

**1. What are your views on using one of the following options to measure changes in employee costs in our Base Cost Change model? How can we manage the risks associated with each option when setting the rate peg?**

**a. Use annual wage increases prescribed by the Local Government (State) Award for the year the rate peg applies, adjusted to reflect any change in the superannuation guarantee rate.**

**b. Use the Reserve Bank of Australia's forecast change in the Wage Price Index from the most recent Statement on Monetary Policy (averaging the changes over the year to June and December for the year the rate peg applies), adjusted to reflect any change in the superannuation guarantee rate. 25**

*The Local Government (State) Award covers the significant majority of NSW council employees. CN considers the Award to be best measure of employee cost increases for the year the rate peg applies. However, it is noted that the Award may not be known in time to be included in a rate peg calculation.*

*City of Newcastle's (CN) preference is for the Wage Price Index to be used in an indicative rate peg with the final rate peg adjusted to align to the Award.*

**2. Are there any alternative sources of data on employee costs we should further explore?**

*CN is unaware of any more accurate sources than those proposed in Part 1a and 1b.*

**3. Do you support releasing indicative rate pegs for councils in September, and final rate pegs that are updated for councils' Emergency Services Levy contributions in May?**

*CN supports the release of an indicative rate peg in September each year. This would allow budgeting and IP&R requirements to continue to be addressed from October onwards. A final rate peg could then be released in May which would compensate each Council for their individual final and actual ESL costs. This would replace the current methodology which captures only the average annual change in all councils' ESL costs rather than those specific to each Council.*

*Importantly, adequate process would need to be implemented to ensure that the advertised ad-valorem rates, base amounts, rate income information included in Councils draft Operational Plans are communicated to ratepayers and appropriately highlighted as being subject to change pending the release of the final rate peg.*

**4. Do you have further information on arrangements between councils to share Emergency Services Levy (ESL) contribution bills including:**

**a. what these arrangements cover (including whether they cover matters other than ESL contributions),**

**b. whether they apply to Rural Fire Service, Fire and Rescue NSW and NSW State Emergency Service ESL contributions, or contributions for only some of those services?**

*CN has no arrangements in place with other Councils to share Emergency Services Levy contribution invoices.*

**5. Would councils be able to provide us with timely information on the actual ESL contribution amounts they pay including contribution amounts paid to the:**

**a. Rural Fire Service**

**b. Fire and Rescue NSW**

**c. NSW State Emergency Service?**

**For example, by providing us with a copy of any cost sharing agreement that sets out the proportion that each council pays.**

*CN's actual ESL contribution will be the amount as invoiced by Revenue NSW. It is assumed IPART will have access to Revenue NSW records to capture our actual costs. CN is not part of a rural fire district and accordingly no cost sharing arrangements are in place.*

**6. Would you support IPART establishing a process to develop adjustment factors for groups of councils to increase the rate peg to cover specific external costs?**

*CN supports the establishment of adjustment factors. The current rate peg methodology takes a rearward view of council services and does not allow for the external and community changes such as cyber security, the effects of climate change including coastal erosion, or the role councils play driving net zero targets.*

*IPART will need to take a multi group approach to each council to account for differing external factors. Some adjustment factors could easily be applied to all NSW councils however CN is cognisant that other factors such as coastal erosion will only apply to certain councils.*

**7. Would you support measuring only residential supplementary valuations for the population factor?**

City of Newcastle reiterates our past submission to IPART dated 3 August 2021 "REVIEW OF THE RATE PEG TO INCLUDE POPULATION GROWTH" as below.

*"A critical consideration is that given the population factor is based entirely on population growth - any discount factor for supplementary valuation income (if applied) will need to be calculated only on the supplementary levy income that is relevant to population growth i.e. residential rate income. Increases to supplementary valuation income caused by subdivision of business land or changes to rating categories should be excluded from the calculation of the supplementary valuations factor. Methodology must be implemented to ensure these exclusions occur and that only population growth(residential) income is included in the Supplementary Valuations percentage."*

*Supplementary valuations relating to business land are not related to population growth and should have no bearing on the calculation of the population factor. If the population factor is designed to maintain per capita general income the existence of supplementary valuation income for business land is irrelevant. To illustrate the significance of this oversight, City of Newcastle has been denied raising rate income of approximately \$525,000 over the past two years since the population factor's introduction. This deficit is now forever embedded in our rating base. Accordingly, a retrospective financial adjustment for those affected Councils should be made available.*

**8. If you supported using residential supplementary valuations, what data sources would you suggest using?**

*The data source recommended is Councils' Annual Permissible Income Working Papers as issued by The Office of Local Government. Schedules 1 and 2 within these papers contain the required information to enable the capture of residential supplementary valuations data. The Annual Financial Statements could be amended to accommodate the supply of this information from Councils. Additionally, from a transparency perspective this will allow stakeholders easy access to this information.*

**9. What implementation option would you prefer for the changes to the rate peg methodology?**

*CN Supports the staged transition to BCC methodology. NSW councils have experienced significant cost increases throughout the past 12 months and its critical to our financial sustainability that 2024/25 reflects them.*

*CN also supports the development of separate ESL factors and introduction of them to the 2024/25 rate peg. The ESL is increasing steeply, the rate peg needs to adequately reflect increasing costs and include them in the peg relating to that financial year.*

*CN does not support the implementation of all changes in the 2024/25 rate peg.*