



SUBMISSION

**IPART REVIEW OF
THE RATE PEG TO INCLUDE
POPULATION GROWTH**

IPART seeks comment:

1. What council costs increase as a result of population growth? How much do these costs increase with additional population growth?

A broad range of costs increase as a result of population growth. Some of these can be met or accounted for by existing mechanisms to raise revenue ie the cost to provide the water, sewer and waste services are charged when new residential allotments are created however the community provided services are not fully recoverable through the current rating system. Population growth places more requirement to provide and maintain items such as;

- community open spaces (parks and reserves)
- street sweeping services
- provision and costs of street lighting
- compliance and ranger services
- library services
- sporting fields
- ongoing road maintenance, kerb & guttering, drainage infrastructure and
- provision and maintenance of sporting, recreational and cultural facilities such as sports stadiums, playgrounds and theatres.

Costs increase broadly in line with the higher activity levels required to cater for an increase in population which is not aligned with rate pegging increases and is assessed to be in the order of 3 to 5% per annum for [REDACTED] [REDACTED]. Many of the above cost items require additional staff to undertake the work and with Wages & Salaries being one of the largest cost sectors for local government, if there is no population growth factor then the costs are far outweighing any additional rate revenue received under the current rating model.

2. How do council costs change with different types of population growth?

This largely depends on where the growth occurs and if additional amenities or services need to be provided to meet that growth ie provision of more open space or storm water detention systems, roads, street lighting and so on. By and large, council costs will rise exponentially with the additional residential allotments created.

In rural and regional areas, distance between towns and villages can also vary markedly and the dynamics relating to costs ie maintaining roads etc can be quite different between LGA's.

3. What costs of population growth are not currently funded through the rate peg or developer contributions? How are they currently recovered?

We don't believe the rate pegging system currently used recognises the increasing costs of wages and salaries. Wages are subject to payment under the Local Government Award, which stipulates the mandatory % rise in wages year on year. These award increases can be in excess of rate pegging rises and in our particular case, the overall wages and salaries in total is higher than the rate revenue generated therefore if the award is higher, then those costs are simply outstripping the rise in rate revenue available to Council.

In the above case, not all of the cost can be recovered and the only outcome possible is to further reduce the level of service to maintain financial parity.

4. Do you have any views on the use of the supplementary valuation process to increase income for growth, and whether this needs to be accounted for when incorporating population growth in the rate peg?

██████████ believes it would be correct to incorporate supplementary valuations when allowing for population growth when assessing the rate peg calculations as it is another measure of growth for the LGA.

5. Are there sources of population data we should consider, other than the ABS historical growth and DPIE projected growth data?

Yes, in our view the ABS data is historical and has a time lag of approx. 2 years and therefore is possibly not the best source of data for forecasting but may be still used as one form of indicator to validate the projected growth. The DPIE figures are not soundly based projections, as historically, they do not accurately reflect the growth in regional areas. DPIE measurements of growth are skewed towards metropolitan areas as they assume a certain % increase in population state wide and then assign a growth factor to different regions or areas to meet that overall target, this is not a soundly based way to forecast population growth by LGA.

██████████ utilises i.d – the population experts to provide demographic information and population forecasts and these have proved to be quite accurate estimates in relation to projected population growth numbers.

6. Is population data the best way to measure the population growth councils are experiencing, or are there better alternatives (number of rateable properties or development applications, or other)?

Population data is one primary measure of population growth for councils and this could be truthed or validated by measuring the number of rateable properties and development applications however care needs to be taken in measuring by DA's submitted as there are traditionally fewer but larger scale developments in regional areas therefore it is not the number but the size and scope of the DA that may indicate population growth.

In addition, population data does not accurately capture the transient level of population within regional areas in particular highly intense farming regions that have a high number of seasonal workers accessing and living within the regions throughout the year. ██████████ has a large number of seasonal or industry workers that travel back and forth across the year and the rating system should ideally cater for this dynamic as those temporary or visiting residents place further impacts on Councils costs.

7. Do you think the population growth factor should be set for each council, or for groups of councils with similar characteristics? How should these groups be defined?

The population growth factor should be set by each individual council area as these can differ markedly between even like sized Councils. Population growth can be quite different between neighbouring councils. It may be difficult to measure and group Councils based on perceived similarities as well. There are many dynamics to consider when trying to compare Councils eg size of LGA, housing density, demographics, terrain, farming types, irrigation availability, industries, seasonality of workers etc.

8. Should we set a minimum threshold for including population growth in the rate peg?

Not if this disadvantages rural and regional councils.

9. What is your view on the calculation of the growth factor – should we consider historical, projected, projected with true-up, a blended factor or another option?

As long as the projected growth factor is soundly based and can be truthed with a viable source then this would be a satisfactory way forward.

A blended factor incorporating historical growth and a soundly based growth projection factor would also be sound approach.

10. How should the population growth factor account for council costs?

██████████ believes that the growth factor should be applied at 100% to the rate peg calculation for rural and regional councils as they have different dynamics and capacity to implement the raising of revenue through supplementary valuations, special rate variations and developer contributions as these all favour higher density metropolitan councils who do not have the same funding pressures created by larger distances in their LGA's. Regional councils have more road length to maintain for example.

11. Do you have any other comments on how population growth could be accounted for?

None to note.

12. Do you have any comments on our proposed review process and timeline?

██████████ commends the NSW State Government on initiating this review and recognising the shortcomings in the current rate pegging system that fails to recognise the funding pressures experienced by Councils and particularly those that are experiencing population growth.

The time line outlined seems appropriate and hopefully may allow a change to the calculation methodology of rate pegging from the 2021/22 year.