IPART Review of the Rate Peg to Include Population Growth – Draft Report

Introduction

Mosman Council is not immune to population growth due to the redevelopment of existing sites and property amalgamations. Such developments have resulted in a significant increase in multi unit dwellings. These dwellings have replaced the existing housing stock. Consequently the Mosman LGA has experienced a population increase of 11.2% since the year 2000.

Council must also maintain local amenities and infrastructure enjoyed by a high number of visitors. There has been a significant increase in visitation to the harbour foreshore areas largely driven by increasing populations of neighbouring Council areas.

Mosman Council will be significantly impacted by the proposed changes to the development contributions process. The proposed changes will place pressure on rate revenue and new sources of funding to finance infrastructure and general amenity improvements across the community. As the proposal regarding Development Contributions is subject to a separate enquiry, Mosman's position on this issue is contained in the relevant NSROC submission.

In respect to the "IPART Review of the Rate Peg to Include Population Growth", Council supports the proposed IPART model as it:

- Is not a one size fits all model
- Recognises that population growth affects costs
- Maintains general income on a per capita basis as population grows
- Simplifies and streamlines the Special Rate Variation process

Responses to questions in the IPART draft report

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

The methodology should be re-based in respect to a particular LGA if the re-base would result in a material increase in income. Adjustments should not be made that would lead to a decrease in income given it would introduce uncertainty into future revenue budgets and planning for service provision.

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.*

Where an LGA experiences a sudden influx of development together with a resultant population increase the model should be able to adjust.

However, Council does not support the imposition of a materiality threshold. Thresholds and limits risk creating unintended consequences. Councils are best placed to understand when an adjustment is needed. However this ‘as-needed’ mechanism should be in addition to regular re-basing rather than in place of re-basing.

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

Council is constrained by the current rating legislation that does not allow it to more strategically balance the burden of rating across its community. Specifically Mosman considers that strata unit owners do not pay sufficient rates, and that land holders carry too much of the burden.

The new rating categories do not address taxpayer equity in regard to population driven increases in costs arising from redevelopment. The current ‘equity’ is based on the 18th century view that land owners should pay tax based on land values. It does not consider the additional needs faced by Councils with providing infrastructure and facilities for multi unit strata development.

Prior to the current reforms, the most recent attempt to modernise rating structure occurred in 1993 with the option for base amounts. Since that time the base amount has been held at a limit of 50% of the rate levy. Mosman Council adopted Base Amount rating when the option was introduced in an attempt to ensure unit owners paid appropriate rates. However Council believes that a 50% base rate is not sufficient to reflect the open space, and public amenities demanded by unit dwellers.

In recognition of the added costs of providing services to the rising unit based population an increase in the base amount to 60% of the levy is considered entirely appropriate. The result would be a greater contribution from strata units, being the driver of increased demand together with meeting the costs of increased usage of public assts. For Mosman ratepayers the changes would deliver the following:

	50% Base	**60% Base**
	Residential	Residential
Ratable Valuations	17,144,084,594	17,144,084,594
Number of Properties	12,840	12,840
Rate in $	0.0005699	0.000455764
Base Amount	762	914.40
Total Income	19,554,551	19,554,551
Average Rate	1,522	1,522

All ratepayers would see an increase of $152.40 in the base amount charge with a reduction in the rate in the dollar from 0.005699 to 0.000455764 resulting in a contraction of rate in the dollar revenue of $1.9m shifting to base amount revenue.

It is considered a more equitable contribution without unit owners being subsidised by existing ratepayers.

As noted in section 3.5 of IPART’s Draft Report, Councils are already receiving additional revenue from supplementary valuations. Council supports NSROC’s submission where it has undertaken its own modelling of supplementary valuations and identified that member councils on average only receive approximately 50% of the proposed population revenue growth from supplementary valuations.

As IPART proposes to reduce the revenue benefit from population growth by the supplementary valuations, the benefit of the proposed reforms will only realise about an 0.5% increase in rates revenue for each 1% increase in population.'

The draft report acknowledges that the current system does not adequately compensate councils. Mosman Council appreciates that IPART wants to prevent double dipping for population growth. However, we would suggest that the proposed methodology should not offset the population growth factor by the amount councils earn through supplementary valuations.

The population growth factor should be on top of the current rating system. As the premise of rate pegging limits the introduction of new or enhanced services it is counter intuitive to community expectations for more or improved services.

Council strongly objects to the Government's decision to tie reform of the rate peg to cater for population growth to reductions in infrastructure contributions. This is a cost shift from developers to ratepayers and councils. Whilst it acknowledges the need to reform infrastructure contributions it should be considered independent of the rate peg reforms.

Overall Council endorses the NSROC submission and supports the proposed reform and is firmly of the view that:

- Per capita rate revenue must be maintained over time
- A one-off mechanism to address historic revenue losses should be included
- A regular re-basing mechanism should be included
- Government should not link the rate peg reform with infrastructure contributions.