Byron Shire Council

#E2021/62551
Contact: James Brickley

3 May 2021

Ms Sheridan Rapmund
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
Sydney NSW 1240

Dear Ms Rapmund,

Submission to Issues Paper – Review of the Rate Peg to include Population Growth

Thank you for the opportunity to provide a submission to IPART regarding the Review of the Rate Peg to include Population Growth. Please accept this submission on behalf of Byron Shire Council to the matters raised in the Issues Paper as follows:

Issue 1: What Council costs increase as a result of population growth? How much do these costs increase with additional population growth?

Councils cost of providing infrastructure, maintaining infrastructure and providing services to its community grow as its population grows. Councils rate income has to cover these costs in the absence of any other funding source including maintenance/enhancement of road, open space, community facilities, libraries, sporting facilities, cost of regulatory functions and environmental management are some examples traditionally funded from rates revenue. It is difficult to expressly determine how these costs increase specifically due to population growth except that they will due to demand but they can increase also for other reasons such as levels of service, policy decisions, cost of inputs ie labour/materials and visitation (tourism) to a Council area.

Issue 2: How do Council costs change with different types of population growth?

Changes in population can also bring higher expectation of services and facilities due to the demographic changes, community demands and type of ratepayers. As an example, the current rating legislation provides the ability for certain ratepayers to claim an exemption from paying rates. This then provides the scenario that owners/occupiers of these properties do not make a contribution to the use of common Council infrastructure and services. Growth in these type of ratepayers will end up as a cost to Council. Additionally a Council area with a high degree of visitor population but not counted as part of the static population can also create the need for a Council to provide heightened levels of service that would not normally be required without the increased demand.

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

Costs associated with tourism is a particular issue for Byron Shire Council. Whilst there is yet to be a definition as to what constitutes 'population', Byron Shire Council is impacted by the visitor population. Byron Shire Council is an area that receives up to 2.4million visitors per annum but has a population of around 35,000 and 15,985 ratepayers.

ALL COMMUNICATIONS TO BE
ADDRESSED TO THE GENERAL MANAGER
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The visitor population to Byron Shire Council area provides a benefit to local businesses but not necessarily directly to Council itself but the provision/maintenance of infrastructure/services falls to Council. Some costs are recovered via pay parking and Council in 2017/2018 needed to source a four year rolling special rate variation of 7.50% per annum to improve its financial sustainability and provide funding for infrastructure backlog and maintenance. Council over a number of years has made submissions to enhance its Financial Assistance Grant entitlement but this has not yielded any significant result. Unfortunately the burden of this has fallen principally on the ratepayer base or via reduced service levels. Council has and continues to pursue grant opportunities and has undertaken a program of loan borrowings for infrastructure. The actions Council has taken has made improvements but has certainly not resolved its infrastructure/service issues.

It is acknowledged that this review is not considering the impact of tourism but it is Council's view it is related as the increase in visitors numbers is a demand on services the same as population growth. The two cannot be separated from Council expenditure.

<u>Issue 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 into the rate peg?</u>

Council does not suggest the current use of supplementary valuations should be changed in respect of rating revenue growth from new property(s) given it also removes the parent property that created the new property(s). Councils also need to account for valuation objections but again supplementary valuations indicate the change in the number of rateable property(s) and does not in any way demonstrate population growth arising from the use/occupation of those property(s). This therefore should not be factored into any consideration of applying a growth factor to the rate peg formula associated with population growth.

<u>Issue 5: Are there sources of population data we should consider, other than ABS historical growth and DPIE projected growth data?</u>

There are other potential sources of population data that could be sourced through government agencies at all levels but it depends upon the level of complexity of any proposed model and whether that would generate a better outcome than something more simple. Whatever may be determined it needs to be understandable and explainable to ratepayers.

<u>Issue 6: Is population data the best way to measure population growth Councils are experiencing, or are there better alternatives (number of rateable properties or development applications, or other)?</u>

Given the intent of this review is to consider population growth impacts, it is suggested population data should be the basis. Growth in rateable properties does not illustrate how many people live on that property, nor do occupation certificates for new properties. Development applications have a time lag and need to consider what type of development application it is ie will it create population growth. There could be further data to consider and incorporate once it is clear what is the definition of 'population'.

<u>Issue 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?</u>

Every Council is different and to be ultimately fair the population growth factor should reflect what is happening in their area in terms of population, if population is to be factored into the rate peg.

If it is not palatable to set a rate peg outcome for each Council individually, then consideration could be given to the following as examples:

- Grouping by categorisation used by the Local Government Remuneration Tribunal/Office of Local Government.
- By Joint Organisation boundaries.
- Geographic location by region ie Far North Coast, South Coast, Central West etc.
- Council's will similar characteristics.

In essence Councils considered as a similar cohort as a minimum.

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

If the concept of population growth is to be included in the rate peg formula than yes a minimum threshold of 0% should be applied. If a Council experiences a population decline, it should not receive a potential reduction in rate revenue if the population factor is calculated for Councils individually or even on a group basis. A decline in population does not mean Councils automatically save expenditure and therefore can forgo rate revenue. Council agrees with the comment on page 7 of the Issues Paper that suggests *'LGAs experiencing declining populations will not see less rates revenue under a reformed rate peg methodology relative to the current rate peg'.* In addition, Council agrees with the terms of reference where the minimum would be set to 0% as outlined on page 11 of the Issues Paper.

Issue 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?

Council is supportive of the view to the use of projected with true-up. Council is assuming this would mean the use of DPIE projected growth figures and then an adjustment later on to take into consideration actual population outcome from the ABS. Whilst this could create some variability, it is a way of being eventually accurate if population growth is to be considered. This methodology works in a similar fashion to the Financial Assistance Grant mechanism for Councils where the Financial Assistance Grant is adjusted to take into consideration the actual Consumer Price Index compared to that allowed for as a projection in calculating the grant entitlement.

Issue 10: How should the population growth factor account for Council costs?

The existing rate peg methodology is in part calculated on change in the Local Government Cost Index across 26 components that generally is set at 70% of operating costs and 30% capital costs. A way to consider Council costs associated with population growth is to establish a baseline on a per capita basis with the LGCI and then measure the same outcome in subsequent years with applicable LGCI cost data and population change to recalculate per capita change. It is acknowledged costs can change for reasons other than solely population impacts so whether a reduction is applied to take this into consideration maybe along the lines of a productivity factor currently used.

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

The previous review conducted by IPART of the rating system considered the use of Capital Improved Value (CIV) but this was not supported by Government. It is suggested this would be an improvement compared to the current system of using unimproved land values and would capture more efficiently properties with a higher population density ie granny flats, non-strata unit developments as examples contributing more towards Council services and facilities. It may also provide the basis for a far simpler methodology and negate the possibility under the issues paper of setting multiple rate pegs depending upon the basis of how the population factor is incorporated in the rate peg, if it eventually is.

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

Council appreciates the opportunity to provide a submission to this review. The proposed timing of providing a draft report in June 2021, a public hearing in August 2021 and a final report in September 2021 seems to be a reasonable approach. Whether more time might be required given the final report is proposed to be released in the month following the public hearing may be something for IPART to consider.

Should you have any further enquiries, please contact the undersigned on [redacted]

Yours sincerely

[redacted]

James Brickley
Manager Finance