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Your ref: 23/266



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Deborah Cope
Acting Chair
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Dear Ms Cope

I refer to the call for submissions on the draft proposals to review the rate pegging methodology (understanding that the closing date has passed) and also to your response to the Mayor of Narrandera Shire Council Cr Neville Kschenka dated 30 June 2023 and referenced 23/266.

Thank you for your response on the ESL. Unfortunately, it does not fill me with any confidence that we can expect a realistic outcome.

I must say that am disappointed by what has been proposed in the rate pegging methodology review. A very important opportunity is being missed. Many submissions to the original call for input including my own argued the case for a new approach based on intelligent predictability but instead of listening to that we remain stuck in the mud of an historical cost model. It was this historical cost approach that caused the incredible damage to IPART with the 0.7% fiasco of 2022 and in fact, led to this review. The changes in the ESL this year have again emphasised the weakness in the current approach.

Further and worse the recommendation that an indicative rate peg be made available in September of the year prior must surely cement the accuracy of any calculations well and truly in the past. The change in economics between September 2021 and May 2022 was profound and I see no reason why this cannot happen again. State Government charges including the ESL are not published until well into the financial year. By contrast the Auditor General requires Councils to use the March quarter CPI when determining indexes for asset valuations which in turn affect depreciation levels and the Operational result.

We cannot keep doing the same thing and expect a different outcome

At a recent Country Mayors meeting in Sydney, the Chair of IPART indicated that long term financial sustainability of Councils was not the responsibility of IPART and could not be addressed in the review. I firmly believe that IPART is part of the equation and has a combined responsibility, together with OLG, the Government via the Minister, the Auditor General and of course Councils.

As outlined in the draft IPART is aware of significant variation in the average residential rates for different types of councils across the State. This suggests that some councils may be struggling to fund the costs of ongoing activities as a result of an insufficient base level of rates income. The report states "This cannot be addressed through the rate peg" – why not. In my original submission to IPART I argued for a simple mechanism that would allow Councils who are clearly in that position (as confirmed by their audited financials) to include some catch-up in their rates. If you want to call it a sustainability index or allowance. An index or allowance was introduced for population growth, so the thinking is not entirely foreign. Narrandera Shire Council is a typical example – has never applied for an SV, has long term and growing sustainability issues and is by any measure low rating. IPART is aware of these differences but has chosen to not address them.

The report identifies the role of the audit office in governing Local Governments so why not rely on its work and establish a system or process that will allow councils who are in that position to make changes to their rates without having to go through the SV process. This might avoid the damage to the industry that is currently being done by 40, 50 and 60% increases in rates.

By its terminology the report assumes that Councils are not currently engaging effectively with their communities. It was disappointing to read all through the report expressions like..." Councils should" ..." Councils need to" ..." Councils must" ...

We have been doing IP&R in this industry since 2011, it's about time the effective and important work Councils are doing with and in their communities was recognised. Councils are not just service providers they are the local government of their area.

Factoring in the actual wage and superannuation costs is a welcome improvement given the ridiculous approach currently adopted however relying on the Reserve Bank monetary policy statements is fraught with danger when one recalls the predictions and reality around interest rates published by them over the past 2 years.

I look forward to attending the further round of consultations on the rate peg review.

I can be contacted on E [REDACTED] or [REDACTED] should you wish to discuss my thoughts.

Yours faithfully



Mr George Cowan
General Manager

Enc: Nil