

## **IPART DRAFT RATE PEG REFORM**

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

Yes, the Upper Hunter Shire Council agrees with this methodology with resetting the population growth parameters every five years in order to provide comfort of growth trends within their communities.

**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, the Upper Hunter Shire Council would support the use of materiality threshold for Local Government Area's (LGA's) for which the growth in population was in excess of the ABS data trends for average population growth within the area.

Consideration for more real time data in LGA's that are experiencing materially higher population growth due to the increase in either development (sub-divisions), social, economic and lifestyle factors would be recommended. A materiality effect of say 10% above the average expected growth forecasts could be the trigger to enable applications to IPART for a review of the population factor.

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

The methodology of the draft report has merit in trying to address the increase in the general rate base through population growth factors that ultimately would assist in funding the costs of additional servicing the community. However, the reforms seem to be driven predominantly towards the larger Regional and Metropolitan Local Government Area's (LGA's) where growth and expansion is more prevalent. It would be considered, that with the majority of Rural LGA's, population growth factors would be well below the State and National average and considered minor or even declining over the last have 5 years due the drought conditions.

In addition, within a majority of Regional and more so Rural Council's the general rating base does not form a significant portion of the overall revenue generated required to counter the cost of infrastructure and servicing of facilities for the community. This has therefore meant that within these LGA's the financial rigors of cost saving is required in order to deliver satisfactory services to their communities, which should be to the forefront of all Council's. However, due to limited funds available the level of satisfactory service may have to reduce to a level of affordability that may be to the detriment of Council's infrastructure assets.

It is noted, within predominantly Rural based Council's that have vast land areas, when compared to the larger regional and metropolitan areas, the cost of servicing the road networks, main town communities and smaller village communities totally outweighs the revenue generated from its general rating base. Therefore, these Councils are extremely reliant on grant funding from government agencies to meet the costs of just operational expenditure. In some respect, the IPART recommended rating increase does not even meet

the increase in the award wage rise for staff let alone increase in normal operational expenditure from CPI.

Considering this, Rural Councils only real lever for providing additional revenue from its rating base to fund the ever-increasing infrastructure and servicing requirements is through Special Rate Variations that, in the past, has been an extremely onerous and resource hungry process especially for those Councils that have limited resources available. It is refreshing to see that IPART have identified this issue and are reviewing this in order to provide a more simplified and streamline process in the future.

Given that the nature of this proposed IPART reform into the rate peg linked to population growth is important, especially for those LGA's that have significant growth factors, for smaller Regional and Rural LGA's the primary reform required is in regards to the distribution of the Financial Assistance Grant funding from the Federal Government. For these Council LGA's, they are extremely reliant upon this funding for day to day operations which is due to the limited avenues for generating additional revenues within their communities, of which are available to major Regional and Metropolitan LGA's such as parking meters, user pay services, major development contributions etc.. This limitation is due primarily to the level of population density and geographical footprint within these LGA's.

Although this may not be the correct forum for this discussion, advocacy in this area by IPART may assist in the progression of the Federal Governments proposed reform into the matter.