

Governance [REDACTED]

Phone 02 [REDACTED]

3 August 2021

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

By email: ipart@ipart.nsw.gov.au

Dear Sir/Madam,

REFERENCE: REVIEW OF THE RATE PEG TO INCLUDE POPULATION GROWTH

City of Newcastle is pleased to make the following submission to the subject review.

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

Yes. Alignment with ABS Population estimates methodology will be important to provide a consistent long-term evidence base.

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. A scaled threshold could be established. e.g. for LGA's > 100,000 population an adjustment is needed if the population shifts +/- 1,000 people, or for LGAs < 100,000 population an adjustment is needed if the population shifts +/- 500 people. Further analysis would be required by IPART to determine the appropriate setting.

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

CN welcomes IPART's review of the rate peg and acceptance by the Government of the NSW Productivity Commissions' conclusions that acknowledge the significant detrimental impact rate pegging has had on all Councils over the last four decades. The IPART also acknowledge within this review that the current rate peg methodology does not allow councils to increase their rates revenue to align with population growth. This has resulted in declining per capita rate revenue for councils and an inability to provide for the increase in the volume of services that need to be provided to service population growth or to maintain new local infrastructure.

CN generally supports the draft methodology and proposed model – whilst it is a step in the right direction the process will however only minimally alleviate the inequities rate-pegging has caused. Importantly then, it is imperative that councils have an ability to be compensated for past rate income not received due to the non-introduction of the population growth factor to the rate peg. A mechanism should be available which provides a "catch-up" of past rate revenue foregone from a defined point of time.

A critical consideration is that given the population factor is based entirely on population growth - any discount factor for supplementary valuation income (if applied) will need to be calculated only on the supplementary levy income that is relevant to population growth i.e. residential rate income. Increases to supplementary valuation income caused by subdivision of business land or changes to rating categories should be excluded from the calculation of the supplementary valuations factor. Methodology must be implemented to ensure these

exclusions occur and that only population growth(residential) income is included in the Supplementary Valuations percentage.

CN has concerns about the apparent linking of the rate peg reforms to the reductions in infrastructure (developer) contributions. CN supports Local Government NSW's opinion that the findings of the Productivity Commission on the negative effects of rate pegging are completely independent of the infrastructure contributions review process and the matters should be addressed separately. CN sees this as a shifting of the cost of additional community infrastructure from developers onto the existing community and councils. Any linkage between the two revenue sources undermines the Productivity Commission's objective of reducing the negative impacts of rate pegging on councils.

CN is also concerned that using ABS population estimates as the primary source of information is backwards looking and does not allow the system to be responsive to more rapid changes in population growth, such as the assumed population relocation to Newcastle which CN believes is happening now. The ABS releases population estimates with a lag of approximately nine months. (e.g. 30 June 2020 figures came out in March 2021). The population estimates on an LGA basis are only released once a year. Therefore, CN won't officially know the impact of COVID movements until March 2022 (assuming that most people hadn't relocated by June 2020).

CN remains of the view that using DPIE population projections would be a preferred method as additional costs incurred by Council due to population growth are experienced before the population growth actually arrives.

Yours faithfully

