

Ms Deborah Cope  
Acting Chair  
Independent Pricing and Regulatory Tribunal (IPART)  
PO Box K35  
Haymarket Post Shop  
**SYDNEY NSW 2000**

Dear Ms Cope

**Re: Review of the rate peg to include population growth**

I write in relation to the Independent Pricing and Regulatory Tribunal's (IPART) review of the rate peg to include population growth.

Liverpool City Council welcomes the opportunity to provide a submission on the issues paper released by IPART in March 2021.

Council looks forward to continuing to work with IPART and participating councils in workshops to further investigate the matters identified through Council's submission.

Should you require any further information on this matter, please do not hesitate to contact Council's Manager Corporate Strategy, Ms Hiba Soueid on [REDACTED]

Yours sincerely

[REDACTED]  
**George Hampouris**  
Acting Director Corporate Services

If you do not understand this letter/application, please ring the Telephone Interpreter Service (131 450) and ask them to contact Council (1300 362 170). Office hours are 8.30 am to 5.00 pm, Monday to Friday.

## ARABIC

إذا لم تستطع فهم هذا الطلب ، الرجاء الاتصال بخدمة الترجمة الهاتفية على رقم 131 450 واسألهم أن يتصلوا بالبلدية على رقم 1300 362 170 . دوام ساعات العمل هي من الساعة 8.30 صباحاً إلى 5.00 بعد الظهر من الاثنين إلى الجمعة.

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如您看不懂此信 / 申請書，請打電話給「電話翻譯服務台」(131 450)，請他們聯絡市政廳(市政廳電話 1300 362 170)。市政廳辦公時間，星期一至星期五，上午八時三十分至下午五時。

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Ako ne razumijete ovo pismo/aplikaciju, molimo nazovite Službu prevodilaca i tumača (Translating and Interpreting Service - na broj 131 450) i zamolite ih da nazovu Općinu (na 1300 362 170). Radno vrijeme je od 8.30 ujutro do 5.00 popodne, od ponedjeljka do petka.

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## HINDI

अगर आप इस पत्र/आवेदन को पढ़कर समझ नहीं पा रहे हैं तो कृपया टेलीफोन संवाद-सहायक सेवा (131 450) को फोन करें और उनसे काउंसिल (1300 362 170) से संपर्क करने को कहें। कार्यालय का समय सोमवार से शुक्रवार तक प्रातः ८:३० बजे से सायं ५:०० तक है।

## ITALIAN

Se non comprendi questa lettera/questo modulo di domanda, telefona al Servizio traduzioni e interpreti al numero 131 450 chiedendo di essere messo in contatto con il Comune (telefono 1300 362 170). Orario d'ufficio: ore 8.30 -17.00, dal lunedì al venerdì.

## KHMER

បើលោកអ្នកមិនយល់ពីអត្ថន័យឬការប្រតិបត្តិនេះទេ សូមទូរស័ព្ទទៅសេវាបកប្រែភាសាភាសាខ្មែរ (លេខ 131 450) ហើយស្នើសុំឱ្យគេទាក់ទងសាលាក្រុង (លេខ 1300 362 170)។ ពេលម៉ោងធ្វើការគឺម៉ោង 8 កន្លះព្រឹកដល់ម៉ោង 5 ល្ងាច ពីថ្ងៃច័ន្ទដល់ថ្ងៃសុក្រ

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Ako ne go razbirate ova pismo/aplikacija, ve molime da se javite vo Telefonската преведувачка служба на 131 450 и замолете ги да стапат во контакт со Општината на 1300 362 170. Работното време е од 8.30 часот наутро до 5.00 часот попладне од понеделник до петок.

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Jekk ma tifhimx din l-ittra/applikazzjoni, jekk joghgbok ċempel lis-Servizz ta' l-Interpretu bit-Telefon (131 450) u itlobhom jikkuntattjaw il-Kunsill (1300 362 170). Il-hinijiet ta' l-Uffiċċju huma mit-8.30a.m. sal-5.00p.m., mit-Tnejn sal-Gimgha.

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Jeśli nie rozumiesz treści niniejszego pisma/podania, zadzwoń do Telefonicznego Biura Tłumaczy (Telephone Interpreter Service) pod numer 131 450 i poproś o telefoniczne skontaktowanie się z Radą Miejską pod numerem 1300 362 170. Godziny urzędowania: 08.30-17.00 od poniedziałku do piątku.

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Ako ne razumete ovo pismo/aplikaciju, molimo vas da nazovete Telefonску преводилачку службу (131 450) и замолите их да контактирају Општину (1300 362 170). Радно време је од 8.30 ујутро до 5.00 поподне, од понедељка до петка.

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Si Ud. no entiende esta carta/solicitud, por favor llame al Servicio Telefónico de Intérpretes (131 450) y pídales que llamen a la Municipalidad (Council) al 1300 362 170. Las horas de oficina son de 8:30 am a 5:00 pm, de lunes a viernes.

## TURKISH

Bu mektubu veya müracaatı anlayamazsanız, lütfen Telefon Tercüme Servisi'ne (131 450) telefon ederek Belediye ile (1300 362 170) ilişkiye geçmelerini isteyiniz. Çalışma saatleri Pazartesi - Cuma günleri arasında sabah saat 8:30 ile akşam 5:00 arasındır.

## VIETNAMESE

Nếu không hiểu thư/đơn này, xin Quý Vị gọi cho Telephone Interpreter Service (Dịch Vụ Thông Dịch Qua Điện Thoại), số 131 450, và nhờ họ liên lạc với Council (Hội Đồng), số 1300 362 170. Giờ làm việc là 8 giờ 30 sáng đến 5 giờ 00 chiều, Thứ Hai đến Thứ Sáu.

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

Liverpool City Council is one of the largest growth councils in NSW. The NSW Government's 2019 population projections indicate that the population of Liverpool is estimated to increase by 229,450 people between 2016 and 2041, from 212,000 to 441,450 ([planning.nsw.gov.au/projections](http://planning.nsw.gov.au/projections)).

Although the city's population is growing rapidly, the revenue bases available to Council have not been sufficient to continue to support not only the expanding role of the local government sector, but the increasing population base as rural areas are converted to urban areas and development begins around the Western Sydney Aerotropolis and new city of Bradfield.

Consequently, Council is facing significant financial pressure due to inadequacies in the revenue streams available to support such rapid growth and other external pressures which have required Council to provide an increasing range of services, infrastructure, and facilities to the community. These financial pressures have manifested in the large and growing 'renewal gap' for local infrastructure and the expansion of community services beyond Council's means.

The direct impacts of population growth on Council include:

- *The impact on social infrastructure*

A study commissioned by Liverpool City Council to inform the planning of social infrastructure in the context of expected future growth found that the following areas would be most heavily impacted:

- Community Centres: For 2041 a shortfall of 6,596 square metres of district facilities and an average shortfall of 7,979 square metres of local facilities is predicted.
- Libraries: Additional library space will be required in the eastern and rural areas of Liverpool with an additional facility being recommended as urban settlement continues to move west.
- Open space, sportsgrounds and parks: a shortfall of around 85 hectares of open space is expected by 2041, with the majority of this in Edmondson Park and Austral/Leppington (Judith Stubbs and Associates (2019) Liverpool Population and Social Infrastructure Study).

Whereas the cost of providing these facilities has not yet been determined, and most of the funding is accessed via Section 711 funding or funded through developer contributions, the ongoing maintenance of these facilities is handed over to Council and added to Council's operational budget. For example, in 2016 Council used \$38 million in Section 711 funding towards the Carnes Hill Recreational Centre, this has added an additional \$2 million in ongoing operational costs to Council with no additional funding source.

In addition to this, in line with sound community liveability and expectations, there will be a need for the development of “non-essential” infrastructure within these new growth precincts such as swimming pools. Although Council can and will pursue grant funding, it is expected that these will need to be jointly funded through general reserves with a Council outlay of tens of millions of dollars. This heightened need for such infrastructure is directly linked to new suburbs and growth.

- *Infrastructure*

Liverpool’s rapid population growth has resulted in the demand for new assets including ongoing management and maintenance. An indication of the cost to Council of these new assets is outlined below.

Over the last five years, Council has inherited \$312 million in assets funded through a levy or voluntary planning agreement, which can be grouped as follows:

- Roads and Transport - \$182 million;
- Floodplain and Drainage - \$77 million;
- Buildings - \$29 million; and
- Open Space and Recreation - \$24 million.

In terms of the cost of this additional infrastructure to Council, the following areas are impacted:

**Depreciation** – The below table outlines the depreciation cost to Council over five years for these new inherited assets:

Asset Group	5 Year Total = Inherited Assets + Capex New Assets (\$)	5 Year Total = Depreciation (Inherited Assets + Capex New Assets) (\$)
Buildings	\$29,239,740	\$928,719
Drainage	\$77,269,670	\$387,452
Parks and Open Space	\$24,079,498	\$767,688
Roads and Transport	\$182,290,470	\$3,715,974
<b>Total</b>	<b>\$312,879,378</b>	<b>\$5,799,833</b>
<b>Average</b>	<b>\$62,575,876</b>	<b>\$1,159,966.60</b>

Generally, Council adds approximately \$62 million in new assets every year which is linked to population growth in Liverpool’s suburbs. The estimated annual depreciation cost of these new assets is \$0.7 million per year.

	5 Year Total = Inherited Assets + Capex New Assets (\$)	5 Year Total = Depreciation (Inherited Assets + Capex New Assets) (\$)
<b>5-Year Total</b>	<b>\$312,879,377</b>	<b>\$3,421,661</b>
<b>Average</b>	<b>\$62,575,875</b>	<b>\$684,332</b>

**Operating costs** – In addition to depreciation, new assets are subjected to the below annual operating costs, which are effective immediately following hand-over of the asset:

- Roads - additional \$28,000 annually based on \$2000 per kilometre for street sweeping and litter control;
- Roads - additional \$41,000 annually for street lighting based on \$4000 per kilometre;
- Buildings - additional \$100,000 annually for cleaning, electricity and other utilities; and Open Space - additional \$110,000 annually for litter control, mowing, irrigation etc.

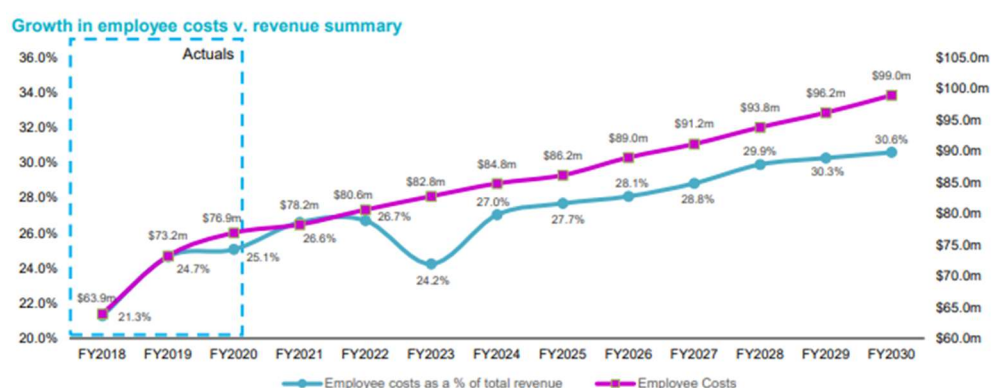
**Asset renewal and replacement** – Once assets to support growth are under Council's care and control, the renewal and replacement costs need to be factored in for the period when these assets enter this phase. An indication of the cost of road pavement related costs is provided below:

- Road - resurfacing (within 10-15 years) - \$165,000 per kilometre;
- Road - patch and resurface (15-20 years) - \$225,000 per kilometre; and
- Road - replace/reconstruct pavement (20-30 Years) - \$900,000 per kilometre.

- *Employment costs*

The costs associated with population growth are not only limited to social infrastructure and capital works. For Council to maintain customer service levels and delivery standards to support the growing population, its staffing levels/costs need to increase to keep up with customer demands. This is evident in trend data relating to Council's customer requests which show that customer requests to Council have more than doubled in the past ten years, from 48,000 in 2008/9 to 111,000 in 2019/20. (Pathways, Liverpool City Council Customer Request Management System)

A recent analysis on Liverpool's Long-Term Financial Plan found that over the next ten years Council's employee costs will increase from \$76.9 million in 2019/20 to a projected \$99 million in 2030 (Grant Thornton, Long-Term Financial Plan: Assumptions Review, 2021).



The expectation is that these costs are absorbed via Council's general rates as the only ongoing guaranteed source of revenue for Council. This is evident in the context of compliance activities. Population growth has a direct impact on compliance, for example

illegal dumping and clean-up which Council was able to recover through a levy on developers. The State Government recently announced the cessation of this program.

The above examples demonstrate how Council's costs have increased as a result of population growth and provide a realistic indication of the complex considerations which need to be taken into account when assessing the cost of additional population growth on an organisation which is as multi-faceted as Council.

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

Council is subject to growth across different parts of the local government area including greenfield urban growth (typically in the western half of the local government area) and urban renewal (within older suburbs and the city centre).

With urban infill development, Council has had an increased demand on existing services. This results in the need to augment and embellish existing infrastructure and services. Whereas a proportion of these upgrades can be delivered via the contributions system, there are restrictions based on the "*essential works list*". Any land acquisition required to support infill infrastructure is very expensive. Therefore, the capital costs can be quite high despite the often-limited provision of infrastructure.

This increased demand on existing services also requires funding for ongoing maintenance and support. For example, additional staff required in a library because of the increased demand on those services or an increase in the frequency of parks maintenance due to increased usage.

In growth areas, Council is creating new infrastructure and services to support incoming communities. In this scenario, Council is responsible for the provision of enabling infrastructure like roads and drainage and community building assets like parks and open space as well as recreational and community facilities.

Most of this infrastructure is facilitated by the contributions system and limited to the "*essential works list*", hence creating a deficit of funding for the provision of important community assets such as community centres, libraries and recreation facilities.

These additional costs, both capital for non-contributions projects and operational, need a secure funding source to ensure that acceptable levels of service are provided to our community and these assets do not deteriorate to an unsatisfactory level.

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

The city of Liverpool consists of an incredibly diverse collection of communities and geographical areas. This diversity has implications for the recovery of funding to cover the cost of providing increased services and infrastructure due to population growth.

As a service-based industry, with a significant proportion of Council's budget allocated towards the delivery of human-based services to the community and the extensive utilisation of contracts to deliver services as an alternative to in-house delivery, the capacity of Council to recover the costs associated with population growth are limited.



In addition, the NSW Government also regulates a significant number of the fees and charges which Council levies. This includes planning fees, developer contributions, waste inspection and control fees, and parking fines. In most cases, these regulated fees do not adequately reflect Council's costs to deliver these services, placing even more pressure on Council's general rates.

Although Council has the option of applying for a special variation to IPART, a Council resolution is required to apply for this variation, politicising the process and making it difficult for Councillors to commit to this.

In terms of infrastructure, once a facility is upgraded, the operating costs of the new facility are significantly higher due to the size for population and new building requirements. There are no allowances in the current system to fund the life cycle operational costs, maintenance and ultimately renewal costs of the new asset.

The city of Liverpool is also in a unique position where it is home to some of the nation's largest infrastructure projects, in particular the Moorebank Intermodal and Western Sydney Airport. While the impact of these operations on Council is huge in terms of service delivery and surrounding infrastructure, Commonwealth owned entities are generally exempt from paying rates and councils need to negotiate a fee for service type of agreement to receive ex-gratia payments under their "competitive neutrality" policy.

**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 outlined in the IPART issues paper, the supplementary valuation process is limited in instances such as granny flat developments where these do not trigger a supplementary valuation. This has a significant impact on a Council such as Liverpool where 450 granny flats have been approved over the past five years.

Consequently, it is Council's view that the review of the rate peg to include population growth should take this limitation into account.

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

Council uses Forecast.id for the basis of its planning activities and believes it provides a more accurate, localised approach to forecasting. It considers development trends (including development application (DA) observation data), age structure, birth rates, death rates and migration projections.

In specific areas, Council has observed an underestimation of population growth included in DPIE projected growth data when considered against new and upcoming changes to Council's planning controls.

**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)?**

Council uses a combination of data sources for its decision making:

- Forecast I.D. data (for medium to long-term planning at the suburb level);
- Pre-DA / DA data (for short-term forecasting of growth at a fine scale); and
- Number of domestic waste services (snapshot of dwellings per suburb).

The combination of these data sources, and the ground-truthing associated with this data, equips Council with the best available information to make informed decisions.

The concern with relying on population growth alone is that the only reliable measure is the census which occurs every four years. In the context of growth areas, this could result in a significant difference between the population used to set rates and the actual population of the area.

**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?**

Population growth factors should be set for each council and should be based on each Council's needs. Liverpool City Council is home to several of the nation's largest infrastructure projects including the Western Sydney International Airport, its surrounding Aerotropolis and Moorebank Intermodal. These projects not only put pressure on Council in terms of servicing the accompanying population growth, but also servicing the thousands of workers and visitors to the region. All of these factors need to be taken into account when determining the population growth factor. At the very minimum, there should be no standard increase, but groupings based on similar councils.

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

The minimum threshold should be reflective of the growth rate. Liverpool's projections show an average of three per cent (3%) population growth per annum. By using the growth rate as a bare minimum, it will ensure a more equitable approach across NSW.

Consideration should also be given to the additional cost pressures of population growth relating to greenfield development as opposed to urban infill development. Therefore, a blended weighted system should be developed to factor in the additional pressures of growth due to newly established suburbs. For councils that are subjected to rapid growth (or the pressures of developing and maintain new release areas), the rate peg should be commensurate to the additional costs attributed to providing basic essential services and infrastructure.



**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?**

In the calculation of the growth factor, a blended approach is preferred. Blending a mix of historic and projected growth figures could mitigate the risk of under and/or over recovery of revenue. The growth factor should then be reviewed annually to ensure its alignment with the latest information.

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

Council's major costs are employee expenses (accounting for 39 per cent of local government expenditure in 2019/20), other operating expenses, which are the costs incurred in providing goods and services and infrastructure (40 per cent) and depreciation expenses (21 per cent) (Liverpool's Audited Financial Statements).

The population growth factor needs to consider not only the increased maintenance and operating costs associated with providing significant infrastructure assets but the human costs which are associated with supporting the delivery of new infrastructure and providing services to new residents.

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

Population growth should not just be limited to residential population growth, but also include the significant economic growth which Liverpool is experiencing as this will be placing additional demands on Council's infrastructure which may not be captured through population statistics and projections.

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

As a growth Council, Liverpool will benefit from the review of the rate peg to include population growth. The role of local government has expanded over time from a provider of 'roads, rates and rubbish', with the community expecting better quality service delivery.

This has resulted in a growing mismatch between service delivery responsibilities and revenue raising capacities for Council, exacerbating vertical fiscal imbalance, and negatively impacting on Council's ability to fund and deliver services.

The proposed review process, workshops and timeline will ensure Council is able to demonstrate the complex and multi-faceted ways in which population growth impacts on Council's budget and ability to fund and provide not only infrastructure but basic essential services.

**References:**

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- Judith Stubbs and Associates (2019), Liverpool Population and Social Infrastructure Study

- Grant Thornton (2021), Long-Term Financial Plan: Assumptions Review
- Liverpool City Council (2021) Assetic Asset Management System
- Liverpool City Council (2021) Pathways Customer Request Management System
- .id (informed decisions) (2021), Liverpool City Council population forecast – [www.forecast.id.com.au/liverpool](http://www.forecast.id.com.au/liverpool)
- NSW Department of Planning, Industry and Environment Projections - [www.planning.nsw.gov.au/projections](http://www.planning.nsw.gov.au/projections)