

Submission on behalf of Shoalhaven City Council

Thank you for the opportunity to make further submissions in relation to the IPART review of the rate peg methodology.

Shoalhaven City Council is supportive of the proposed changes to the methodology. We are further supportive of IPART's recommendation that the NSW Government consider commissioning an independent review of the financial model for councils in NSW including the broader issues raised in the report. The ongoing financial sustainability challenges within Local Government extend beyond the proposed rating reform and require immediate consideration.

Shoalhaven City Council supports the proposal for more regular review of the rating structure and would request that an initial review is completed 3 years after implementation to determine it is operating as intended. This review should include key stakeholder consultation, much like the current review has.

Our response to your 9 draft recommendations are as follows:

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, we agree with the implementation of the Base Cost Change (BCC) methodology as outlined in the report. We agree that the measurement of changes in employee costs should be tied to the Local Government (State) Award as this is the data source most closely aligned with what Councils are actually required to pay.

Consideration should still be given to market allowances/retention allowances, noting that there are many examples of staff being paid above award in order to attract, and retain, experienced staff. There could be an adjustment factor add onto the award % increase to account for this.

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

No

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 the release of a draft rate peg to allow for early preparation of budgets.

We would recommend linking to the Integrated Planning and Reporting (IP&R) cycle. The release of the final rate peg should be earlier than May to allow for inclusion in draft budgets (exhibited in April/May).

Further, there should be consideration of whether the recovery of the ESL is done via a charge on rates notices, as opposed to being included in the rate peg. If it's recovered through a charge, it can be addressed in Council's Fees & Charges documents as a single levy, as opposed to changing the base rate/ad valorem for all rating categories. This would require less administrative work.

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?*

No information to share on cost sharing – not applicable to Shoalhaven City Council

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.

No information to share on cost sharing – not applicable to Shoalhaven City Council

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, we support the inclusion of an adjustment factor. Areas for consideration include - election costs, legislation & regulatory changes, cyber security requirements, natural disasters.

Any adjustment for natural disasters needs to consider the immediate remediation costs, as well as ongoing costs of maintenance.

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

Residential and business supplementary valuations should still be considered.

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

Not applicable – do not support the use of residential supplementary valuations only.

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

We would support the LGCI for one more year to capture the increase in inflation. Then transition to the new model which should ensure the catch up.