



29 April 2021

Independent Pricing and Regulatory
Tribunal NSW

Contact: Kelly McGowan
Our Ref: DOC20XX/XXXXXX

**Lodged online via the IPART
submission portal**

http://www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

To Whom it May Concern

**SUBMISSION TO CONSULTATION BY IPART ON REVIEW OF THE RATE PEG TO
INCLUDE POPULATION GROWTH**

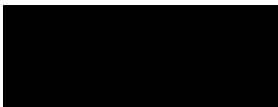
Cessnock City Council (Council) welcomes the opportunity to lodge a submission regarding the above proposed reforms contained in the Issues Paper of March 2021 (the Report).

Council commends the Independent Pricing and Regulatory Tribunal NSW (IPART) on Proposing methods to increase the available funding for Council outside of the current rate peg method. Council strongly supports IPART's proposal however detailed in the responses to the questions, recommends that further consultation and consideration will be required.

Council has attached responses to the questions proposed in the Issues Paper.

If you require any further information, please do not hesitate to contact Council's Customer Service on 02 4993 4100.

Yours faithfully



Kelly McGowan
Acting Finance & Administration

Review of the rate peg to include population growth	Council Response to the List of questions contained in the Review of the rate peg to include population growth
<p>Q1. What council costs increase as a result of population growth? How much do these costs increase with additional population growth?</p>	<p>The following Council costs are increased as a direct result of population growth: Employee and benefits Costs, plant and fleet, and materials and contracts, however population growth is not the only factor in Council costs increasing. Other factor such as tourists, businesses operating within the LGA and cost shifting by State and Federal Government should also be considered.</p> <p>These costs will increase as the demand for maintenance of existing and new assets increase.</p> <p>The wage increase percentage is also driven by other factors such as the Local Government State Award.</p> <p>Councils will use asset management plans to model the required maintenance and renewal works depending on the age and condition of the assets and also when the new assets will be dedicated to Council.</p>
<p>Q2. How do council costs change with different types of population growth?</p>	<p>Council is a high growth area with a number of active subdivisions across the LGA.</p> <p>This results in a significant growth in the dedication of assets provided by the developer as conditions for the development. These assets will require ongoing maintenance as the population grows and uses the assets.</p> <p>Council's maintenance and renewal of existing assets will continue to grow as a result of the additional population growth and the increased number of visitors. There is also a need for new infrastructure as population growth may lead to the asset being no longer fit for use.</p> <p>There is also additional employee, plant and other associated costs required for the additional asset maintenance, which is funded via general rating income. This then reduces the amount of general income available for actual maintenance materials.</p>
<p>Q3 What costs of population growth are not currently funded through the rate peg or developer contributions? How are they currently recovered?</p>	<p>The ongoing maintenance and/or renewal of assets is funded using general rating income, however these costs are greater than what Council is able to collect.</p> <p>Although not a direct result of population growth increased demand on Council assets by visitors and tourists end up being funded by existing ratepayers.</p> <p>Council has been very successful in obtaining grants for renewal work, which allows for the general funds to be allocated to maintenance and employee costs.</p> <p>Currently Council's condition data of the assets suggests that there is a decline in the condition of the assets and additional maintenance or renewal works are required, however each year Council prioritises the maintenance to fit the allocated budget rather than on asset management principles. (what is actually required)</p>

<p>Q4. 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?</p>	<p>YES – If the rate peg is calculated later in the financial year in order to factor in population growth increases due to subdivisions that may have occurred or approved for future development.</p> <p>This approach will give a realistic population growth factor, which is then relevant to each individual council only to the extent that rating units are a proxy for population growth.</p>
<p>Q5. Are there sources of population data we should consider, other than the ABS historical growth and DPIE projected growth data?</p>	<p>To consider the communities capacity to pay, the rate peg should also consider the following: average incomes, population age brackets and SEIFA index score (Index of Relative Socio-economic Disadvantage).</p>
<p>Q6. 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)?</p>	<p>No. A measure of demand for services would be the best measure however if this is too problematic to measure then a mixture of rating unit growth, development approvals, visitor numbers, economic growth and population growth would be more appropriate.</p>
<p>Q7. 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?</p>	<p>Individual Council's as each Council has different demographics as detailed in question 5.</p>
<p>Q8. Should we set a minimum threshold for including population growth in the rate peg?</p>	<p>Yes, but Council has no defined position on the minimum threshold and this would require further consultation.</p>
<p>Q9. 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?</p>	<p>We believe a blended factor would be most appropriate. This would create a smoothing effect for the community from one year to the next, thus reducing the effect of increased hardship.</p> <p>A blended approach will also help Councils plan and create a realistic long term financial plan which can be used for planning for the future.</p>
<p>Q10. How should the population growth factor account for council costs?</p>	<p>The population growth factor would allow Councils to collect additional rating income above the current rate peg. This will mean that there will be additional general rating income for maintenance and employee costs associated with assets which deteriorate with use. It will help Councils to fund the additional assets, which are dedicated to Council as part of subdivision activities.</p> <p>However it should be noted that just because the population growth is 'x' it doesn't mean that Councils costs only increase by 'x' as the demand on the assets may mean that the cost might increase by 'y'.</p>
<p>Q11. Do you have any other comments on how population growth could be accounted for?</p>	<p>No.</p>
<p>Q12. Do you have any comments on our proposed review process and timeline?</p>	<p>Council's will need to be engaged and consulted with in advance of any future changes prior to implementing, as this will be critical should ERP providers need to make changes to software.</p>