Review of the Rate Peg to Include Population Growth – Draft Report June 2021

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

It is difficult to provide a comment on this question due to the lack of detail provided around how the draft methodology will be re-based after each census. In principal, The Hills Shire Council supports the view that actual growth should be reflected provided the rebasing does not result in claw back of prior year revenues arising from the draft methodology.

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?

It is particularly important for Councils experiencing population growth to receive sufficient and proportionate increases in general income in order to meet cost increases associated with growth. The Hills Shire Council does not support the imposition of a materiality threshold to trigger an adjustment. Council would nominate a threshold of zero if one must be imposed. It is proposed that Councils be allowed true-up adjustments where actual population growth exceeds ABS forecast growth to ensure they received required income timely. Where actual growth is shown to be lower than ABS data however, it is proposed that such differences be waived on the basis that population growth factor had not been applied retrospectively to compensate for impact of increased costs arising from past population growth.

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

Whilst Council supports IPART's proposed formula of factoring population growth into the rates peg, Council disagrees strongly with the coupling of S7.11 contribution with the rates reforms. The intent of S7.11 contributions is to fund capital costs of delivering new infrastructure assets associated with growth while rates income is considered Council's funding source for ongoing maintenance and depreciation/renewal of such assets. Both income sources complement, rather than overlap with, each other and are both crucial to Council's financial sustainability. The current reforms coupled these two funding sources together proposing a reduction in S7.11 contributions in light of the increase in rates. Despite modelling for the Productivity Commissioner suggesting overall net benefits to Council, any reduction in S7.11 will impact Council's ability to sufficiently fund the ongoing maintenance and depreciation/renewal of new infrastructure assets. Council believes that S7.11 contributions should be decoupled from the rates reform.

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