Ku-ring-gai Council Submission

IPART's Issues Paper

REVIEW OF THE RATE PEG TO INCLUDE POPULATION GROWTH

No	Issue on which comment is sought	Comment
1.	How should the rate peg be adjusted for population growth?	
Q.1	What council costs increase as a result of population growth? How much do these costs increase with additional population growth?	The cost of providing most Council services directly increase with population growth if the same standard of service is to be maintained. Depending on the demographic characteristics of the incoming population, the cost of providing some community services may be higher. The cost of providing infrastructure is also directly impacted as there is increased usage of roads, footpaths, parks, ovals and buildings. This creates an increased maintenance burden and also demands capital upgrades and new assets to maintain existing levels of service. This requires capital funding upfront as well as ongoing maintenance and operating costs, plus depreciation of the assets over time which must also be funded.
Q.2	How council do costs change with different types of population growth?	Population growth facilitated by infill development in areas such as Ku-ring-gai create increased demand for services and infrastructure such as new open space, community facilities, traffic management and parking, drainage, footpaths, roads and development management,
Q.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 currently allow for additional costs due to population growth. Development contributions provide funding for some capital items but not for the ongoing maintenance, operation or depreciation of these assets. These costs are not currently recovered which results in a combination of service level dilution and financial unsustainability for NSW councils.
Q.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?	As IPART have noted, the current supplementary valuation process is likely to result in a lower increase to rates than if it was based on population growth. However, if there are some particular circumstances where the supplementary

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		valuation process would have resulted in a higher rates increase, the council should have the option to adopt the higher rate.
2.	Measuring population growth	
Q.5	Are there sources of population data we should consider, other than the ABS historical growth and DPIE projected growth data?	No comment.
Q.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 growth in population is likely to be more closely aligned to population data than alternatives such as the number of rateable properties or development applications.
3.	Adjustment to account for council-specific relationship between cost and growth	
Q.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?	The population increases for each local government area are known so it would be most transparent and fair if the growth factor is specific to each council. Grouping councils would lead to inequities and lose the direct link between the population growth and increased costs for each council.
Q.8	Should we set a minimum threshold for including population growth in the rate peg?	There should not be a minimum threshold for including population growth in the rate peg. Councils with low growth still experience increased costs which compound over time, leading to diluted services and financial unsustainability.
Q.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?	The growth factor should be based on historical data. While there will be a data lag, the difference in population growth over a period of a few years is unlikely to be materially different. Further, using historical data will avoid the administrative burden of future adjustments to rates income inherent in other methods relying on forecasts.

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Q.10	How should the population growth factor account for council costs?	Population growth directly leads to increased costs for council services and infrastructure, and the population growth factor should be fully applied to the rate peg calculation.
Q.11	Do you have any other comments on how population growth could be accounted for?	The population growth factor reflected in the rate peg should closely consider reforms to Development Contributions. Councils should be able to raise sufficient revenue to fund additional local infrastructure and additional needs associated with growing population. Development contributions provide funding for some capital items but not for the ongoing maintenance, operation or depreciation of these assets. These costs are not currently recovered which results in a combination of service level dilution and financial unsustainability for NSW councils. Under the combined set of reforms, councils will gain increased revenue from rates, but decreased revenue from infrastructure contributions. Proposed changes to development contributions would be highly detrimental and significantly outweigh any benefits. Preliminary analysis suggests that Ku-ring-gai would lose virtually all of the current s7.12 contributions (averaging $2.5M per annum) before even commencing the analysis of the impact on s7.11 contributions which is the more significant of the two types of contributions. The Development Contributions reform seek to *Increase the maximum percentage of s7.12 (formerly s94A) but limit it to nett increases of dwellings and floorspace and cap it*

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		at $10,000 for dwelling houses and $8,000 for medium density. Ku-ring-gai Council currently levies s7.11 contributions on all development that generates a direct increase in demand and the present cap is $20,000 per dwelling authorised by the consent, outside the local centres (inside the local centres where the bulk of the intensive redevelopment activity is taking place is currently uncapped). Ku-ring-gai's Council's s7.12 plan levies those indirect contributions on smaller developments that indirectly add to cumulative demand, for example the on-going process of the redevelopment of small deceased estates into substantial family dwellings for residents at the different stage of life with different infrastructure needs. Essentially this recommendation changes s7.12 into a "lite" version of s7.11 rather than a genuine alternative to s7.11 where the rate and location of such change is difficult to predict. The NSW Productivity Commissioner reports that on average, over a 5 year period councils in the below state-average growth group will gain $13 per capita per year in rates and lose $5 per capita per year in developer contributions, a net overall increase of $8 per capita per year. In the fifth year, the increase is $16 per capita. However, these averages are not applicable to Ku-ring-gai Council. Due to the nature of Ku-ring-gai's development pattern and current contribution plans, the loss of developer contributions is likely to be substantial.