



LJ | RAT700035

30 April 2021

Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop  
Sydney NSW 1240

Dear Tribunal members,

**Submission to the Issues Paper – Review of the rate peg to include population growth**

Thank you for the opportunity to present this submission on behalf of Mid-Western Regional Council (MWRC).

**ISSUE 1: WHAT COUNCIL COSTS INCREASE AS A RESULT OF POPULATION GROWTH? HOW MUCH DO THESE COSTS INCREASE WITH ADDITIONAL POPULATION GROWTH?**

It should be noted that it is very difficult to measure cost increases, where population is the key driver for increased cost. Council doesn't currently have a systematic process to monitor costs on this basis, but notes that areas where costs are high, and relate directly to use, include:

1. Maintaining key infrastructure like roads, water, sewer and waste services;
2. Active recreation space – particularly costs around maintaining new parks, sports grounds, drainage reserves and walking paths that are often tied into development growth;
3. Social infrastructure like libraries, community centres, swimming pools, and showgrounds increase with increased use and are heavily subsidised facilities (mostly covered by rating revenue not user fees).

For a regional council where facilities and infrastructure is required to be spread out over large areas, and duplicated in multiple towns, the costs – particularly in maintenance and operations can be extremely burdensome.

As noted in IPART's discussion paper, there are methods that ensure developers contribute to the increased infrastructure and social/community capital, however there are limited, or flawed, methods for increasing operational revenue to contribute to these growth burdens.

## ISSUE 2: HOW DO COUNCIL COSTS CHANGE WITH DIFFERENT TYPES OF POPULATION GROWTH?

Changes in the demographic, socio-economic status and age of a community has an impact on the types of council costs. For example young families have different expectations, and needs, to older populations. High density metropolitan areas have different needs to regional and rural communities. Similarly there is a difference between the needs of new residents in greenfield subdivisions as opposed to residents in established development.

Growth in secondary dwellings has an unexpected form of population growth enabling families to live reasonably within the secondary dwelling and thereby matching the number of residents in the principal dwelling. It is essentially a scaled down version of a dual occupancy, but without being either strata titled or Torrens titled and therefore not reflected in any growth for rating purposes. Its noted CIV land valuation models would address this issue and create a rates contribution pathway for these types of development.

Tourism is a recognised source of revenue and delivers significant financial contribution to the national economy. The inflow of tourist population into regional areas does represent a source of revenue to local businesses, however does come at a cost to the local council. The MWRC population surges on weekends, almost doubling the towns residential population. This kind of population surge has its challenges. It is often seen from multi-resident development (cabins, secondary housing, agri-tourism, Airbnb), and therefore often does not come with a corresponding increase to rating revenue (as the land is not subdivided, or necessarily developed for accommodation purposes). This population growth does require a different set of needs, resulting in a new cost to Councils, and is one of the bigger impacts to MWRC.

**A factor representing the inflow of population due to tourism is recommended.** We note that data is compiled by the Australian Government – Austrade that may assist in setting an index for areas within NSW that are subject to tourist population inflows. Areas of concern that are measurable and often fully funded by local communities are listed below:

- Effects of pollution – impacts on local sewer and water supply services
- Impacts on local nature and habitats
- Pressure on local infrastructure – roads, car parking, parks, sporting grounds and gardens
- Congested human and vehicular traffic
- Effects on local commodity prices
- Demand for Council Grants and donations to tourist based local events
- Funding for tourism organisations and services

Additionally, with the relocation of people on part-time arrangements (weekenders, half/half arrangements) off the back of the ability of more people to work from home, there is an increase in population growth that is difficult to measure through ABS Census data. Population movement for part-time working arrangements can see added pressure to Councils infrastructure, but again this type of population may not be mirrored in standard population growth measures.

We believe information on the movements of people to obtain employment has been collected by Transport for NSW.

### ISSUE 3: WHAT COSTS OF POPULATION GROWTH ARE NOT CURRENTLY FUNDED THROUGH THE RATE PEG OR DEVELOPER CONTRIBUTIONS? HOW ARE THEY CURRENTLY RECOVERED?

The impacts on local communities due to the inflow and outflow of population due to tourism and part-time/FIFO/transient workers are costs that are not taken into account within the current rate peg. Similarly, we again note that just using ABS population growth data would not cover these cost impacts either.

### ISSUE 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?

This process results in an increase to the council's property database base and triggers new valuations that are (except for Strata Plans) determined by the Valuer-General and consequently supplied via a supplementary valuation list.

It does not take into account new valuations made due to re-ascertainment or objection etc. that are also provided via supplementary valuation process.

MWRC has experienced situations where the Valuer General has varied the usual process of issuing supplementary valuations. The usual process where an existing parcel of land is redefined due to the registration of a new plan, is to cancel the valuation for the parent parcel and issue new valuations for the child properties in a supplementary list. This usual process does see Councils rates base increase.

Our Council has recently been subject to a situation where this usual process was varied by the Valuer-General whereby property and valuation changes were issued within a General Valuation. In this circumstance, Council's rate base cannot increase.

We submit that the intended increase in rates that is assumed through the supplementary valuation process, cannot occur consistently if the Valuer General has discretion in this process. **We recommend a mandatory process for the Valuer General to follow to ensure appropriate rate growth in the current process.**

### ISSUE 5: ARE THERE SOURCES OF POPULATION DATA WE SHOULD CONSIDER, OTHER THAN THE ABS HISTORICAL GROWTH AND DPIE PROJECTED GROWTH DATA?

MWRC recommends the use of ABS historical growth data, as the DPIE projected growth data has been materially understated for our region over recent years. Other population data sources that could be considered include:

- Department of Education – Primary and High School registrations
- New Domestic Waste Collection services – Environmental Protection Authority
- Department of Planning – Occupation Certificates issued
- Tourism Research Australia – population effects due to tourism

- Transport for NSW – population effects due to transient workers

**ISSUE 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)?**

Given annual population figures released by the ABS, outside the Census which occurs only every five years, are estimates and not necessarily a reflection of the actual population the use of occupation certificates, supplementary valuations and other data is considered the most appropriate way to account for growth.

**ISSUE 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?**

MWRC supports a population growth factor set for each Council.

**ISSUE 8: SHOULD WE SET A MINIMUM THRESHOLD FOR INCLUDING POPULATION GROWTH IN THE RATE PEG?**

Yes, MWRC supports a minimum threshold of the NSW population growth rate, if this is factored into the rate peg calculations.

Alternatively, the minimum threshold could simply be zero.

**ISSUE 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?**

MWRC supports a growth factor based on historical data, which is believed to be more accurate, even if it is delayed. However, it will depend on the data IPART recommends to use to ascertain growth, as to whether a blended factor should be considered.

**ISSUE 10: HOW SHOULD THE POPULATION GROWTH FACTOR ACCOUNT FOR COUNCIL COSTS?**

MWRC supports benchmarking the average costs of services across the 26 cost components used in the LGCI on a per capita basis across all NSW councils, then extrapolating for growth.

**ISSUE 11: DO YOU HAVE ANY OTHER COMMENTS ON HOW POPULATION GROWTH COULD BE ACCOUNTED FOR?**

MWRC supports the original IPART recommendation to mandate Capital Improved Values (CIV) for metropolitan councils and allow a choice for non-metropolitan councils. It is noted that the NSW Government in its response has not completely dismissed the notion, stating they *'will not implement CIV as a basis for setting ad valorem rates at this time'*. Council believes that this method would make a population growth factor unnecessary.

**ISSUE 12: DO YOU HAVE ANY COMMENTS ON OUR PROPOSED REVIEW PROCESS AND TIMELINE?**

MWRC finds the review process reasonable.

Thank you for providing this opportunity, I trust this submission is of some assistance to the IPART, if you have any enquiries or require clarification please do not hesitate to contact Council.

Kind regards

BRAD CAM  
GENERAL MANAGER