

3 July 2023

Independent Pricing and  
Regulatory Tribunal NSW

**By online submission**

Dear Chairman

Council is pleased to have an opportunity to provide feedback regarding the IPART's review of the rate peg methodology. Council wrote to The Hon Dominic Perrottet following the release of the 2022/23 rate peg of 0.7%, the lowest rate peg for local government in 20 years. We requested the NSW Government undertake a thorough review of IPART's methodology for calculating the rate peg, and Council is pleased with the action taken in this regard.

Council is happy with the majority of draft decisions put forward in the report and believes these changes if implemented will have a positive impact on the rating methodology and bring it closer to realising the actual costs Councils face when determining the rate peg. Council believes the report is well balanced and including feedback from both Councils and ratepayers gives the panel a much better view on all elements of the rate peg methodology.

Council does not support the decision to retain the productivity factor in the rate peg methodology, we see this as counterproductive when Councils should be encouraged to find productivity improvements across its operations. To include such a factor that penalises the percentage of income Councils can raise from rates if they do business better seems ineffectual. If this element is to be included, Council believes there should be a thorough consultation process prior to the productivity factor being applied.

Regarding the recommendation for the NSW Government to consider commissioning and independent review of the financial model for Councils in NSW, Council does agree there are opportunities to strengthen council incentives to improve their performance, and Council supports this, however we do believe that keeping the productivity factor in the rate peg methodology contrasts with this. Council does not believe that commissioning another review into local government is worthwhile considering very few recommendations from the last review performed by the Independent Local Government Review Panel were endorsed. Reviewing the financial model seems pointless when the larger financial sustainability issues have not been addressed.



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Richmond Valley Council now provides the following feedback in relation areas the Tribunal is seeking feedback on.

1. *What are your views on using either the Local Government State Award or RBA's forecast change in price index to measure changes in employee costs in your Base Cost Change Model.*

Council believes it would be a positive step to move to the recommended Base Cost Change Model especially if it is introduced as recommended across three separate models for metropolitan, regional, and rural councils. This model would better reflect the recruitment cost challenges individual councils face. Using the *Local Government State Award* increases would in our opinion be the best way to measure the change in employee costs as this is the actual increase fixed to councils' salary budgets each year.

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

Two elements on employee cost increases the *Local Government State Award* does not cover is a progression increase for staff that have been awarded a step increase and also the market allowance cost paid for retention or attraction of staff. In some geographical areas where it is more difficult to attract suitably qualified staff, we are seeing the need to pay market allowances to either retain existing staff or attract new staff in this ever-increasing competitive labour market. An additional factor could be to consider this extra expense that particularly impacts on regional and rural councils.

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, we support this recommendation, having an indicative rate peg would assist with the preparation of budgets provided it is somewhat close the actual budget. As seen in the last three years, the rate peg year to year can differ greatly, 2% to 0.7% to 3.7%, it is near impossible under the current methodology to predict. Having an indicative rate in September would help greatly for those that start their budget preparation early. The ESL contributions should not be included under the rate peg and should be able to be listed as a separate item on the annual rates notice.



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4. Do you have further information on arrangements between councils to share Emergency Services Levy (ESL) contribution bills including what these arrangements cost and whether they apply to Rural Fire Service (RFS), Fire and Rescue NSW and NSW State Emergency Services (SES) as a whole or contributions for only some of these services?

Under Richmond Valley Council's current arrangement, our emergency services levies are broken into a separate amount for the three organisations listed by the *IPART*. Richmond Valley Council pays the whole amount for all three organisations, but then on charges Lismore City Council and Kyogle Council for Rural Fire Service contributions as we manage the administration of this for all three Councils. Richmond Valley Council pays 34.62%, Lismore City Council pays 34.23% and Kyogle Council pays 31.15%. Both Lismore City Council and Kyogle Council are billed directly for their Fire and Rescue NSW and SES contributions.

5. Would Councils be able to provide us with timely information on actual ESL contribution amounts?

Yes, Council receives our annual notice in April each year, a copy of this notice and calculation of split between councils could be shared with *IPART* if requested. Council would support the increase cost of the *ESL* being taken into consideration when the rate peg is being determined, until now there has only been partial relief for the *ESL* through grants received. This year however, councils have had to absorb the *ESL* in its entirety, which has had a direct impact on services we provide to our community. Including the *ESL* in rate peg calculation will allow councils to recover some of the *ESL* contributions so service levels will not be as impacted. This unfortunately would then push the cost onto individual rate payers. It is Richmond Valley Council's preference that the *NSW State Government* funds the Emergency Services levy in its entirety or at least allows it to be itemised on the rates notice outside of the rate peg restrictions.

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, if it is a cost that is appropriate that the ratepayer should fund as in a community asset available for all the community. If this kind of expense is not funded through rates another essential service would be impacted. Option two in the draft report where a Council could lodge a cost claim for these kinds of expenses may work in this scenario.



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

Although this would not directly impact Richmond Valley Council, it is a reasonable adjustment to make.

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

The estimated residential population publicised by the Australian Bureau of Statistics.

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

Council would support a phased approach over two years as provided in the Tribunal's preferred approach.

Richmond Valley Council welcomes any future scenarios that include not burdening councils with the cost of the Emergency Service Levies and making the rate peg a fair and equitable approach across the state.

Yours sincerely



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