

23 May 2024

Council reference group: the rate peg methodology
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

Dear Tribunal members

Submission - Council reference group: the rate peg methodology

Thank you for the opportunity to make this submission on behalf of the NSW Revenue Professionals Inc. (NSWRP).

The NSWRP is the peak body of NSW Local Government revenue employees and was formed in order to:

- unite in a common organisation, those Local Government employees who are engaged in rating and revenue functions
- improve and elevate the technical and general knowledge of Local Government employees who are engaged in rating and revenue functions
- distribute amongst its members, and the regional NSWRP groups, information on all matters affecting or pertaining to the profession of rating and revenue management within Local Government by way of meetings, newsletters, conferences, or any other method available to the Committee
- promote a professional image of Rating and Revenue practitioners in Local Government New South Wales
- promote quality services to Local Government in New South Wales through the dissemination of best practice
- encourage members to keep up to date with finance related activities and legislative changes through continuing professional development
- identify the skills and knowledge needed by employees and facilitate training and education
- make the expertise of members available to professional bodies and government departments as required.

It is pleasing to see the Independent Pricing and Regulatory Tribunal (IPART) recognising the complex process for all NSW councils in calculating land rates across the 128 local government areas. The size and diversity of local councils is a major contributor to sustainability and operating income, as an example the largest council in area is Central Darling, which covers 53,494km² and the smallest is Hunters Hill which covers 6km². The size of the community varies vastly too, Brewarrina Shire's population of around 1,553 compared to Blacktown City with around 400,000. The ability to service communities also vary

greatly with operating income of between \$17million in Lockhart Shire compared to the City of Sydney at \$676million. Differences in scale, size, demographics, and geography mean that any future reforms to the rate peg should continue to acknowledge these challenges.

We fully support this opportunity to take part in reviewing the methodology every 5 years, with the option of more frequent reviews should any material changes in the sector or economy arise.

The NSWRP has a strong history of collaboration with key stakeholders that includes the Office of Local Government and Local Government NSW (LGNSW), we are looking forward to the opportunity to participate in this reference group as proposed by the IPART.

Submission

In August 2022 the then Minister for Local Government, the Honourable Wendy Tuckerman MP provided terms of reference for the review of rate peg methodology, those terms are outlined below;

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 stabilising 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;
6. Whether the population growth factor is achieving its intended purpose.

In undertaking the review, the government requested that IPART have regard to;

- 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.
- The differing needs and circumstances of councils and communities in metropolitan, regional and rural areas of the State.
- Ensuring the rate peg is simple to understand and administer.

We have noted in the IPART's final report a decision '*to establish a council implementation reference group to advise us on the implementation of our new rate peg methodology. The purpose of the reference group would be to identify any practical issues or unintended consequences that might arise from implementation.*'.

Based on the terms of reference and the IPART response we recommend consideration to the following items to identify any practical issues or unintended consequences after implementation.

- Reflective of inflation and the costs in providing local government goods and services,
- Capturing movements in council costs due to inflationary movements,

- Capturing movements in external costs outside of council control, such as cost shifting,
- Effectiveness of the base costs for the three groups (metropolitan, regional, and rural),
- Effectiveness of the forward-looking indicators to measure, the Base Cost Change (BCC), (components employee costs, asset costs and other operating costs).
- Effectiveness of the population factor and its impact on the community.

The decision in the final report for a 5-year review cycle is fully supported, acknowledging that any material changes in the sector or economy, including any unintended consequences may prompt an earlier review.

We have noted that the Council Reference Group will '*comprise representatives from IPART's Secretariat, the Office of Local Government (OLG), Local Government NSW (LGNSW) and up to 8 local government representatives*'. Given the diversity of the sector we suggest the 8 local government representatives align with the OLG classifications. Consideration could be given to the following representation:

- Large rural x 1
- Metropolitan x 2
- Metropolitan fringe x 2
- Regional town/city x 2
- Rural x 1

Thank you for the opportunity to comment on the draft terms of reference, if you have any questions in regard to our submission please do not hesitate to be in touch.

Yours faithfully



Andrew Butcher
President NSW Revenue Professionals