

4 July 2023

Independent Pricing and Regulatory Tribunal  
PO BOX K35  
Haymarket Post Shop  
SYDNEY NSW 1240

Dear Tribunal

**Re: Submission: Review of the rate peg methodology – Issue Paper June 2023**

Inverell Shire Council welcomes the opportunity to provide a response to the ‘Review of the rate peg methodology’ Issues Paper. Please find below our responses to each of the questions IPART has posed.

Thank you for the opportunity to comment on the draft report, if you have any questions in regards to our submission please do not hesitate to contact myself on [REDACTED]

Yours faithfully

[REDACTED]

[REDACTED]

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**RESPONSE TO QUESTIONS PRESENTED IN THE IPART JUNE 2023**  
**DRAFT REPORT**

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.**

Overall, Council agrees with the implementation of the Base Cost Change (BCC) methodology as outlined in the report.

Measuring changes in employee costs should be the Local Government (State) Award 2023 (LGSA) as outlined in option (a) above. This measure aligns directly with the cost impacts faced by councils and as councils primary function is to provide services to their community's wages represent a significant individual cost. We support the IPART's preferred option to use of the Wage Price Index (WPI) in the absence of the LGSA.

The new Local Government (State) Award 2023 was recently approved by the Industrial Commission. This award includes the normal annual percentage increases plus a new lump sum payment in July 2024 and July 2025. IPART's rate peg methodology needs to include these lump sum payments in the appropriate year. Council's lump sum payment in July 2024 is estimated to be \$180-200K plus superannuation, this equates to a rate peg variation of approximately 1.2%

Given that the lump sum payments will differ between councils, this additional cost burden may be better dealt with under the specific external cost adjustments.

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

Not to our knowledge.

**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?**

Yes. Council would support the release of an indicative rate peg anytime before December each year. This will assist Council with budget preparations. However, Council would like to raise the timing of the final peg in May and how this will impact the exhibition of Councils Operational Plan & Budget and the Long Term Financial Plan.

Our concern relates to the timing of the final peg and what represents a significant change to the estimated rates yield exhibited by councils as part of its Operational Plan. If the amount of the indicative peg released in September increases significantly in the final peg released in May the estimated yield and advertised rates will need to be amended.

Council would like the final peg released by late March each year.

If the State Government is unable to set the Emergency Service Levy in a timelier manner, like early January or February, then IPART may be forced to continue with the one year lag on emergency service adjustments.

**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), and**
- 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?**

Council does not have an arrangement regarding sharing the costs of emergency services. Should this situation change in future years Council would be willing to provide IPART with the completed funding arrangements.

**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.**



The specific contribution amount for each component (listed above) is provided on the invoice issued by Revenue NSW during April each year. Council can supply this invoice to IPART immediately after receipt. However, Council would expect that IPART would be able to access this information directly from Revenue NSW.

Given that Emergency Service Levy increases have not been included in the rate peg since 2019-2020 as result of government subsidies, I would expect that Councils 2018-2019 contributions would be used in step 1 of the calculation to determine the ESL factor. That is, Subtract Councils 2018-2019 ESL contribution from its NGI at 2023-2024. Increase this amount by the rate peg before the ESL factor, then add Councils 2024-2025 contribution. This will enable Councils to recover the ESL contributions not already factored in the NGI due to government subsidies.

The above calculation may result in an excessive rate peg for 2024-2025. However, each individual Council has the option not to increase rates by the full rate peg. Council also has the option of implementing a lower rate peg in any given year and using the catch-up processes over a 10 year period to reduce the impact on ratepayers.

**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?**

Yes, Council would support IPART establishing a process to develop adjustments factors for specific external costs. Council believes that adjustments factors for specific external costs should be undertaken at a Council level similar to the ESL process because some Councils will be more adversely affected than others for different external costs.

Council suggests the peg include a component for councils to address resilience and climate change. This is a known need across every council. However, Council appreciates that the type of work to be costed may differ between councils.

A resilience factor should incorporate pro-active work and maintenance, as well as immediate costs to deal with catastrophic events such as bushfires and floods. Our communities expect their local government to be undertaking this work, but councils are not adequately resourced or financed to achieve what is required of them.

We need to ensure that any developed process to factor in external costs factors does not promote further State Government cost shifting which results in ratepayers paying additional rates to fund State Government responsibilities.

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

No comment.

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

No comment.

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

Councils preference is that the recommended changes commence in full for the 2024-25 rate peg and include a true-up adjustment for the differences between the LGCI and the BCC to ensure that no council is worse off under the new methodology.

Council supports the need for regular reviews and would recommend IPART considering their first review after three years then move to every five years. The review should be transparent and include key stakeholder consultation. We also support the IPART's recognition of any 'material changes in the sector or the economy' that would prompt a review earlier than 5 years.