



10 May 2021

Independent Pricing and Regulatory Tribunal (IPART)  
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Dear IPART,

Canterbury-Bankstown Council (Council) welcomes the opportunity to provide a submission to IPART on the *Review of the Rate Peg to include Population Growth*.

Please find below Council's response to the consultation questions.

Should you require any further information or clarification, please do not hesitate to contact Council's Director Corporate, [REDACTED]

Yours sincerely

A black rectangular box redacting the signature of Matthew Stewart.

Matthew Stewart  
General Manager

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## Review of the Rate Peg to include Population Growth

### Consultation Questions

#### **1. What council costs increase as a result of population growth? How much do these costs increase with additional population growth?**

The council costs that increase as a result of population include:

- Service delivery costs - services Council provides directly to the community (e.g. library, recreational and waste services); and
- Infrastructure and plant/equipment costs - those related to the renewal and maintenance of infrastructure and supporting the provision of recurrent services.

The increase to council costs due to population growth is not always linear or easy to distinguish from ongoing costs. Further, it can be difficult to quantify given the potential capacity in existing services and infrastructure.

In determining the impact, thought should be given to considering the following issues:

- Calculating the increase to council costs as a per capita cost could provide councils with requisite funding. This approach would be variable and dependent on individual councils' service levels. However, the issue for council would be the timing on delivering new services and infrastructure to meet the population growth.
- Establishing broader/consistent benchmarking of local government services to understand the demand for services and applicable cost per capita/resident – and in turn used as a factor to adjust the rate peg. Naturally, this would need to also incorporate required funding to manage plant and equipment resources required to manage the servicing outcome.
- Supporting Councils to building their *strategic capacity*. Current revenue streams largely deal with recurrent operations with limited funding available to meet strategic planning requirements – examples include developing Citywide Masterplans, Open Space Strategies, Local Strategic Planning Statements.
- Providing councils some discretion/flexibility to varying their income, particularly to address community expectation around service demands and/or levels.
- Arguably, one of the downsides of rate pegging over the past four decades has been its failure to acknowledge and/or account for the consumption of assets and establishing dedicated income streams to replace and/or renew assets, as required. Perhaps thought be given to having the rate-peg separately address recurrent servicing costs and replacement of assets – separate components where councils will be required to restrict and/or preserve for managing their asset replacement needs.
- Managing costs during growth is quite unique and/or different for *brownfield and/or greenfield councils*. Establishing and/or managing both core and emerging services

for developing areas – including their focus on asset replacement/renewal – will be significantly different to say an established metropolitan council, which carries its own challenges.

- Reliance on other sources of revenue – such as fees/charges and other revenues - plays a critical role in balancing servicing costs and the extent and/or value of the *community service obligation* – example being significant income generated from parking meters.
- Establishing a greater understanding and/or reliance of asset indicators – particularly the age of the assets and required renewal - which may assist in providing councils the required discretion to address assets beyond a set/regulated rate-peg.
- The current IPART issues paper only deals with residential population factors and does not consider transient populations, such as visitors. Many councils are required to fund infrastructure and services for transient population growth (examples include tourism, educational facilities, transport hubs, business, large commercial, and health precincts). These areas can bring significant daily populations to a council local government area (LGA), however, are not be reflected in residential population statistics.
- Any significant growth in these areas may require substantial costs to Council for the provision of new infrastructure and services. Council has a number of pull factors for transient population growth that are likely to increase significantly over the coming years. Council will soon see a new university, new public hospital, commercial expansion of the Bankstown Airport site, New Metro line, and major development to a key retail regional shopping centre.
- The cost of increased population must include increasing back-of-house costs. The service of a larger population requires not only more built infrastructure, but more staff to manage, and by extension, more support staff and equipment. Further, more managers, teams, and human resource staff are required with every increase in service scale.

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

Council costs can increase by the type of development in the LGA (example, residential apartments and secondary dwellings increasing need for open space, libraries, swimming pools previously available from single dwelling residences).

Costs could also differ depending on population growth as different services and/ or infrastructure may be required in a new area, as opposed to an existing one. Separately, the unique characteristics of communities and/or their specific needs and requirements – assess communities disability factors, similar to that applied when allocating the Financial Assistance Grants.



Further, the provision of infrastructure by other levels of government or a grant funded in the local government requires Council to maintain, replace or operate without any commensurate income. This is especially the case in new growth areas.

For those councils servicing high growth areas, the rate peg imposes a revenue constraint that amounts to a decline in revenue collected per ratepayer. This lack of fiscal flexibility means the higher an LGA's population, the lower the resources available for a council to provide services to individual residents.

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

Whilst developer contributions, through section 7.11 or 7.12 of the *Environmental and Planning Assessment Act 1979* (NSW) provide funding for new infrastructure associated with population growth, they do not cover the ongoing maintenance and operation or the renewal of that new infrastructure. Further, developer contributions are currently capped, meaning that the contributions do not always provide enough funding to deliver the infrastructure required for a growing population.

The rate peg and developer contributions also do not fund the provision of services to the new population to enable Council to maintain existing service levels and standards to its residents. Any new or increased service levels are not funded by the rate peg or developer contributions without a corresponding offset or removal of a council provided service, or through productivity savings delivered in other areas of Council operations.

Councils are often requested to do more with less funding due to rising community expectations. This is especially the case for amalgamated councils such as Canterbury-Bankstown, where the community expects the highest common service levels from the former councils as services are harmonised across the former LGAs.

Council is currently required to apply for a special rate variation in order to address funding requirements for any service level adjustments and deal with the impact of increased cost to service delivery, infrastructure maintenance and infrastructure renewal as a result of population growth.

Importantly, an increase to the rate peg to include population growth coincides with a proposal from the Productivity Commission and NSW Government of a reduction to income from development contributions. Whilst this will not entirely offset the possible gains from a rate peg increase, it will impact on Council's ability to raise revenue across the city from new development.

**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 should be included in the calculation when accounting for population growth in the rate peg. However, the supplementary rating process together with the use of unimproved land valuation, does not adequately provide sufficient uplift in rates to ensure the infrastructure, facilities and services required to meet the population growth.

The supplementary valuation process does not have a direct nexus between any uplift in rates and population growth or the increase in costs to Councils. Some population growth such as from secondary dwellings (e.g. granny flats) are not identified during this process. As a result, the supplementary process is deficient in providing necessary funding to councils to deal with increased costs as a result of population growth.

A growth factor included in the rates peg that does suitably address the funding burden of increased population growth could be adjusted against any supplementary valuation rates uplift to ensure that councils are not 'double dipping' from any income adjustments.

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

Council makes no comment on the timeliness, ease or efficiency of this proposed data, however additional population sources that may supplement the use of ABS historical growth and DPIE projected growth data might include:

- School/Tafe/University enrolments
- New domestic waste services
- Housing construction statistics including occupational/construction certificates issued
- Census data
- Number of rateable properties
- Transport (commuter) data
- Population.id

**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)?**

The Census data provide the most accurate measurement of population for councils. These data, however, are only collected every five years and are an estimation of population growth councils are experiencing. Importantly, individual councils may experience significant shifts in population growth during the intervening period. In such scenarios, the collection of supplementary data (as identified in Q.5 above) could be used to provide a more accurate picture of population growth between the Census intakes.

This may be important for LGAs experiencing significant growth that has not previously been reflected in historical data such as new land releases or introduction of major infrastructure (e.g. South West Metro corridor).

Whilst only a timing issue for councils, the impact for some may be significant if they were required to wait up to five years to catch up on funding for any significant population growth pattern changes.

Statistical analysis of population through small surveys and extrapolation of defined populations can be a useful tool. Random sampling to replace comprehensive sampling can be an efficient means of measuring growth and change across specific locations and populations.

**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 the establishment of a population growth factor for individual councils given the potential for population growth variances. Population growth factors could be banded where there are key linkages between the population drivers. Drivers of population can differ extensively between LGAs. The differences in population drivers may negate the grouping of councils by geographic region.

The Greater Sydney Regional Plan identifies the South District as experiencing significant growth, however, the bulk of that growth will occur in Canterbury-Bankstown LGA. Had the growth factor been applied to the South District as a block, then Canterbury-Bankstown LGA would have been underrepresented in its growth. Such a method aligns with the model proposed by the Centre for International Economics, which underpins the framework developed by the Productivity Commission. As their calculations are conducted at the LGA level, the growth factor is most appropriately applied at the same level. This represents the most efficient and fair distribution of the growth factor across the state.

Separately, the unique characteristics of communities and/or their specific needs and requirements is an important element which needs to be acknowledged – assess communities disability factors, similar to that applied when allocating the Financial Assistance Grants.

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

This is dependent on the model proposed by IPART and whether the growth factor is set for each council, or for groups of councils with similar characteristics as discussed in Q.6.

The minimum threshold for all councils should be at least zero to ensure councils that experience negative growth are not adversely impacted by the introduction of a growth factor into the rate peg.

If a single rate is applied to all councils in NSW, consideration should be given to setting the minimum growth factor in accordance with the state population growth average. This will



allow all councils to have a growth factor amount included in their rate peg and allow other councils that are experiencing significant growth additional funding opportunities.

**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?**

This will be dependent on the timeliness and data sets used in determining growth factor (as discussed in Q.5.).

If possible, the data set will be based on a blended factor to ensure historical, current and projected growth is included. Some element of projected growth should be included to provide councils with funding in a timely fashion to ramp-up services to match the increased costs of that population growth as it occurs. Using only historical population data will cause a timing issue for councils experiencing significant changes to population growth patterns.

Population change and trends take time, and as such, a rolling factor of population growth will be the most suitable method. Combined with random sampling to ensure the timeliness of the data collection and the accuracy of the figures, will ensure that Council can plan for infrastructure and service needs into the future.

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

The impact on council costs will vary between councils as it is based on the type and level of services provided. However, it is similar to the cost index used for calculating the existing rate peg. An average cost impact could be determined across all NSW councils based on an average cost of required new service provision and average service levels for all NSW councils divided by total population to obtain a per capita rate. This could then be applied to relevant councils based on estimated growth. Amount would need to be adjusted by any supplementary rates received by Council in the previous year.

This methodology may not adequately provide for individual councils' funding requirements. Individual council circumstances may vary from the NSW council average. This proposed model also assumes an average service provision that may be higher or lower than an individual councils actual experience.

The Productivity Commission, used data and insights provided by the Centre for International Economics (CIE) to model these changes. The CIE developed a framework for the existing rate peg, where it was determined that a 1% growth in LGA population equated to only a 0.25% growth in rates revenue. In the proposed model, councils would be able to collect this 'missing' growth in rates, with an inclusion for population growth in addition to the existing rate peg structure. For every percentage growth in population in an LGA, there would be a corresponding increase to the total rate revenue growth available to a council.

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

**Capital Improved Value (CIV)**

Council has previously supported a move to Capital Improved Value (CIV) as recommended by IPART in its review of the NSW local government rating system. Although the NSW Government response to the review ruled out the implementation of the CIV (at this stage), Council agrees with IPART's assessment of the CIV, as it is better aligned to key tax principles than unimproved value (UV), better captures costs of supplying council services, better reflects benefits ratepayers receive from council services, is consistent with national and international best practice, and provides a simplified method to allow rates to increase in line with growth in the CIV from new developments. The current supplementary rating process under UV does not typically correlate to the increased costs of population growth.

**Rating Exemptions**

Another major concern for the Canterbury-Bankstown community is the rating impact from the transfer of social housing by the NSW Government to charitable Non-Government Organisations (NGOs). The result of this transfer is the provision<sup>1</sup> of an exemption from rates to the charitable body, and the newly exempted rates income redistributed to all other residential ratepayers.

Many of the rating exemption recommendations by IPART have not been adopted by the NSW Government with further examination of these exemptions required to address the above inequity. Including a growth factor in the rate peg, without adequately addressing the growth in rating exemptions, will unfairly burden the Canterbury-Bankstown rate paying community.

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

The proposed process and timeline provide adequate time and opportunity for input from Council in regard to this review.

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<sup>1</sup> Charitable NGOs are required to apply to Council for the exemption and confirm their public benevolent institution status in accordance with relevant legislation.