-in accountability mechanism to ensure that a rate cap range would not be exploited (although we note that simple reporting by IPART, along with pre-election fiscal statements long championed by scholars such as Drew (2021), could also act as an effective check on opportunistic behavior).

20. How can we simplify the rate peg calculation and ensure it reflects, as far as possible, inflation and changes in costs of providing services?

As we laid bare at the outset, a competent rate cap needs to have a clearly articulated purpose. We do not believe that simplicity ought to be the primary purpose of a rate cap. Indeed, most of the inaccuracy and subsequent fiscal damage caused by the rate cap has come about because of a desire to make things simple (often through the inappropriate use of indexes).

The costs of getting rate caps wrong are substantial, both in terms of financial sustainability as well as the broader social costs to the most vulnerable in our communities. We suspect that simplicity is a goal motivated in part by the desire to keep IPART/NSW government costs down. However, there is clearly a multiplier effect on the costs of inaccurate rate caps. Thus, it should be clear that the prudent course of action would be to invest more adequately in an accurate rate cap, better tailored to the needs of particular communities. To borrow a phrase from Bird et al. (2015): 'to buy cheap methodology is to buy dear in the longer term'.

10. Recommendations

In this Report, we have (a) considered the major arguments in the ongoing debate in NSW local government over the impact of rate capping; (b) we examined the various theoretical considerations on the nature of property tax limitations and their regulation; (c) we surveyed the international empirical literature on the impact of property tax limitations; (d) we discussed the Australian empirical literature on the impact of rate pegging in local government; (e) we considered the findings of recent inquiries and official reports on rate capping in NSW local government; (f) we outlined the new IPART methodology for calculating the annual rate cap that includes a population growth factor; (g) we examined various problems inherent in the IPART methodology; and (h) we provided answers to the twenty questions provided by IPART (2022) in its *Issues Paper*. We now offer several recommendations for improving the municipal rating system in NSW local government.

As we have demonstrated in this Report, the longstanding rate cap regime in NSW local government has had a damaging impact on municipal performance, especially the continuing inadequacy of income from rates, related ongoing problems with the financial sustainability of NSW local government and associated inadequate infrastructure maintenance and renewal (Dollery, Johnson and Crase, 2006). Moreover, as we have shown in the Report, the new IPART rate cap methodology is seriously deficient and it will accordingly further damage the financial sustainability of NSW local government (Drew 2021; 2022).

Two alternative generic approaches of improving the NSW local government rating system exist:

RECOMMENDATION 1: 'FIRST-BEST' APPROACH ABOLISH RATE CAPPING

A 'first-best' approach would be for the NSW Government to simply abolish rate pegging and grant local councils the freedom to strike their own rates and be held accountable by their own local residents. As we have demonstrated in this Report, this approach accords with both economic theory on optimal municipal property taxation an local democratic accountability, as well as the weight of international and Australian empirical evidence on property tax limitations.

However, this optimal approach involving the abolition the rate cap in NSW local government faces the harsh political reality that it is politically extremely difficult to remove rate pegging from NSW local government. In this regard, Drew (2021, p.111) observed that ‘no political party is likely to voluntarily remove existing tax limitation regimes because there is a considerable risk that taxes would be increased soon after, and the party facilitating this would be greeted with the displeasure of voters at the next higher tier election’. Moreover, ‘because taxation limitations are a politically popular way of responding to cost of living pressures – at no immediate cost to the instigator – their incidence is only likely to increase in future’.

RECOMMENDATION 2: ‘SECOND-BEST’ APPROACH REDESIGN RATE CAPPING

A ‘second-best’ pragmatic approach must accept that rate capping will remain an unassailable feature of NSW local government, regardless of the political complexion of the state government. We thus contend that reform should instead focus on removing the worst features of the NSW local government rate pegging regime. Put differently, a ‘second-best’ approach should concentrate on improving the IPART rate cap methodology.

Drew (2021, pp.111-114; 2022) has advanced several recommendations for reforming rate caps which we have augmented with additional suggestions. Firstly, as noted earlier, we recommend different cost indexes be employed for metropolitan, regional, rural and remote councils. As we have seen, the current LGCI employed by IPART is awash with problems that render it unsuitable as a basis for determining cost increases in operation of NSW local government. Given the spatial variation in municipal costs and municipal resource use across NSW, especially between metropolitan councils and their regional, rural and remote counterparts, Drew (2021) argues that different cost indexes should be employed for – at a minimum – the four main categories of council (metropolitan, regional, rural and remote councils). The construction of these indexes should include the use of three-year moving averages of the mix and weighting of the basket of items in the index, a price increase projection for the forthcoming financial year and consideration of the operating environment of the four different categories of council. In essence, using moving averages as suggested would considerably reduce volatility and thereby partially mitigate the problem whereby some local governments find it difficult to predict future caps for budgeting purposes.

It is also important to take into account the macro-economic challenges and trends that might face councils in the next year when determining the final cap. Put differently, the rate cap cannot be a purely empirical exercise; judgements must also be made about future inflationary pressures and the like.

Secondly – and following from our first recommendation - we contend that different rate caps be calculated for councils falling in the four main municipal categories in NSW local government (metropolitan, regional, rural and remote councils). This will not only more accurately reflect the different operating environments facing these categories of council, but it will also facilitate comparisons between local council outcomes in each category. Accordingly, there will be greater transparency for local residents and more accountability for local councillors.

Thirdly, we recommend that a rate cap setting panel, as well as the SRV assessment panel, should include at least one scholarly local government expert. Scholarly knowledge of rate cap theory and sophisticated empirical techniques are clearly important for the development of a sound cap. Moreover, scholars are perceived to have greater independence (thus strengthening perceptions for a range of rate cap stakeholders) and can bring new insights to deliberations. Many of the problems associated with the recent changes would have been avoided if a suitably credentialed person was on the deliberative panels. It is thus wise to address this gap to avoid problems in the future.

Fourthly, we recommend that the rate cap should be based on the average rate for each category of property. As we have seen, the IPART rate cap methodology calculates the annual rate cap for each council based on its total property tax revenue from the previous financial year. Changing to a calculation based on typical (mean) rate impost will have significant benefits for local authorities. For instance, it will mean that the construction of new dwellings and businesses in a given local government area will increase the total tax intake. This will better enable local councils to absorb the costs of growth, including the need for additional local infrastructure investment. It would also mean that the inaccurate and controversial population growth factor would be rendered redundant.

To calculate the cap, the average of each category (from the previous period) would need to be inflated by the specific cap for the particular type of council, then multiplied by the number of assessments in the given category as at the most recent record date. The total tax take would then be equal to the sum of the various category calculations.

A rate cap based on the averages for each category will also encourage more prudent use of minimum rates and base rates. This implies that it will thus contribute to greater distributive justice. Furthermore, an approach based on averages is more consistent with the objectives of a rate cap; that is, to avoid rate shock for the typical resident. By setting rate caps on the foundation of the typical rate imposed on each category of ratepayer we are much more likely to avoid rate shock for the typical ratepayer.

Fifthly, we recommend that the rate cap should be provided within a small range rather than as a single set number. A rate cap should not be a single figure for each council, but instead encompass a small range of potential rate increases (thus, for instance, a rate cap can be expressed as 2.4 to 3.0% rather than simply 2.7%). This would have a number of advantages. Firstly, it would diminish much of the 'learned helplessness' and 'blame shifting' inherent in the current rate cap regime. Second, it would enable councillors to lessen any error in the calculation or calculation methodology. Third, it would allow for local councils to adjust to changes in conditions that occur in the long time-span between promulgation of the rate cap and the start of the new financial year. Fourth, it would empower regulators to explicitly include the statistical error term associated with any empirical calculation. Fifth, it would reassert democratic accountability and would give councillors greater opportunity to respond to community circumstances and community preferences. A rate cap incorporating a small range would still reduce the potential for monopolistic excesses, but it would do so in a manner that respects both the uncertainty of the rate cap construction as well as local democratic principles.

Sixthly, we recommend more sensible timelines should be established for SRV nominations and applications. The current timeline for SRVs in NSW could hardly be worse and contribute to a range of avoidable costs (see Table 1 below). In practice, it often means that local councils are breaking bad news to their local communities immediately prior to Christmas. In the most recent year of delayed elections, the early nomination date meant that many councils delayed their SRV by an additional year which may well have caused serious financial sustainability problems. Moreover, it increases stress on council staff who often have to give up customary extended periods of leave typically taken over the festive season. In addition, it adds to consultant costs because companies are often forced to pay premiums to staff to work over the festive season.

In Victoria much more reasonable date are employed, as we can see from Table 1. Intent to apply is purely optional, as it should be. Moreover, the applications roll in over a long period which allows for much better assessment turnaround times. In addition, it also makes it much more likely that applications get assessed on their own merits rather than being sub-consciously compared to other applications.

Table 1: Special Rate Variation Key Dates for NSW and Victoria

Event	NSW Date	Victorian Date	Recommendation
Notification of Intent to apply for a SRV	26 November	31 January*	End of January (optional)
SRV application due date	7 February	1 February until 31 March	Should be submitted any time prior to mid-April
Determinations announced	May 2022	Within two months of receiving the application	Within six weeks of application

* Note this is only an option in Victoria. It is not mandatory to give notice of intent.

Our seventh recommendation suggests automatic triggers should be employed. One of the significant problems associated with a rate cap regime is that it is associated with steep political costs. This explains why many local councils are hesitant to indicate intent to apply for an SRV in election years. The problem with delaying SRVs is that a council may fail financially in the interim. Moreover, it also tends to mean that increases need to be higher to make up for foregone rate revenue for the year(s) deferred.

Political costs could be reduced substantially by making SRVs mandatory when certain triggers are met. This would indicate that the local community in question would perceive the SRV as an act required from fiscal prudence rather than political choice. It would also mean that the rate cap regime would not add further to the already deplorable record of local government financial failures in the NSW local government system (Drew et al., 2021).

Triggers should include standard ratios already in use. However, they would require the NSW OLG to employ more reasonable benchmarks based on empirical evidence (rather than the current apparently arbitrary numbers). In particular, the following ratios represent excellent candidates:

- Operating ratio (over *three* years)
- Unrestricted Current ratio (with a more appropriate benchmark)
- Debt ratio (with more suitable benchmark)
- Cash expense ratio (using a more appropriate benchmark)
- Rates outstanding (currently there is no benchmark and it should be noted that a ceiling - rather than a floor - would be most appropriate here to protect ratepayers).

We have specifically excluded the asset maintenance ratios because they are typically too unreliable at present. Moreover, their use may exacerbate the already high levels of distortion to these numbers.

Regulators might also consider introducing a trigger whereby a certain turnover in councillors following elections would establish a presumption that a new rating policy should be constructed, where a new rating policy might result in a reduction to total tax take, different categories, changes to minimum and base rates and hence greater distributive justice (Drew, 2021). This would be consistent with calls for greater political accountability with respect to municipal finance.

In addition, given the extreme fiscal distress currently experienced by forcibly amalgamated councils as a result of the disastrous NSW local government *Fit for the Future Program* (Drew et al., 2021), it should be considered essential that all compulsorily consolidated councils submit an SRV application as a matter of urgency.

Our eighth and final recommendation prescribes that the burden of proof should rest with the assessing panel or those who object to the proposed rate cap to offer sound reasons for why it should be rejected or reduced. Given that SRV applications are publicly available, and should also be based on thorough and robust proof of need according to prescribed criteria, the burden of proof should rest with the SRV assessment panel or those who object to the proposal to provide compelling reasons for why the SRV should be rejected or reduced. This is especially the case when local councils have availed themselves of suitably qualified experts to assist in the preparation of the SRV and where they have provided robust empirical evidence in support their claims. In essence, reversing the burden of proof along the lines we suggest would more appropriately respect the efforts of council staff and the deliberations of politically accountable councillors.

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10.3 EXTENSION TO LODGE 2021-2022 FINANCIAL STATEMENTS

File Number: **S12.2.1/15 / 22/36369**

Author: **Paul Pay, Director Corporate and Economic Services**

SUMMARY:

At the request of the NSW Audit Office, Council has lodged an application with the Office of Local Government (OLG) for an extension to lodge Council's 2021/2022 Financial Statements.

RECOMMENDATION:

That the report be received and noted.

COMMENTARY:

Councils must electronically lodge a complete set of audited financial statements (General Purpose Financial Statements, Special Purpose Financial Statements, Special Schedules and Auditors Reports as one PDF document) with OLG, no later than the close of business on 31 October following the financial year end.

Councils may request an extension to lodge financial statements, in writing to the OLG, no later than 17 October following the financial year end. An application for an extension must specify the reason(s) for which the extension is sought, and specify the period for which the extension is sought.

While Council's audit process is on schedule and Council has met its obligations under the Audit Engagement Plan by providing the required audit documentation for the NSW Audit Office to conduct their audit, on the 14 October 2022 Council's auditor requested that Council apply for an extension to lodge the 2021-2022 financial statements.

Under section 416 (3) of the *Local Government Act 1993* (copy attached), a Council must lodge an application of extension if requested to do so by their auditor.

Therefore, in accordance section 416 (3), Council lodged an application with the OLG for an extension to lodge the 2021/2022 financial statements until 30 November 2022.

Council's application stated the following reasons:

> The NSW Audit Office have advised there are significant sector wide issues relating to rural firefighting equipment and the indexation on the fair value of IPP&E. Our Council is directly impacted by this issue, as we have a disclosure of a prior period error in the financial statements relating to rural firefighting equipment.
>
> Given the demand for NSW Audit Office technical assessment and review, they have concerns that our particular issues may not be able to be resolved in the time we have left before the current lodgement date of 31 October 2022.
>
> The NSW Audit Office have advised they are working extremely hard to complete our audit and at this stage it is a precautionary measure to seek an extension.

The engagement timetable, designed to achieve statutory financial reporting requirements, was discussed with the NSW Audit Office in April 2022 and the agreed timetable was included in the Audit Engagement Plan. The table below shows the impacts on the agreed timetable as a result of the request for extension:

Task	Current Schedule	Indicative New Schedule
The Council gives financial statements and supporting working papers listed in the Engagement Information Request to the audit team	5 September 2022	Achieved
Audit team starts audit of financial statements	12 September 2022	Completed Audit team on site From: 14/9/22 To:16/9/22
Council approves financial statements for lodgement to OLG and for public exhibition, and the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer sign the statement	28 September 2022	Completed
Audit clearance meeting	7 October 2022	On or before 25 November 2022
Audit Office issues Engagement Closing Report	14 October 2022	On or before 25 November 2022
The Council signs and gives Management Representation Letter to audit team	TBC	TBC
Audit Office issues ➢ Independent Auditor's Report on the general-purpose financial statements ➢ Report on the Conduct of the Audit	On or before 28 October 2022	On or before 28 November 2022
Council to lodge completed financial statements	31 October 2022	30 November 2022
Audit team attends Audit, Risk and Improvement Committee meeting to present the Engagement Closing Report	15 November 2022	13 December 2022
The Council presents audited financial statements and the Independent Auditor's Reports at the Council meeting	23 November 2022	14 December 2022

The two main impacts on Council resulting from the extension are:

1. Rescheduling of the ARIC meeting from 15 November 2022 to 13 December 2022
2. Rescheduling the presentations of the completed audit statements to Council from 23 November 2022 to 14 December resulting in a three (3) week delay.

At the time of writing this report, the NSW Audit Office had only finalised two Council audits, meaning they still have over 130 audits to complete by 31 October.

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

Nil

LEGAL IMPLICATIONS:

Section 416 (3) of the *Local Government Act 1993* requires Council to lodge an application for extension, if requested to do so by their auditor.

ATTACHMENTS:

1. **Section 416 of the Local Government Act 1993** ⇩

NSW legislation

Local Government Act 1993 No 30

Current version for 16 June 2022 to date (accessed 19 October 2022 at 9:12)

Chapter 13 > Part 3 > Division 2 > Section 416

416 Time for preparation and auditing of financial reports

(1) A council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year.

(2) A council may from time to time apply to the Departmental Chief Executive for an extension of that period.

(3) A council must make such an application if requested to do so by its auditor.

(4) Before deciding whether or not to grant an extension, the Departmental Chief Executive may require the council to give reasons, additional to those set out in the application, as to why the extension should be granted.

(5) The Departmental Chief Executive may grant an extension of such period as, in the opinion of the Departmental Chief Executive, is necessary in the particular circumstances of the case.

(6) A council must notify its auditor of any application for an extension made under this section and of the outcome of the application.

10.4 REFERRAL OF CONFIDENTIAL REPORT

File Number: **S13.5.2/15 / 22/36475**

Author: **Melanie Ford, Administration Officer - Corporate Services**

SUMMARY:

Referral of Confidential Report.

RECOMMENDATION:

That Council move into Closed (Public excluded) meeting of the Council and that the press members of the public be asked to leave the chambers whilst Council considers the following items:

Item: *#13.1 General Manager Annual Performance Review for period ending 30 June 2022*

Authority: *Section 10A (2)(a) "Personnel matters concerning particular individuals (other than Councillors.) Local Government Act 1993.*

COMMENTARY:

The *Local Government Act 1993* (the Act), and the Local Government (General) Regulation 2005 makes provision for the closure of meetings to the public and media in specified circumstances. In particular s.10A of the Act provides that Council may close to the public and media so much of a meeting as relates to the discussion and consideration of information identified in s.10A(2). The matters which may be closed to the public and media, as stated in the Act, must involve:

"Personnel matters concerning particular individuals (other than councillors.)" (s.10A(2)(a) Local Government Act 1993)

"The personal hardship of any resident or ratepayer." (s.10A(2)(b) Local Government Act 1993)

"Information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business." (s.10A(2)(c) Local Government Act 1993)

"Commercial information of a confidential nature that would, if disclosed:

- *(i) prejudice the commercial position of the person who supplied it, or*
- *(ii) confer a commercial advantage on a competitor of the council, or*
- *(iii) reveal a trade secret." (s.10A(2)(d) Local Government Act 1993)*

"Information that would, if disclosed, prejudice the maintenance of law." (s.10A(2)(e) Local Government Act 1993)

"Matters affecting the security of the council, councillors, council staff or council property." (s.10A(2)(f) Local Government Act 1993)

"Advice concerning litigation, or advice that would otherwise be privileged from production in legal proceedings on the grounds of legal professional privilege." (s.10A(2)(f) Local Government Act 1993)

"Information concerning the nature and location of a place or an item of Aboriginal significance on community land." (s.10A(2)(h) Local Government Act 1993) .

It is recommended that, pursuant to Section 10A(2) of the *Local Government Act 1993* the matter be referred to Closed Council for consideration as the matters and information are:

a personnel matters concerning particular individuals (other than councillors).

On balance the public interest in preserving the confidentiality of the information outweighs the public interest in openness and transparency in Council decision-making by discussing the matter in open meeting; and all reports and correspondence relevant to the subject business be withheld from access to the media and public as required by section 11(2) of the *Local Government Act, 1993.*

In accordance with the provisions of Section 9 (2A) Local Government Act 1993, the General Manager is of the opinion that consideration of the following item(s) is likely to take place when the meeting is closed to the public.

COMMENTARY:

Item: 13.1 - General Manager Annual Performance Review for period ending 30 June 2022

Description: This report outlines the results of the General Manager’s Annual Review of performance conducted by the Council’s Performance Review Committee on 2 October, 2022.

Reason: Section 10A (2)(a) “Personnel matters concerning particular individuals (other than Councillors.) Local Government Act 1993.

10.5 ROAD CLOSURE - DARYL BRAITHWAITE AND SAMANTHA JADE CONCERT

File Number: **S8.12.3/15 / 22/36502**

Author: **Peter Caddey, Manager Administrative and Marketing Services**

SUMMARY:

Council is being asked to consider the closure of Captain Cook Drive to allow for activities associated with the Daryl Braithwaite and Samantha Jade, ‘Music Under The Stars’ Concert. Council is requested to authorise the road closure for this free family event.

RECOMMENDATION:

That Council authorise the road closure of Captain Cook Drive between the hours of 4pm and 10pm on Saturday 5th November 2022.

COMMENTARY:

Inverell Shire Council is in receipt of grant funding from the NSW Government through the Reconnecting Regional NSW – Community Events Program. A free family concert is planned for Campbell Park on Saturday 5th November. Two iconic Australian performers have been secured for the event. Samantha Jade and Daryl Braithwaite will be performing on the River Stage from 7pm and the evening will conclude with a spectacular fireworks display.

It is predicted that the event will attract people from across the region and further intrastate. Approximately 5,000 are expected to be in attendance. The road closure is being requested to ensure public safety whilst accessing the venue.

It is proposed to close the road for the duration of the event, between the hours of 4.00pm and 10.00pm, at the location between Byron Street Roundabout and the entrance of Pasterfield car park. Council has legislated authority under the Roads Act to grant a permit for an event with an associated road closure and has approved similar requests in previous years. No issues have arisen with the closure of this section of road in previous years and a safer pedestrian environment is provided for families attending the concert. Should Council agree to the requested road closure, the appropriate approvals will also be obtained from the NSW Police.

Council is requested to make a determination regarding:

Granting permission for closure of Captain Cook Drive for the Music Under the Stars concert and Fireworks from the Byron Street Roundabout to the entrance of Pasterfield car park between the hours of 4.00pm and 10.00pm on Saturday, 5th November 2022

RISK ASSESSMENT:

Nil

POLICY IMPLICATIONS:

Nil

CHIEF FINANCIAL OFFICERS COMMENT:

Nil

LEGAL IMPLICATIONS:

Nil

ATTACHMENTS:

Nil

11 INFORMATION REPORTS

11.1 ARMIDALE AIRPORT - INTRODUCTION OF A SECURITY SCREENING FEE

File Number: **S30.16.4 / 22/35798**

Author: **Paul Henry, General Manager**

SUMMARY:

Council is in receipt of correspondence from Armidale Regional Council regarding its intention to introduce a screening fee at the Armidale Regional Airport. Details are provided below for the information of Council.

COMMENTARY:

Armidale Regional Council will shortly notify all Airlines utilising the Armidale Regional Airport of its intention to introduce a security screening fee as of January 2023. To date, this service has been subsidised by the Federal Government’s Regional Airport Infrastructure (RASI) fund which is scheduled to conclude in December 2022.

In anticipation of the conclusion of the funding, Armidale Regional Council (at their Ordinary Council Meeting held on 28 September 2022) formally resolved to advise Airlines of the intention to introduce a fee for this service. The fee will be calculated to recover the cost of the service only and applied on a per passenger basis.

The Council states that since the introduction of screening in May 2021, all Airlines and their passengers from around the region have enjoyed the safety and convenience benefits from the provision of the screening service. Screening is reducing the risk of a security incident on flights from our region and experiencing the convenience of no longer needing to pass through security screening check points at other security-controlled airports for connecting flights.

Armidale Regional Council recognised that the Armidale Regional Airport is a critical link for the wider region used by communities and businesses from Tenterfield, Inverell, Glen Innes, Uralla and Walcha. Expanding the service with greater capacity to receive more passengers and accommodate a larger variety of aircraft is critical to ensuring continued economic prosperity of the towns and cities in our region. It is for these reasons that Armidale Regional Council will be taking measures to recover the cost of the service and avoid the additional cost burden for the Armidale rate payers alone.

The intent of the notification from Armidale Regional Council was to inform Inverell Shire Council of the decision and rationale for the introduction of the security fee noting that it may be met with some resistance from Airline services.

It is likely that the screening fee will be passed on to passengers through increased ticket prices.

ATTACHMENTS:

Nil

11.2 SUMMARY OF DEVELOPMENT APPLICATIONS, CONSTRUCTION CERTIFICATES AND COMPLYING DEVELOPMENT CERTIFICATES DURING SEPTEMBER 2022

File Number: **S18.10.2/15 / 22/35894**

Author: **Robyn Waters, Temporary Administration Officer**

SUMMARY:

This report is intended to keep Council updated on the Development Applications, Construction Certificates and Complying Development Certificates determined during the month of September, 2022.

DEVELOPMENT APPROVALS, REFUSALS AND VARIATIONS DURING SEPTEMBER 2022

Development Approvals

Development Application Number	Applicant	Property	Development	$ Amount
DA-70/2022	SMK Qld Pty Ltd	Lot 52 Yetman West Road, YETMAN and 18883 Bruxner Way, YETMAN 2410	Extractive Industry – Sandstone Quarry	40,000
DA-79/2022	Mr Johnathon Bourne	86 MacIntyre Station Road, BUKKULLA 2360	Alterations and Additions to Macintyre Homestead	100,000
DA-83/2022	Mr Jamie Stuart Mitchell	906 Grove Road, TINGHA 2369	Addition to Dwelling	21,400
DA-86/2022	SMK Qld Pty Ltd	Bruxner Way, YETMAN 2410	Expansion of Extractive Industry (Sandstone Quarry)	5,000
DA-87/2022	The Donnelly Bell Family Trust and The S & E Doodson	71 Bolands Lane, INVERELL 2360	Boundary Adjustment	NIL
DA-88/2022	Mr Jonathon Bourne	10 Daley Close, INVERELL 2360	New Dwelling, Shed and Earthworks	399,300
DA-89/2022	Mr Troy Edwin Drew	9 Talbragar Close, INVERELL 2360	Shed	69,000
DA-90/2022	Mr Johnathon Bourne	32 High Street, INVERELL 2360	Shed	19,800
DA-92/2022	Mrs Beverley Anne Gilligan	24 Sylvan Drive, INVERELL 2360	New Shed and Temporary Occupation	50,000
DA-95/2022	Mr Danny John Everingham	8075 Gwydir Hwy, LITTLE PLAIN 2360	Machinery & Storage Shed	20,000

DA-96/2022	Mr Jaydan Malcom Candy	9 Bertha Street, INVERELL 2360	New Shed	15,000
DA-98/2022	Mr Corey Robert Borthwick	7 Brownleigh Vale Drive, INVERELL 2360	Shed	5,835
DA-101/2022	Mr Harrison John Green	90 Fullers Lane, INVERELL 2360	Shed Extension	5,000
DA-107/2022	Mr Jonathon Bourne	30 Rosslyn Street, INVERELL 2360	Alterations and Additions to Dwelling	50,000
DA-109/2022	Mr Johnathon Bourne	50 Granville Street, INVERELL 2360	Demolition of Existing Dwelling, Subdivision & Construction of Two Storey Duplex	677,600
DA-112/2022	Mr Jonathon Bourne	520 Yetman Road, INVERELL 2360	Dwelling	526,350
DA-114/2022	Mr John David Williams	13 Urabatta Street, INVERELL 2360	New Shed	15,000
DA-115/2022	Mr David John White	140 Roscrae Lane, INVERELL 2360	Shed and Awning	88,000
DA-118/2022	Mr Andrew James Murphy and Mrs Kerri-Anne Murphy	2830 Tarwoona Road, CAMP CREEK 4385	Consolidation of Lot 31 DP 45298 and Lot 28 DP 750070. Relocation of dwelling to consolidated lot resulting in a dual occupancy (Detached)	238,000
DA-121/2022	Mr Rhys Peter Robert Frendo	244 Old Bundarra Road, INVERELL 2360	Pool	42,350
DA-122/2022	Mrs Eleanor Clare Kennedy	52 Runneymede Drive, INVERELL 2360	Pool	47,000
DA-127/2022	Local Government Engineering Services	27 Brae Street, INVERELL 2360	New Plunge Pool	20,000
DA-128/2022	SJB Building NSW	3 Rosslyn Street, INVERELL 2360	6 x 8 Kit Shed with a 6m lean to carport across the front	25,000
Monthly estimated value of Approvals: September 2022			**23**	**2,479,635**

Development Amendments

DA-67/2013/A	Mr Keith Mitchell Appleby	180 Swanbrook Road, INVERELL 2360	Modification to DA-67/2013 – Subdivision	NIL
DA-15/2016/A	Paraway Pastoral Company Limited	1633 Nullamanna Road, NULLAMANNA 2360	Modification to Nullamanna Feedlot Expansion: - Increase the maximum operational capacity of the Nullamanna Feedlot from 3,000 head to 3,500 head; and - Install shade cloth over each of the existing 20 feedlot pens.	NIL
DA-21/2022/A	Mrs Kathie Louise Barratt	7 Oakland Lane, INVERELL 2360	Shed	NIL
Monthly estimated value of Approvals: September 2022			**3**	**NIL**

Development Refusals

Nil

Variation to Development Standards Approved

As part of the monitoring and reporting requirements established by the NSW Department of Planning, a report of all variations approved under delegation in accordance with Clause 4.6 of *the Inverell Local Environmental Plan 2012* must be provided to a full council meeting.

The following details the variations to development standards approved during September 2022.

INFORMATION:

Nil

CONSTRUCTION CERTIFICATES APPROVED AND AMENDED DURING SEPTEMBER 2022

Construction Certificates approved by Council

Construction Certificate Number	Applicant	Property	Construction	$ Amount
CC-68/2022	The Trust Company (Australia) Ltd	86 MacIntyre Station Road, BUKKULLA 2360	Alterations and Addition to MacIntyre Homestead	100,000
CC-72/2022	Mr Jamie Stuart Mitchell	906 Grove Road, TINGHA 2369	Addition to Dwelling	21,400

CC-73/2022	Mrs Lynda Grace Partridge	6C Brewery Street, INVERELL 2360	Extension to Centre-Based Childcare Facility	280,000
CC-75/2022	Ruralplan Consultants	149-153 Byron Street, INVERELL 2360	Alterations and Additions to Commercial Premises	85,000
CC-76/2022	Mr Jonathon Bourne	10 Daley Close, INVERELL 2360	Shed and Earthworks only	30,000
CC-77/2022	Mr Troy Edwin Drew	9 Talbragar Close, INVERELL 2360	Shed	69,000
CC-79/2022	Mr Clayton John Rogers	32 High Street, INVERELL 2360	Shed	19,800
CC-81/2022	Mrs Beverley Anne Gilligan	24 Sylvan Drive, INVERELL 2360	New Shed and Temporary Occupation	50,000
CC-82/2022	Mr Jaydan Malcom Candy	9 Bertha Street, INVERELL 2360	New Shed	15,000
CC-86/2022	Mr Harrison John Green	90 Fullers Lane, INVERELL 2360	Shed extension	5,000
CC-91/2022	Mr Jonathon Bourne	520 Yetman Road, INVERELL 2360	Dwelling	526,350
CC-92/2022	Ruralplan Consultants	Brosnans Lane, INVERELL 2360	New Dwelling and Shipping Container	332,200
CC-95/2022	Mr John David Williams	13 Urabatta Street, INVERELL 2360	New Shed	15,000
CC-97/2022	Mr David John White	140 Roscrae Lane, INVERELL 2360	Shed and Awning	88,000
CC-101/2022	Mr Corey Robert Borthwick	7 Brownleigh Vale Drive, INVERELL 2360	Shed	6,075
CC-103/2022	Mr Rhys Peter Robert Frendo	244 Old Bundarra Road, INVERELL 2360	Pool	42,350
Monthly estimated value of Approvals: September 2022			**16**	**1,685,175**

Amended Construction Certificates approved by Council

CC-110/2018/A	Mr Keith Mitchell Appleby	180 Swanbrook Road, INVERELL 2360	Modification to CC_110/2018 – Stage 1 of DA-67/2013/A	NIL

Monthly estimated value of Approvals: September 2022	**1**	**NIL**

Construction Certificates approved by Private Certifier

Construction Certificate Number	Applicant	Property	Construction	$ Amount
CC-107/2022	Denori Pty Ltd	2 Sylvan Drive, INVERELL 2360	Dwelling, Shed & Pool	536,000
Monthly estimated value of Approvals: September 2022			**1**	**536,000**

Amended Construction Certificates approved by Private Certifier

Nil

COMPLYING DEVELOPMENT CERTIFICATES APPROVED AND AMENDED DURING September 2022

Complying Development Certificates Approved by Council

Complying Development Number	Applicant	Property	Construction	$ Amount
CD-17/2022	Mr Brian Anthony Fox	12 East Street, INVERELL 2360	Bedroom Addition and New Shed	10,000
Monthly estimated value of Approvals: September 2022			**1**	**10,000**

Amended Complying Development Certificates approved by Council

Nil

Complying Development Certificates approved by Private Certifier

Complying Development Number	Applicant	Property	Construction	$ Amount
CD-18/2022	Mr Phillip Aidan O’Meley and Mrs Luigina O’Melley	29 Daley Close, INVERELL 2360	New Dwelling	588,000
Monthly estimated value of Approvals: September 2022			**1**	**588,000**

Amended Complying Development Certificates approved by Private Certifier

Nil

TOTAL BUILDING CONSTRUCTION FOR INVERELL SHIRE DURING SEPTEMBER 2022:

Type of Consent	**Number**	**$ Amount**
Construction Certificates – Council Approved	**16**	**1,685,175**
Construction Certificates – Private Certifier	**1**	**536,000**
Complying Development – Council Approved	**1**	**10,000**
Complying Development – Private Certifier	**1**	**588,000**
Totals	**19**	**2,819,175**

Estimated Value of Approvals issued in the financial ytd in:	**2022/2023**	**(42)**	**$ 6,844,702**
	2021/2022	**(56)**	**$10,562,129**

Attachments:

Nil

11.3 ORDINANCE ACTIVITIES REPORT FOR SEPTEMBER 2022

File Number: S18.10.1 / 22/36081

Author: Nicole Riley, Administration Coordinator

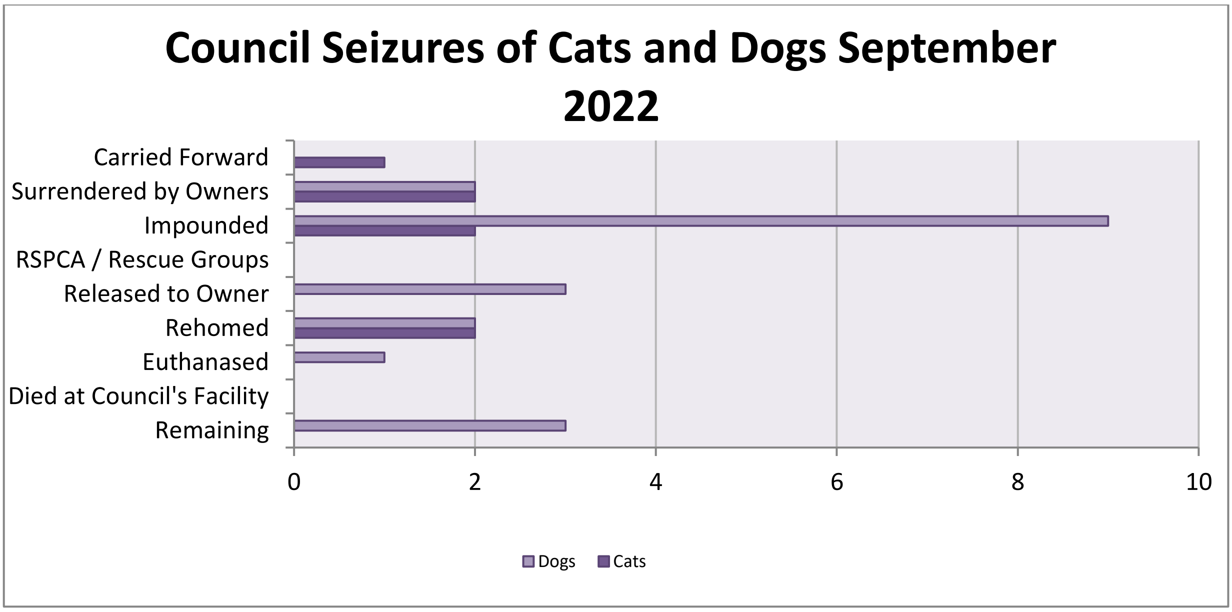
SUMMARY:

The following details the number of various Ordinance activities carried out during September 2022, in comparison to the same month in 2021.

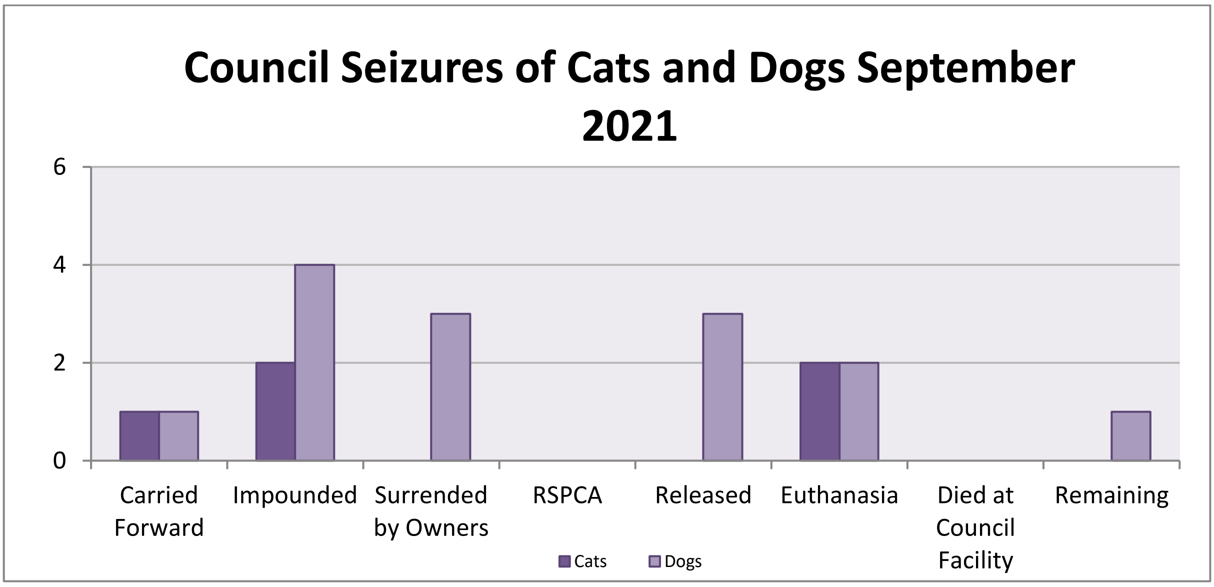
INFORMATION:

COMPLIANCE

Inverell Shire Council Pound Monthly Report September 2022



Inverell Shire Council Pound Monthly Report September 2021



ATTACHMENTS:

Nil

11.4 STRATEGIC TASKS - 'SIGN OFF' - SEPTEMBER 2022

File Number: **S4.13.2 / 22/36119**

Author: **Kristy Paton, Corporate Support Officer - Publishing**

SUMMARY:

A part of a successful governance program is a need for administration to indicate to the policy makers that the requirements of the legislation, under which the organisation operates, has been provided. As a result, this information report provides Councillors with a statement of assurance from the General Manager that in accordance with the Local Government Act, 1993; the tasks have been complied with.

COMMENTARY:

The September 2022 tasks required to be undertaken are detailed below. Any of these tasks may be added to as Council becomes familiar with this new initiative.

Date	Compliance Requirement	Achieved/Not Achieved	Comments
31 August 2022	Electronic lodgement of Grants Commission Roads and Bridges Data Return due	Achieved	Return sent 31 August 2022
30 September 2022	Last due date for rates instalments (single instalment or first qurterly0 [LGA s562(3); LGReg cl 413I(1)]	Achieved	
30 September 2022	Lodge completed written returns of interest for councillors and designated persons [MCC cl 4.21(b)]. General Manager to table returns at next council meeting [MCC cl 4.25]	Achieved	Destination Report included in October Business Paper.

I confirm that the performance criteria as set out in the criteria for scheduled tasks have been met for the month of September, 2022. I confirm the accuracy and completeness of the information provided above, in that to the best of my knowledge and understanding, all material information has been herein disclosed.

P J HENRY PSM

GENERAL MANAGER

ATTACHMENTS:

Nil

12 GOVERNANCE REPORTS

Nil

13 CONFIDENTIAL MATTERS (COMMITTEE-OF-THE-WHOLE)

RECOMMENDATION:

That Council considers the confidential report(s) listed below in a meeting closed to the public in accordance with the reasons stated in the referral reports:

13.1 General Manager Annual Performance Review for Period Ending 30 June 2022