CAMPBELLTOWN CITY COUNCIL

5 August 2021

Review of the rate peg to include population growth
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
SYDNEY NSW 1240

Dear Tribunal

Review of the rate peg to include population growth

Thank you for the opportunity to present this submission on behalf of Campbelltown City Council.

Campbelltown City Centre is identified in the Greater Sydney Region Plan as a Metropolitan Cluster Centre that, together with the centres of Liverpool, Penrith and the emerging Aerotropolis, will support the growth of the Western Parkland City to a region that will be home to in excess of 1.5 million people by 2036.

Campbelltown City Centre is in a unique position as a Metropolitan Cluster Centre at the 'Southern Gateway to Sydney' serving regional and metropolitan communities that often extend outside our rate base. Council is concerned about the potential (and the responsibility) of its ratepayers to fill a gap in reduced Infrastructure Contributions following the Productivity Commissioner's review earlier this year.

Campbelltown Local Government Area also hosts an inclusive community, a significant proportion of which are accommodated in public housing, often provided by community housing providers. We are concerned that Campbelltown's future population growth may not correlate with rateable property growth due to this anomaly. We appreciate IPART's consideration of the attached submission.

Yours sincerely

[redacted]

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Interpreter
131 450

EXECUTIVE SUMMARY

We appreciate the Independent Pricing and Regulatory Tribunal (IPART)'s effort in the Draft Report to recognise the previously unidentified shortfall in the rate peg due to the growth in population.

The Draft Report meets the Premier's terms of reference and provides a path, in the right direction, of rates growth due to changes in population.

We support the IPARTs methodology being re-based after the Census and we also support the true-up of any material differences, should they arise.

It is also noted that any reforms to developer contributions were considered out of scope[1] and therefore not considered. Council agrees with this position and will continue to advocate against any alignment that leads to reductions in developer contributions and increased land rates for the rate paying communities of NSW.

We note that the IPART is in consultation with the City of Sydney as an outlier in this reform. We believe this should not be the case and the City of Sydney should be subject to the proposed reforms in the same manner as other councils.

In this submission we have responded to each of the three items on which you are seeking feedback. The responses are provided below.

RESPONSE TO QUESTIONS POSED BY IPART:

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

We agree that the methodology needs to include a net growth result that is inclusive of the portion of growth that is already achieved through the supplementary valuations process.

We agree that the proposed system should provide outcomes that:

- maintains total per capita general income over time
- reflects a linear relationship between population growth and council costs
- are based on the change in residential population for each council, and
- apply to all councils, including those experiencing low growth.

Whilst we also agree with the IPART findings and methodology as they align with the Premier's terms of reference, we are concerned that it does not fully address the principle of equity.

[1] IPART – review of the rate peg to include population growth – page 4

We note that the proposed methodology is based on per capita population changes while land rates are payable on rateable land. The number of residents in a council may not align with the number of ratepayers nor will changes for each be linear in future years. What has not been addressed is the number of properties occupied and used for residential accommodation that are exempt from land rates.

Exempt properties that house additional people will have a direct impact on the ERP and increase the 'population factor' but there will not be any corresponding increase to rateable properties. This results in the rateable land ratepayers paying even more to cover the costs of servicing the population on rate exempt land.

We are concerned about this principally due to a noticeable shift in public housing from Housing NSW to community housing providers. Land owned by Housing NSW is rateable when occupied, however land transferred to community housing providers, used and occupied for the same purpose, may be exempt from rates. Similarly, aged care facilities owned and run by public benevolent institutions are also exempt from rates.

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?

We agree with the principle of applying a 'true-up' adjustment on a case by case basis to correct any material differences.

The proposed source will effectively be applied to a rating year that commences two years after the period of estimated growth. This lag may, at times, have impact on the rates and their distribution that will be reflected in changes to the average rate that theoretically should be maintained in real terms.

The impact of applying the calculation for the change in population from a single data set, therefore, would produce inconsistencies and potentially higher or lower rate variation percentages. The cumulative effect of such changes could be significant.

By applying the numbers reported annually, the system should true itself up each year based on the latest estimate of population against the previously applied estimate. However, if these numbers exceed a material difference an adjustment should be made on a case by case basis.

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

For the purposes of maintaining simplicity we suggest that the '*supplementary valuation percentage*' proposed definition include a reference to the '*plus/minus adjustments*' note contained within the '*Special Schedule – permissible income for general rates*' as identified in the Office of Local Governments '*Local Government Code of Accounting Practice and Financial Reporting*' document.

The results are contained in each councils annual Financial Reports as a Special Schedule.

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We have noted that the dates proposed for the calculation of the population percentage and the supplementary percentage do not align and that the proposed supplementary percentage calculation is based on data not available when the rate peg is set. An example is provided in the draft report based on commencement for the year 2022-23, in the example the ERP is for changes between 30 June 2019 and 30 June 2020. However, the supplementary growth is referenced against the *'councils general income the previous year (2021-22)'*[2] which appears to be a reference to the year after the ERP data and would not be known until after 30 June 2022.

We recommend the ERP data align with the supplementary valuation growth by

- Using the ERP data as at 30 June 2020 as supplied by the ABS in March 2021 (as proposed)
- Using the data contained within the 2020-21 Permissible Income for General Rates schedule that is included in the audited Financial Statements for the period ending 30 June 2020 the *"Last year general income yield' and the supplementary growth shown as 'adjustments'*.

Revenue uplift identified by population growth should apply equally to all councils despite the method of distribution of rates across the rating categories. The component costs measured by the Local Government Cost Index (LGCI) are not aligned this way accordingly the allocation of population growth should also apply the same way.

Further we note that a separate consultation process[3] is being undertaken with the City of Sydney which has raised some concerns regarding the community consultation and stakeholder engagement process. Anything other than applying the same approach proposed for all councils would require a new and separate review to allow for stakeholders to be consulted.

We agree with 4.3.1 of the draft report and recommend

- IPART formally recognises that many councils will need to reset their base general rate income for the methodology to work
- IPART creates a simplified SV process for the first two years following the inclusion of the population growth factor in the rate peg to allow councils to reset their base general rate income without the expense or delay of the current SV process
- IPART increases the maximum minimum rate to an appropriate amount.

[2] IPART – review of the rate peg to include population growth – page 6
[3] IPART – review of the rate peg to include population growth – page 18