

Response to the Review of the Rate Peg to Include Population Growth

Questions:

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 and maintaining infrastructure is increased with a rise in population. This growth directly impacts the rate of wear on infrastructure such as roads and footpaths, increased use and demand for community parks, playgrounds and playing fields and increased utilisation of services such as public libraries.

Depending on the rate of growth the need for infrastructure such as drainage retention basins, for example, require significant funds to construct upfront – these funds may not be able to be recouped by developer contributions for many years leaving councils to borrow and fund the difference in costs.
2. How do council costs change with different types of population growth?

When there is little to no population growth rates can be focused on the maintenance and upgrading of current infrastructure to better service the community. Higher population growth impacts on Council's ability to perform these services as monetary obligations shift to ensuring the growing community has access to required services and creates financial strain on maintenance of current infrastructure.
3. What costs of population growth are not currently funded through the rate peg or developer contributions? How are they currently recovered?

Population growth increases the usage of Council infrastructure which in turn requires more frequent maintenance of these assets. The Australian Bureau of Statistics identified in 2016 an average of 2.6 people and 1.7 motor vehicles per household. Thus with every Occupation Certificate issued nearly 2 additional vehicles are frequently using the road network and 3 people require public parks, sports fields, amenities etc. While the current rate peg allows for growth of providing maintenance it does not satisfy the costs of expansion of existing facilities to cater to the growing population or if required additional facilities. Some but not all of these costs from expansion of existing facilities or new facilities are recovered from developer contributions and grant allocations (received from state and federal government). It is doubtful that the current high level of grant funding largely attributable to stimulus grants related to the 2019 Bushfires and COVID-19 will continue in the future.
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?

The current supplementary valuation process works well to account for property growth within a LGA and potential income growth. When incorporating population growth into the rate peg the supplementary valuations should be considered. Without property growth, which is accounted for in the supplementary valuation process, changes in rates income attributable to population growth would be limited.
5. Are there sources of population data we should consider, other than the ABS historical growth and DPIE projected growth data?

- All investigations into population data both historical and projected are sourced from either the Australian Bureau of Statistics or Department of Planning, Industry and Environment. Therefore only population data provided by ABS or DPIE should be considered.
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)?

Consideration should be given to a population growth factor that considers both population data from ABS and DPIE and Occupation Certificate issued during a year. As the ABS identified an average of 2.6 people per household, population numbers could be estimated by multiplying the number of Occupation Certificates issued by the average 2.6. This could then be compared against historical and projected population data to determine a growth factor.

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 most accurate growth factor calculation for ratepayers and Council's is "projected with true-up", where the calculation consists of a projected growth factor and is adjusted for actual growth by historic data.

Example, Council has a projected growth of 2,000 people and is granted a 2% PGF in the 21/22 financial year. In 2 years' time, 23/24 financial year, when the ABS historic growth data is published it is reported an actual population growth of only 1,500 people occurred. To correct the 0.5% discrepancy in the 21/22 financial year PGF the 0.5% is deducted from the 23/24 financial year rate peg. This calculation method ensures ratepayers are not overpaying on rates and Councils are only collecting the additional income required for the rise in population.

A "historical" calculation method is based solely on historic data and as such Council is always 2 years behind the actual population growth as ABS release historic growth data 2 years later.

A "projected" calculation method is likely to result in the over or under recovery of income. Meaning ratepayers may suffer unnecessary rate increases if overestimated or Council cannot recover the correct amount of income to sustain its population growth if underestimated.

A "blended" calculation method of "historic" and "projected" mitigates the severity of the issues associated with the individual methods but would still allow for the over and under recovery of income.

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

No, as the proposed rate peg structures only change is the addition of the population growth factor (PGF), all PGF's above zero should be added as the increased demand on infrastructure and services are still present. For example, if a Council has a Permissible Income of \$10,000,000 and a PGF of 0.01 is calculated on top of the existing rate peg structure that Council would be able to recover a further \$100,000. This additional income is essential in providing and maintaining infrastructure and services for the growing community.

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 most accurate growth factor calculation for ratepayers and Council's is "projected with true-up", where the calculation consists of a projected growth factor and is adjusted for actual growth by historic data.

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

If the PGF calculation takes the Supplementary Valuation process into consideration then 100% of the growth factor should be applied as this is the only current method of increasing the Permissible Income outside of the rate peg.

If the PGF does not account for the Supplementary Valuation process and amount less than 100% of the growth factor should be applied to avoid an excessive increase in rates due to a property being counted twice. E.g. once in the PGF and another in the Supplementary Valuation process.

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

As long as both historical and projected population data, along with the Supplementary Valuation process and Occupation Certificates issued in the corresponding year, are given consideration the population growth factor will be determined based on all applicable data.

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

The current proposed process and timeline allow for all stakeholders to voice their concerns and opinions to help administer the best possible outcome for all parties.