Author name: Name suppressed

Date of submission: Wednesday, 28 June 2023

Your submission for this review:
Councils preferred stance in relation to the rate peg is that rate-pegging should be discontinued, in line with submissions made in relation to the Review of the Local Government Rating System and the previous review of the rate peg methodology. There should be a governance framework that permits a certain range of increase from year to year, without the need for a Special Rate Variation. It is Councils view that the determination of the appropriate annual rates increase should be made by each council with the objective of ensuring that the communitys expectations are met in a financially sustainable manner, over the long term. Increases would be in line with the required amount as identified in Councils Integrated Planning and Reporting (IP&R) documentation, developed through community consultation. Setting rates within a range over the four-year Delivery Program timeframe would enable councils to smooth the impact of rate increases and reduce volatility, which reduces the cumulative impact to ratepayers over the long term and enable improvements to services, as demanded by the community. Council supports the recommendation to review the financial model for councils and that the factors outlined above that should be the driving factors of the new model. Council is pleased to note the adjustments proposed that move away from the application of a State-wide rate peg, based on the average costs of predetermined set of council costs. Council also supports the proposed adjustments to enable councils to respond to external forces (e.g., pandemics, sharp economic changes, natural disasters, and changes in legislation). Council is highly supportive of the proposal to adjust for the specific cost of ESL for each council, which ensures that community services and infrastructure projects are not sacrificed to fund increases that are historically significantly higher than rate-peg increases. Refer to attached document for answers to questions raised in Report.

Attachment One - Submission to IPART – Review of Rate Peg Methodology

Council's preferred stance in relation to the rate peg is that rate-pegging should be discontinued, in line with submissions made in relation to the Review of the Local Government Rating System and the previous review of the rate peg methodology. There should be a governance framework that permits a certain range of increase from year to year, without the need for a Special Rate Variation.

It is Council's view that the determination of the appropriate annual rates increase should be made by each council with the objective of ensuring that the community's expectations are met in a financially sustainable manner, over the long term. Increases would be in line with the required amount as identified in Council's Integrated Planning and Reporting (IP&R) documentation, developed through community consultation.

Setting rates within a range over the four-year Delivery Program timeframe would enable councils to smooth the impact of rate increases and reduce volatility, which reduces the cumulative impact to ratepayers over the long term and enable improvements to services, as demanded by the community.

Council supports the recommendation to review the financial model for councils and that the factors outlined above that should be the driving factors of the new model.

Council is pleased to note the adjustments proposed that move away from the application of a State-wide rate peg, based on the average costs of predetermined set of council costs. Council also supports the proposed adjustments to enable councils to respond to external forces (e.g., pandemics, sharp economic changes, natural disasters, and changes in legislation).

Council is highly supportive of the proposal to adjust for the specific cost of ESL for each council, which ensures that community services and infrastructure projects are not sacrificed to fund increases that are historically significantly higher than rate-peg increases.

The responses to the specific questions posed within the Draft Report are provided in the following section.

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 changes in the superannuation guarantee rate.
    b. Use the Reserve Bank of Australia's forecast change in the Wages 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 changes in the superannuation guarantee rate.

Comment: *The preferred option is to use the annual wage increase prescribed by the Local Government (State) Award as the basis.*

There are two main risks of this option, one being that all councils are required to have a progressive salary system, so increases in employee costs are greater than the Award. An adjustment (in the order of 0.25%-0.5% would mitigate this risk. The other risk is that the Award is renegotiated every three years, so an estimate methodology would need to be developed, as the Award increase in generally only released in late June (for example, the 2023/2024 increase is yet to be ratified at time of writing – 22 June 2023). This could be mitigated by adjusting for the proposed award increase when adjusting for the ESL in May.

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

Comment: *No comment, as the proposal above is the optimal solution.*

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

Comment: *Council supports the early indicative release, as it is vital to the annual development of the Integrated Planning & Reporting documents required to be exhibited prior to May. As the ESL contributions typically increase above historic rate peg limits, the final announcement in May should not have a negative impact upon the following year budget, or services and projects to be delivered to the community.*

4. Do you have further information on arrangements between councils to share ESL contribution bills including:
   a. What these arrangements cover (including whether they cover matters other than ESL contributions), and
   b. Whether they apply to Rural Fire Service, Fire and Rescue NSW and NSW State Emergency Service contributions, or contributions for only some of those services?

Comment: *Council does not have a cost sharing arrangement in relation to ESL contribution bills, but does voluntarily fund a range of RFS activities and operational costs including training, an Annual Competition Day, printing & stationery, catering, radio maintenance, tag & testing, cleaning, some plant running costs and the purchase of white fleet used by stations and Group Captains .Council also funds the overheads relating to the oversight of RFS, depreciation relating to assets under the care and control of RFS, insurance, rates and annual charges relating to stations.*

The voluntary and ancillary costs associated with the RFS are determined as part of the annual budget process, which is publicly exhibited commencing in April each year.

5. Would councils be able to provide us with timely information on the actual ESL contribution amounts that 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.

Comment: *The answer is provided as part of the response to Question Four.*

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?

Comment: *Council believes this is critical, as a one-size fits all approach will not work. External factors will differ from council to council, for example, the cost of the COVID-19 Pandemic on some councils was significant, but this was not the experience of some councils depending upon their reliance on income generated from the hire of assts, commercial inspections, and rental properties.*

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

Comment: *Council would not support this premise, as population can be driven by non-residential development, in that the level of home occupancy can increase significantly if development occurs that increases local employment or increases accessibility to services. Council provides programs, services, and infrastructure to all constituents, not just residents. Council believes that all supplementary valuations should be used within the population factor.*

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

Comment: *As Council does not support this, the question is not applicable.*

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

Comment: *Council believes that the most practical approach for transition would be the staged approach, with the ESL adjustments included in 2024/2025 rate peg and the remainder of the adjustments to the rate peg formula to be completed prior to the release of the 2025/2026 rate peg. This will prevent a delay in the release of the indicative rate peg for the development of the 2024/2025 Integrated Planning & Reporting Framework, but not leave councils with the lagging Local Government Cost Index for an unacceptable time. A significant body of work will be required to develop the Base Cost Change and the adjustments relating to external costs and sufficient time and resources from both IPART and councils need to be dedicated to this.*