



26 June 2023

Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP, NSW, 1240

SUBMISSION TO THE RATE PEG METHODOLOGY REVIEW

Dear Ms Donnelly,

Thank you for the opportunity to make a submission to the Draft Report on the Review of the Rate Peg Methodology. Please find below the submission made by Sutherland Shire Council:

- 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.***

Council is supportive of IPART using the annual wage increase prescribed by the Local Government (State) Award for the year the rate peg applies, including the adjustment to reflect any changes in the superannuation guarantee rate. The Award wage increase is directly correlated with Council's base costs, and it is Council's opinion that this is the most appropriate measure to use in relation to employee costs.

The risk associated with using the Award increase is mitigated by the fact that the Award is a three (3) year instrument. In the final year where the new Award is being negotiated, the wage increase is normally known prior to the end of the current instrument and an adjustment can possibly be made in the May rate peg update to accommodate this.

The use of the RBA's forecast change in the Wage Price Index in the place of the Award increase, is not supported.

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

The use of the Award wage increase and the increase in superannuation guarantee are appropriate direct sources to be used and their use would not require alternate sources of data to be used.

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?

Council is supportive of this recommendation. The release of an early rate peg will enable all councils to commence their financial planning for the associated financial year with a higher level of certainty.

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?**

Sutherland Shire Council does not share ESL contribution bills with any other 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?**

Yes. Council will be able to provide IPART with the actual ESL contribution amount immediately after it is received by 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?

Council would support the establishment of a process to develop factors for groups of councils. As a coastal council, Sutherland Shire Council faces external costs that other non-coastal councils do not. The ability to adjust the rate peg to factor in these external costs is supported.

The introduction of a factor which addresses external costs such as the implementation of mandatory cyber security measures is also supported.

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

Council is supportive of only measuring residential supplementary valuations for the population factor. Council is of the opinion that the use of business supplementary valuations would not be overly relevant to population growth.

Noting that Sutherland Shire Council does not have farmland or mining rating categories.

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

Any use of residential supplementary valuation data would need to be sourced from the appropriate sources such as the Valuer-General.

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

Council is supportive of IPART's preferred method to implement changes, being the implementation of some changes but maintain the LGCI for the 2024-25 rate peg.

However, Council is reluctant to see an implementation occurring over an elongated period of time. Council is also supportive of the ongoing regular review of the rate peg methodology.

Thank you again for the opportunity to provide a submission to the review.

Yours sincerely,

A solid black rectangular box redacting the signature of the council member.