

5 August 2021

Review of Rate Peg  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop  
SYDNEY NSW 1240  
Via IPART Submission Form

Dear Chair

### **Review of Rate Peg to include Population Growth**

Thank you for the opportunity to respond to the draft report issued by IPART in June 2021. IPART has asked for written feedback on the following three questions:

**1. Should our methodology be re-based after the census every five years to reflect actual growth?**

Yes, only to adjust population peg upwards for the respective LGA

**2. In the absence of a true-up, should we impose a materiality threshold to trigger whether an adjustment is needed on a case-by-case basis to reflect actual growth?**

There should be no reduction to previous year/s population peg, should the census true-up be less than the ERP previous forecast

**3. Do you have any other comments on our draft methodology or other aspects of this draft report?**

Please see below

**1. Our draft methodology allows councils' rates revenue to rise with population growth**

We support the preliminary findings outlined in the IPART draft report June 2021 and encourage the use of published financial data, sourced from LGA annual statements or returns to agencies.

**2. Councils currently are not adequately compensated for population growth**

The revenue generated by supplementary valuations should not be discounted from the population indexed rate peg.

We encourage a hybrid rate or valuation in the methodology, to capture increased population density on redeveloped residential sites by:

- not discounting supplementary valuations, and
- increasing the notional rate yield by the service cost per capita, or
- a sub-category for multi occupancies allowing greater than 50% base charge

We support a recommendation to Government to expand rate categories, or subcategories, to capture development associated with energy installations (solar, wind, CSG, WTE, hydro); and residential villages or community association developments, with revenues generated by those new categories in addition to the notional rate yield.

We support a recommendation to Government to expand the terms of the special infrastructure levy to enable councils to co-fund or service debt for capital projects supported by government grants and/or developer contributions.

We recommend the decoupling of the review of rate peg and developer contributions; and in so doing, assist the guidance of councils to assign s7.11 contributions to new or upgraded infrastructure; and s7.12 to the renewal of existing infrastructure, or servicing of debt for that purpose.

Councils impacted by sustained population and infrastructure growth should be eligible for a one-off population rate peg 'catch-up' since the last census without the need for an application for Special Rate Variation.

We request a clarification on the source of council expenditure data and the inclusion of operational, depreciation and/or capital elements, and a reassessment of council expenditure inclusive of depreciation to ascertain whether the 0.85% expenditure/population coefficient is consistent across LGA cohorts (metro, coastal, regional city, regional, rural, merged).

We recommend the utilisation of special schedules 1 and 7 as a source of local council service and infrastructure expenditure (and required expenditure) to illustrate expenditure growth compared to population and asset growth.

In line with the notion 'one size does not fit all', it is requested IPART tabulate and map the population and expenditure growth by LGA cohort (metro, coastal, regional city, regional, rural, merged).

### **3. We propose to maintain Councils' general income on a per capita basis**

We recommend that the annual change in depreciation expense because of gifted, granted, new or upgraded infrastructure (to support population and development), should be included as a factor in the methodology to accommodate population growth.

To accommodate the impact of infrastructure expenditure and backlog, we recommend the annual change in depreciation expense, as a proportion of the annual general rate income, be considered as an additional element to the rate peg.

We support a recommendation to Government for a new rating model that differentiates rates calculated on land value and base charges, to service and infrastructure expenditures.

We welcome the opportunity to discuss our submission further.

Yours sincerely



Stewart Todd  
President