



REVIEW OF THE RATE PEG TO INCLUDE POPULATION GROWTH

Issues Paper Release

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A review of the rate peg to include population growth



We will have regard to a number of matters detailed in the TORs

What

The Minister for Local Government has asked IPART to recommend a rate peg methodology that allows the general income of councils to be varied annually taking into account population growth.

Why

1. This is to support the NSW Government's commitment to allow councils to align their income with population growth.
2. As local communities grow, there is additional pressure to provide infrastructure and services to new residents. Councils need to fund the operation, maintenance and replacement of new infrastructure while continuing to provide services to existing and new residents.
3. An updated rate peg that includes population growth will ensure adequate infrastructure and services can be provided to residents of local government areas experiencing population growth, while councils without population growth will be no worse off.

We have identified 3 key issues to explore



The differences in population growth forecasts for councils across NSW



The impact of population growth on council costs



How to define population growth



Rateable properties



No. of people



Land sub-division

Current methods to increase general income above the rate peg



Special variation process



Special variation process allows councils to get approval to increase income from rates by more than the rate peg if set criteria are met.



Supplementary valuation process



Supplementary valuation process can be triggered through a change in land use or development where the existing rates are extinguished and new rates added.



Developer contributions



Councils can charge **developer contributions** on new development which occurs to cover the cost of providing essential infrastructure such as parks, roads and storm water drainage.

Limitations to increase council's general income

Current rate peg



- ▼ caps the general income councils can obtain through rates.
- ▼ it does not recognise the impacts of population growth.
- ▼ councils do not necessarily receive more income from rates when population increases
- ▼ takes into account increases in the price of *the basket of goods* used by councils—not the increases in the volume needed for growing populations.

Supplementary valuation



- ▼ most councils receiving less income per new resident from rates compared to existing residents.
- ▼ councils are unable to add additional rates from development that does not result in a 'supplementary valuation'.

Developer contributions

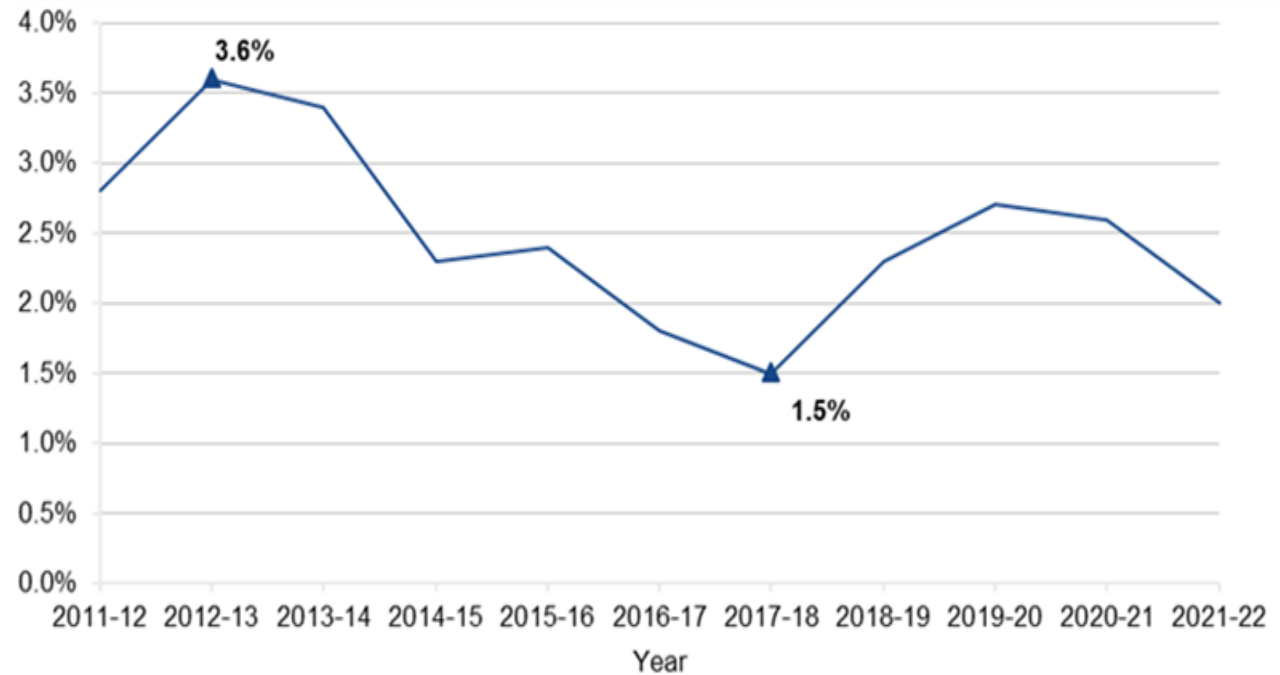


- ▼ fund base-level infrastructure to support development and to meet the infrastructure needs of the growing population
- ▼ they do not provide for the O&M costs of the infrastructure or increases in the volume of services demanded by the additional population.

Current rate peg

- ▼ The rate peg is the maximum percentage amount by which a council may increase its general income for the year.
- ▼ The average rate peg set by IPART has been around 2.5%.
- ▼ The highest rate peg set was 3.6% due to the introduction of the carbon price, and the lowest rate peg was 1.5%, attributed to a low inflationary environment.

Rate peg over time



Population growth in NSW



Growth in NSW

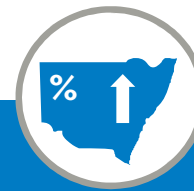
A number of LGAs across NSW are experiencing growth.

The majority are in Greater Sydney.



Varied historical growth

Greater Sydney has the highest growth at 2.4% whereas regional areas such as the Far West have lower/negative growth with -1.4% over 2016–17.



Continued growth

NSW has been growing at 1.5% p.a over the past 5 years.

NSW is projected to continue experiencing population growth.



Varied projected growth

Greater Sydney is projected to grow at 1.9% p.a over 2021–26.

Regional areas are projected lower/negative growth eg. Broken Hill expected to contract by 1%.

Initial considerations

How to reflect population growth?

- ▼ The review is looking at how to determine and incorporate a population growth factor into the rate peg formula eg. :

Rate peg = change in LGCI – productivity factor + other add-ons + **population growth factor**

How to derive population growth?

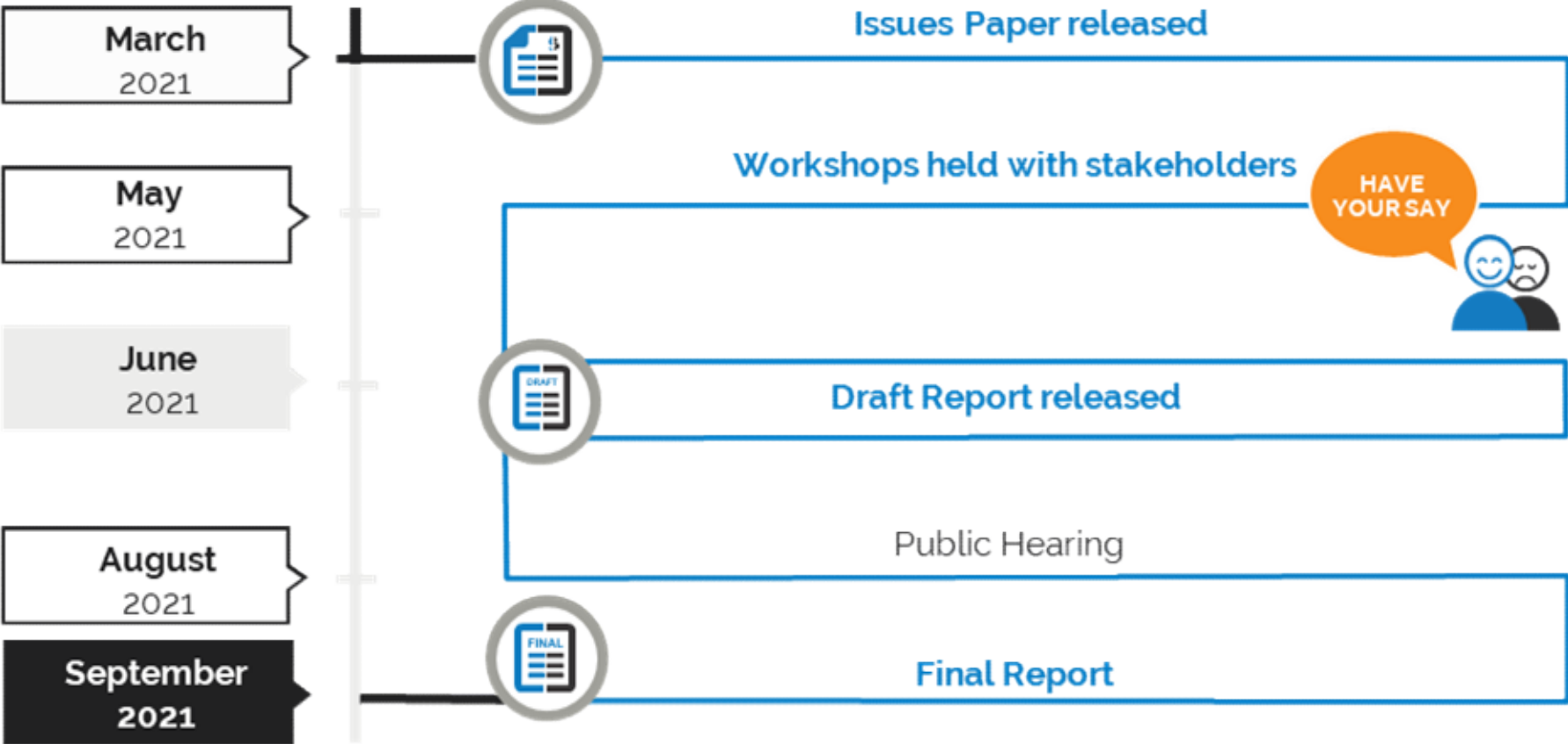
- ▼ A key consideration of our review will be the basis on which a population growth factor is derived.
- ▼ We have identified some options: historical, projected and a blend.

Whether to apply LGAs or LGA specific?

- ▼ LGA-specific growth factors
- ▼ Set factors by geographic cohorts of LGAs
- ▼ Set factors by grouping LGAs into similar level of growth bands
- ▼ Set factors for LGAs that meet a threshold level of growth.



Our indicative timeline



Stakeholder engagement

We will engage with stakeholders through:

- ▼ Meetings and workshops – both planned by IPART or initiated by stakeholders throughout the review.
- ▼ Submissions to our Issues Paper and Draft Report – we seek comment and feedback on our preliminary views.
- ▼ The Public Hearing – for all interested stakeholders to express their views on our draft recommendations.
- ▼ We will provide updates on the progress of our review through our website and media releases.



Key contacts

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