**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?**

Increasing service level expectations from new residents has been observed over a number of years. As a result, the cost of services has increased at more than a per capita factor. The cost of providing new infrastructure for growing populations as well as renewing infrastructure and facilities is increasing, as population growth places greater demand on the assets and results in shorter renewal cycles.

Recurrent maintenance activities for roads, footpaths and parks as well as costs for the provision of community services such as libraries are also directly linked to demand.

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

Population growth, particularly in medium to high density urban renewal precincts necessitates the provision of new facilities (often funded at least in part by S7.11 and 7.12 developer contributions). The on-going costs associated with operating, maintaining and accounting for depreciation of the increased asset base are not adequately covered by the existing rate peg.

Infill development attracts a S7.12 levy based on the value of works which is used to fund or partially fund the provision of new or upgraded facilities. Again, the increased asset base and costs of operating and maintaining these assets is not adequately covered by the existing rate peg.

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

The rate peg does not make provision for the additional costs associated with population growth. A growing asset base and service provision necessitated by increased demand for services and facilities by a growing population has forced councils into an unsustainable position, a dilution of service levels and or making an application for a special variation to the allowable rate increase to remedy this situation. Developer contributions currently do not cover the cost of all new infrastructure requirements to support population growth nor do they contribute to the ongoing maintenance of any new infrastructure.

**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?**

The supplementary valuation process provides for growth but that growth has been constrained by limitations with the existing “unimproved capital value” valuation that has been legislated for rating. Council supported the introduction of the use of “Capital improved” valuation which it felt would better enable increased rate growth in rates from medium and high-density development. The maximum level of the minimum rate set by Government is also a key inhibitor for rate income growth that can only be addressed by a submission to IPART.

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

Council’s Strategic Planning documents including Developer contribution plans, Asset Management Plans and Long-Term Financial Plans talk to growth that has occurred as well as projected growth from both a number of dwellings and population perspectives. Non-resident demand for facilities and services should also be considered.

**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 likely to be the more reliable that rateable properties or development applications. Council supports a population growth factor aligned to its forecast of growth based on strategic planning forecasts. Allowances for future growth might better be paid early to enable capacity building for the expected population rather that catching up after the fact. Non-resident demand for facilities and services should also be considered.

**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?**

Council supports a growth factor that is based on each local government area’s specific population increase but which could be topped up to the group average if that is greater. This might compensate Council’s for non-resident demand for services and facilities.

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

A minimum growth factor of zero is supported to ensure Councils are not negatively impacted by the introduction of the population factor at a time when they are experiencing little growth. A threshold level of growth to be achieved is not supported.

**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 supports projected population with a true-up element to the calculation. This is consistent with other forecasting methods – eg payment of the financial assistance grant.

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

Population growth has a direct bearing on increased costs to Council both in service provision and infrastructure maintenance and renewal. Council supports a population growth factor being included with the rate peg.

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

Council is concerned that any move to compensate Council’s for population growth through the rate peg might be more than offset by reductions to contributions that can be levied under the contribution reforms proposed by the NSW Productivity Commission under S7.11 and 7.12. As such it is imperative that any rating adjustment needs to ensure an optimal growth position that is informed by both proposed reforms.

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

No comment.