

6 August 2021

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

Re: Submission in Relation to the Draft Report - Review of the Rate Peg to Include Population Growth

Thank you for the opportunity to provide a submission in relation to the IPART review of the rate peg to include population growth. Please find our responses as follows:

Q1 - Should our methodology be re-based after the census every five year to reflect actual growth.

We support the methodology being re-based to reflect actual growth. The growth should include net population growth inclusive of the portion of growth that is already achieved through supplementary valuation process. It is noted however that the proposed methodology is based on per capita population changes while land rates are payable on rateable land. The number of residents in a Council may not align with the number of ratepayers and the methodology does not address the number of properties occupied and used for residential accommodation that are exempt from land rates. This would result in rateable properties subsidising the costs of servicing the population on any exempt land.

Q2 - 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.

We agree that applying a "true-up" adjustment is essential to ensure that population factors applied reflect reality and that Councils does not fall further behind in relation to growth. We do however have concerns in relation to the significant time lag in this process regarding the baselining of projected data to updated estimates and indeed actual growth. We would therefore support a materiality threshold to trigger whether an adjustment is needed on a case by case basis to correct any differences due to a lag in time for the data.

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

Rate pegging when combined with cost shifting has significantly adversely impacted Councils' ability to continue to deliver services to their communities and on the provision of adequate infrastructure and maintenance.

We consider that the rate pegging does not completely align with the principle of sustainability. Rate pegging does not necessarily allow the source of income to Local Governments to grow over time relative to costs, to support the future needs of the community.

We understand that the purpose of the review was to develop recommendations to improve the equity and efficiency of the rating system, in order to enhance Councils' ability to

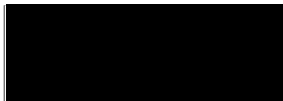
implement sustainable fiscal policies over the long term. Council supports in principle any changes that provide greater equity in the rating system and that enhance financial sustainability into the future.

Whilst incorporating a factor into the rate peg to reflect growth is a step in the right direction, there is none-the-less a residual concern that the proposed methodology does not fully uphold the taxation principles in relation to equity and the distribution of rates across different ratepayers. It is noted that population does not necessarily equate to ratepayers and that an index based on population growth would potentially only be applied to a sub-set of that group, i.e. as noted above the proposed methodology is based on per capita population changes, whereas land rates are payable on rateable land. This is an issue particularly in relation to exempt properties. It is also noted that the growth factor is based only on the residential population, however increasing costs are also linked to business and employment growth and should also be considered in this methodology. Some Councils experience growth in their non-residential population at a greater rate than their residential population.

We would also note that in relation to Infrastructure Contributions Reforms, we call on the NSW Government to de-couple the IPART led review of the rate peg to include population growth from the infrastructure contributions reforms.

Should you have any questions regarding the above submission, I would invite you or your representative to contact Nicole Spencer, Group Manager Financial Services via email at [REDACTED]

Yours sincerely



Nicole Spencer
Group Manager Financial Services