



Lane Cove Council

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Doc Ref: [REDACTED]

Independent Pricing and Regulatory Tribunal
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Dear Tribunal,

Re: Review of the Rate Peg to include Population Growth

Lane Cove Council welcomes the opportunity to provide comment on IPART's Draft Report – Review of the Rate Peg to include Population Growth.

Council is generally supportive of the Draft Report, including the proposed approach and methodology as it relates to a new rate peg that accommodates and accounts for population growth.

With respect to the questions posed in the Draft Report, Council provides the following feedback:

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

Yes, it is acknowledged that the Census Data is the most universally accepted and reliable source of data for this particular exercise. Furthermore, Council agrees 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.

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?

Yes, noting there will invariably be discrepancies between estimated population growth (based on actual historical data) and actual population growth as measured by the Census Data every 5 years. A materiality threshold, with some tolerance, is supported.

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

It is noted that 'General Income' is defined as income from ordinary rates, special rates and annual charges. It excludes special rates and charges for water supply services, sewerage services, waste management services, annual charges for stormwater management services, and annual charges for coastal protection services.

Maintaining per capita general income to assist councils to maintain existing service levels does have its limitations. For example, approved Special Rate Variations (above the rate peg) are generally designed to address a funding gap relating to a specific service, program or project (eg asset infrastructure renewal).

They are generally not designed to address funding shortfalls across Council's entire offering of services and/or service levels.

Special Rate Variations need to be discounted from the per capita general income calculation as they artificially increase per capita income and do not assist in the maintenance of services or service levels other than the specific service or service level for which the funds were originally approved and are consequently restricted for.

Council notes that the proposed rate peg formula is as follows:

Rate peg = change in LGCI – productivity factor + other adjustments + population factor

Where:

Population factor = max (0, change in population – supplementary valuations percentage)

The formula appears reasonable insofar as supplementary valuations are deducted from the population growth factor to avoid duplication.

Council notes that IPART's analysis indicates that Councils are currently recovering about 60% of the costs of population growth through supplementary valuations and accepts IPART's acknowledgement that the actual amount will vary from council to council. In the case of Lane Cove Council, the average figure over the past 5 years is less than 50%.

Whilst not a focus in this particular Draft Report, Council believes the 'productivity factor' and calculation applied to the rate peg formula lacks rigor, consistency and transparency. This is evidenced by the following:

- In 2010/11, the Tribunal stated that "Our analysis indicated that there is no established measure of NSW local government productivity. The productivity factor that we applied was a judgment by the Tribunal".
- In 2014/15, the Tribunal stated that "We used the latest ABS National Accounts data for market sector multifactor productivity as a whole over the last 15 years. We found that productivity gains were equivalent to 0.3% per annum over the last 15 years in the market sector. We discounted this number to 0.2% in light of the factors that may cause productivity growth to be higher in the market sectors of the economy than in the local government sector".

It would be appreciated if IPART once again turned their mind to a more reliable and transparent approach to the productivity factor as it has a material impact on the overall rate peg calculation.

Thank you for the opportunity to comment on the draft report, if you have any questions in regards to Council's submission please do not hesitate to contact me on [REDACTED].

Yours Sincerely

[REDACTED]

STEVE KLUDASS

Executive Manager – Corporate Services