

26 April 2021

Independent Pricing and Regulatory Tribunal  
PO Box K35  
HAYMARKET POST SHOP NSW 1240

**Wagga Wagga City Council Submission**  
**Review of the rate peg to include population growth**  
**April 2021**

**Wagga Wagga City Council Responses to Questions**

**1. What council costs increase as a result of population growth? How much do these costs increase with additional population growth?**

Population growth results in many of Council costs increasing with the additional requirements and expectations for the provision of services, facilities and infrastructure to support the growing community. There are numerous examples of increased costs associated as a result of population growth, however they are not something that can be directly costed given there is no direct correlation, but rather an indirect one in most cases.

The Table below highlights some examples of how council costs increase with additional population growth and are provided in a manner consistent with the Local Government Cost Index cost items:

Recurrent Cost Items	Do Costs Increase with Population Growth?	How Do These Costs Increase with Additional Population Growth?
Employee benefits and on costs	Yes	<ul style="list-style-type: none"><li>• Providing additional services, facilities and infrastructure for the growing population may require additional Council employees and therefore result in additional costs. The number of additional employees and increase in costs will depend on the additional services that are required and the indirect flow to supporting functions.</li></ul>
Plant and equipment leasing (excluding waste management)	Yes	<ul style="list-style-type: none"><li>• Increased roadwork requirements because of increased traffic movements, for example, may require additional plant hire, depending on the amount of work and the utilisation of current plant items that Council owns.</li></ul>

Recurrent Cost Items	Do Costs Increase with Population Growth?	How Do These Costs Increase with Additional Population Growth?
Operating contracts (excluding waste management) <sup>1</sup>	Yes	<ul style="list-style-type: none"> <li>With growing suburbs to support population growth, there will be increases in various operating contract areas such as tree maintenance services or roadside vegetation management services.</li> </ul>
Legal and accounting services	Yes	<ul style="list-style-type: none"> <li>If there are additional works required, then there may be an increase in the number of suppliers to pay and there will be an increase in the number of ratepayers and therefore rates and charges to be applied. This would have a direct flow on effect to the number of support staff required to raise rates notices, receipt monies received and make supplier payments.</li> </ul>
Office and building cleaning services	Yes	<ul style="list-style-type: none"> <li>If the result of an increased population includes additional buildings such as public toilets, there will be additional cleaning costs as a result.</li> </ul>
Other business services <sup>2</sup>	Yes	<ul style="list-style-type: none"> <li>Updating infrastructure plans to support a growing population will result in increased consultancy costs likely for councils as an example.</li> </ul>
Insurance	Yes	<ul style="list-style-type: none"> <li>Additional buildings and employee costs that may be an outcome of a population growth will result in increased premiums.</li> </ul>
Telecommunications, telephone and internet services	Yes	<ul style="list-style-type: none"> <li>Likely to see increased after hour calls that are charged on a call by call basis. Additional telephones may be required for the additional employees, and internet services will likely require improving to service the community at an appropriate standard.</li> </ul>
Printing publishing and advertising	Yes	<ul style="list-style-type: none"> <li>While there is a growing take-up of digital services, there are also many community members who still prefer paper, for the likes of rates notices for example. This may reduce over time as the community becomes more digitally focussed, however this will only mean a transfer of costs from the physical printing, publishing and advertising to be in a digital form, which still</li> </ul>

<sup>1</sup> 'Operating contracts (excluding waste management)' uses the Other administrative services ABS Producer Price Index (PPI – 729)

<sup>2</sup> 'Other business services' include materials and contracts such as other operating leases, contractor and consultancy costs such as surveying services, computer services, market research, security services.



Recurrent Cost Items	Do Costs Increase with Population Growth?	How Do These Costs Increase with Additional Population Growth?
		requires additional staff with the skillset to undertake these functions.
Motor vehicle parts	Yes	<ul style="list-style-type: none"> <li>Additional servicing requirements in the roads area for example, will require additional vehicles and therefore additional motor vehicle parts.</li> </ul>
Motor vehicle repairs and servicing	Yes	<ul style="list-style-type: none"> <li>Additional servicing requirements in the roads area for example, will require additional vehicles and therefore additional motor vehicle repairs and servicing costs.</li> </ul>
Automotive fuel	Yes	<ul style="list-style-type: none"> <li>Increased works required from population growth will have a direct impact and increase usage and therefore costs.</li> </ul>
Electricity	Yes	<ul style="list-style-type: none"> <li>Increased housing development, therefore additional streetlighting requirements and electricity costs.</li> <li>Potential for longer opening times required in Council facilities, therefore increasing costs.</li> </ul>
Gas	Yes	<ul style="list-style-type: none"> <li>Wagga Wagga City Council own and operate the Oasis Regional Aquatic Centre that runs a gas-driven Cogeneration plant, producing both heat and electricity from that plant. Council therefore uses natural gas for the operation of this centre. Unless there are additional facilities built that uses a natural gas system, there will be no increase in gas costs associated with an increase in the population for the Aquatic Centre, however there will be minor increases for gas bottles associated with the workshop for the additional vehicle repairs that may be required.</li> </ul>
Water & sewerage	Yes	<ul style="list-style-type: none"> <li>Increased housing development, therefore additional sewerage management requirements.</li> </ul>
Road, footpath, kerbing, bridge and drain building materials	Yes	<ul style="list-style-type: none"> <li>Increased road and foot traffic therefore depleting road and pathways at a more rapid pace resulting in increased maintenance costs.</li> </ul>



Recurrent Cost Items	Do Costs Increase with Population Growth?	How Do These Costs Increase with Additional Population Growth?
Other building and construction materials <sup>3</sup>	Yes	<ul style="list-style-type: none"> <li>Increased road and foot traffic therefore depleting road and pathways at a more rapid pace resulting in increased maintenance costs.</li> </ul>
Office supplies	Yes	<ul style="list-style-type: none"> <li>If there are additional staff required to support the growing population, they will require additional office supplies to undertake their functions.</li> </ul>
Emergency Services Levies	Yes	<ul style="list-style-type: none"> <li>An increase in the population will increase the number of assets at risk of fire and may require additional operational response capabilities (ie. new bridge stations, adequate resourcing for first responders, air support, fire control centres etc.). With councils required to contribute 11.7% of the costs of fire and emergency services in NSW, increases in population with increase council's contribution requirements.</li> </ul>
Other expenses <sup>4</sup>	Yes	<ul style="list-style-type: none"> <li>Miscellaneous expenses, with the exception of councillors' and mayoral fees (unless the Local Government Remuneration Tribunal determined that Wagga is to transfer to a larger Non-Metropolitan group), would generally increase with growth.</li> </ul>
<b>Capital Expenditure Cost Items</b>		
Buildings – non-dwelling		<ul style="list-style-type: none"> <li>Population growth will result in increased expectations in regard to the facilities that are provided to service the community. There will be increased requirements for public toilets for example, along with community centres and sporting facilities.</li> </ul>
Construction works – road, drains, footpaths, kerbing, bridges	Yes	<ul style="list-style-type: none"> <li>If the construction works are a direct requirement of development, then generally, most of the funding can be sourced from developer contributions. However, population growth will lead to upgrades being required that may not have a direct nexus to the development. The funding difference may</li> </ul>

<sup>3</sup> 'Other building and construction materials' uses the Non-residential building construction Producer Price Index (PPI – 3020).

<sup>4</sup> 'Other expenses' include a range of miscellaneous expenses with relatively low weights within the index, such as councillors' and mayoral fees.

Recurrent Cost Items	Do Costs Increase with Population Growth?	How Do These Costs Increase with Additional Population Growth?
		therefore need to be sourced from grants or borrowings.
Construction works – other	Yes	<ul style="list-style-type: none"> <li>General construction works will increase as additional facilities and infrastructure are required to support the growing community.</li> </ul>
Plant and equipment – machinery	Yes	<ul style="list-style-type: none"> <li>Additional works required to support population growth may result in additional machinery purchases, depending on the utilisation of current plant and equipment that council owns. However, with population growth comes additional council facilities such as parks and roadways that require maintaining – therefore additional machinery is likely.</li> </ul>
Plant and equipment – furniture etc.	Yes	<ul style="list-style-type: none"> <li>If additional facilities are constructed, and there are additional staff requirements, then additional furniture will be required to support the provision of services and facilities to the community.</li> </ul>
Information technology and software	Yes	<ul style="list-style-type: none"> <li>Depending on the additional staff requirements to support the growing population, there may be additional IT purchases required that has associated software licencing requirements also.</li> </ul>

## 2. How do council costs change with different types of population growth?

At the State level there are three key elements of population growth: natural increase (births and deaths), net overseas migration and net internal migration from other states and territories.

The ability of council to retain and attract population depends to a great degree on quality of life and liveability. Liveability in turn depends on economic, social, cultural, geographic and environmental issues. To provide an area with liveability, council needs to make the investments in the community infrastructure, services and facilities, which is ever increasing to be in partnership with other levels of government as councils do not have the financial capacity alone.

The different types of population growth will have impact on council costs differently. In relation to natural increases in population and internal migration, the impacts are broadly seen across all services, facilities and infrastructure provided, particularly as Wagga has a higher proportion of those aged 25 – 34 and 35 – 49 (13.8% and 18.2% respectively – Source: profile.id 2016 data).

However, in relation to overseas migration, the impacts are slightly different in that while the impacts will be again broad, there will also be additional costs as a result of the Wagga Wagga local government area being a proudly diverse community. Wagga became an official Refugee Welcome zone in 2012 and also part of the



Humanitarian Refugee Resettlement Program, with the council providing funding to support people from culturally diverse backgrounds through a variety of projects, programs and partnerships each year. Council also works with key organisations to hold events such as Refugee Week, Naidoc Week, and our Multicultural Festival as well as conducting regular Citizenship Ceremonies.

Another program that council staff participated in was to ensure that the aquatic centre staff understand the issues affecting multicultural members of the community, many of whom may never have ventured into a swimming pool before. The Oasis Regional Aquatic Centre is now one of ten NSW aquatic facilities that are recognised as a Culturally Qualified Centre after taking part in Royal Life Saving NSW's Cultural Competence Program.

The data related to Wagga Wagga is provided in the Tables below for context.

#### **Births and Deaths – Year ended 31 December: Source: ABS LGA Data**

	2014	2015	2016	2017	2018	2019	2020
Births (no.)	835	869	829	842	1,011	953	972
Deaths (no.)	417	411	477	424	468	474	488
Natural Increase	418	458	352	418	543	479	484

#### **Internal Migration – As at 30 June: Source – ABS LGA Data**

	2017	2018	2019	2020
Internal Arrivals (no.)	3,942	4,496	4,486	4,135
Internal Departures (no.)	4,275	4,844	4,788	4,320
Net Internal Migration (no.)	-333	-348	-302	-185

#### **Overseas Migration – As at 30 June: Source – ABS LGA Data**

	2017	2018	2019	2020
Overseas Arrivals (no.)	633	612	610	553
Overseas Departures (no.)	240	264	278	331
Net Overseas Migration (no.)	393	348	332	222

### **3. What costs of population growth are not currently funded through the rate peg or developer contributions? How are they currently recovered?**

The rate peg is insufficient to fund the additional costs of population growth such as the ongoing maintenance, and upgrades required associated with a growing population. While new subdivisions require infrastructure upgrades that developers fund, there are a range of upgrade-related projects that require to be undertaken across the city to support infill development and new development, whereby only a portion can be funded through developer contributions. These can include shared paths to provide connections to existing suburbs; development of plans or studies that will support population growth and outline the future requirements that will be placed upon Council. Developer contributions are also capped, and therefore will not be able to fund the complete development required once the cap has been reached.

While it may be reasonable that a share of the uplift in land value as a result of development be extracted to fund public benefits, including infrastructure, it is not explicitly provided for in Australian jurisdictions, apart from the ACT where the leasehold land system includes a 'lease variation charge' for 75% of the value uplift following the granting of additional development rights. While the Valuer-General's supplementary valuation process will identify changes in land parcels that are directly affected, it is only at the time of a revaluation that any uplift may be considered for those surrounding properties, however it would not be in proportion to the infrastructure developed, and therefore does not allow for the permissible income allowed for the rate peg to increase, as with supplementary valuations year on year.

As rates are determined based on the dominant use of the land, and if the land is being used for residential accommodation, then the number of residents is immaterial from a rating perspective, however it is material in terms of population density and servicing that population. Multiple serviced apartments on one parcel of rateable land valued as one assessment does not consider the number of residents occupying those apartments and the impact they have on council costs for example.

There is no way to currently recover costs relating to these other than through grant funding, which does not cover the ongoing or maintenance costs, or in part, through annual charges for waste management as an example.

### **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 supplementary valuation process currently allows for the Valuer General, throughout the financial year, to send supplementary notices if they:

- Change the property area, description or dimensions on a ratepayers' original Notice
- Change the land value through the Valuer General's quality assurance program or to reflect changes to the zoning or features of the land
- Issue a new valuation for land in a subdivision
- Issue a single valuation for land they have previously valued separately
- Issue separate valuations for land they have previously valued together.

The Valuer-General process most likely to impact on population growth are the subdivisions whereby additional housing development will likely support an increase in population. This should be accounted for when incorporating population growth in the rate peg.

**5. Are there sources of population data we should consider, other than the ABS historical growth and DPIE projected growth data?**

While there may be other sources of population data to consider, there are significant differences in the population forecasts produced by DPIE and profile.id for example that may result in a lower population forecast and therefore would impact on the resulting rate peg calculation. In the table below for example, the forecasts for Wagga Wagga show major discrepancies, and needs to be considered when adopting a population data set:

Year	DPIE Forecast	Profile.id Forecast	Difference between Forecast Data Sets	ABS Historical Data	Actual Population Growth
2014				62,776	
2015				63,327	551
2016	63,906	63,906	0	63,906	579
2019	N/A	65,258	N/A	65,258	1,352 (3 years)
2020	N/A	N/A	N/A	65,770	512
2021	66,135	69,523	3,388		
2031	69,623	Nil	N/A		
2036	70,661	80,984	10,323		
2041	71,271	Nil	N/A		

**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)?**

The number of rateable properties could be combined with population forecasts to determine the number of people per rateable property, however this too would need to include some form of growth assumption. This has limitations however, as with Wagga Wagga's information, the population increase is about 500 – 600 people per annum, however if you assume that there are 2.46 people per household based on the number of rateable properties, there should have been a 1,084 increase based on 2019-20 residential rateable properties not 512. An increase in rateable properties are supporting growing populations, however it is unclear as to how you could appropriately include these as a measure of population growth unless there was confidence in the number of occupants in a residential property.



For context, the number of rateable properties and associated increases are included below:

RATEABLE PROPERTIES		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	TOTAL OVER 10 YEARS	AVERAGE OVER 10 YEARS
Residential	Wagga	20,059	20,244	20,519	20,450	20,652	20,902	21,258	21,606	22,007	22,279	22,722		
Residential	Villages	841	845	860	1,113	1,115	1,110	1,117	1,132	1,131	1,127	1,131		
Residential	Other	1,169	1,172	1,170	1,134	1,123	1,112	1,113	1,135	1,122	1,121	1,114		
Business	Wagga	1,519	1,526	1,535	1,560	1,588	1,638	1,622	1,645	1,637	1,651	1,656		
Business	Villages	148	151	149	180	182	186	185	185	203	218	224		
Farmland		1,856	1,888	1,899	1,916	1,920	1,914	1,913	1,909	1,862	1,823	1,813		
TOTAL RATEABLE PROPERTIES		25,592	25,826	26,132	26,353	26,580	26,862	27,208	27,612	27,962	28,219	28,660		
%AGE INCREASE			0.91%	1.17%	0.84%	0.85%	1.05%	1.27%	1.46%	1.25%	0.91%	1.54%	11.26%	1.13%
NUMBER INCREASE			234	306	221	227	282	346	404	350	257	441		306.8

  

Population	62,776	63,327	63,906	65,258	65,770
People per Rateable Property	2.53	2.53	2.52	2.48	2.46

  

RATING INCOME		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Notional General Income		35,014	36,644	37,747	41,279	41,652	42,621	44,072
Rate Peg Percentage		3.40%	2.30%	2.40%	1.80%	1.50%	2.30%	2.70%
Rate Peg Amount		1,190	843	906	703	625	980	1,190
Permissible Rating Income		36,204	37,487	38,653	41,982	42,277	43,601	45,262
Total Increase			1,283	1,166	3,329	295	1,324	1,661

Development Applications (DA's) should not be considered as there are no requirements to build once a DA has been approved, and the likelihood that the development will be completed is only likely to be about 80-85%.

The issuing of Construction Certificates (CC's) and Complying Development Certificates (CDC's) however, has a higher rate of development completion, about 95-98%, and could be used for some types of development such as secondary dwellings considering these would generally result in population growth and therefore impact on council costs. However, including the number of CC's approved into the calculation methodology would not consider those CC's that are not related to population growth, such as the addition of a shed to a property. CC's may be considered by type if they were to become a consideration in the methodology calculation to include population growth.

In addition to CC's, some forms of CDC's should also be considered as there will be resulting impacts to population levels and council costs. Similar to CC's, Complying Development Certificates would need to be examined by their type in order to determine if they were a population growth indicator or not.

There are additional factors that should be considered as part of establishing the rate peg. While there are numerous cost items included in the review of the current rate peg, none of these items consider the Socio-Economic Indexes for Areas (SEIFA) scores that outline both the community and social disadvantage population features. This is a methodology that forms part of the National Principles for the allocation of grants under the *Local Government (Financial Assistance) Act 1995* that is used to recommend the Financial Assistance Grant allocation to local governing bodies. While the current rating methodology is based on land values rather than capital improvement values (CIV), this in itself would not necessarily have a different outcome, particularly as the 2019 valuations were reflective of declines or only minor increases for those areas in Wagga that have the lowest SEIFA index scores and are therefore the most disadvantaged.

The *Local Government Act 1993* requires councils to adhere to the principles of social justice, including equity, access, participation and rights. All councils therefore have a responsibility to deliver and respond with a wide range of responses that contribute towards decreasing social and community disadvantage. This can range from providing infrastructure services directly to social housing areas or partnership approaches with non-government organisations (NGO's) and/or other State and Federal Government agencies, each of which require funding and should be an adjusting factor within the rate peg calculation.

A further additional factor to consider as part of population growth should be related to the number of non-rateable properties, and the Federal and State Government recognising that these properties also increase council costs. Currently Council has properties such as schools, hospitals and churches that are valued at approximately \$273 Million that are exempt from rating. If a business rating levy were allowed to be applied as an equivalent to an ex-gratia payment for example, it would generate approximately \$3.8 Million in rates income for Council and have a significant impact in allowing Council to provide the services, facilities and infrastructure it requires to service and support the community.

It is therefore recommended that Federal and State agencies should make ex-gratia payments to local government, excluding State Government owned schools and hospitals, that reflects the cost of servicing those properties, similar to both the Perth and Adelaide Airports that are on Commonwealth land and not required to pay council rates but make ex-gratia payments to the respective councils.

**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?**

It is recommended that the population growth factor should be set for each council.

Every council provides a different level of service, different facilities or different infrastructure that will each require an acknowledgement of their particular council area. While some councils may have similar characteristics, the population growth and demographics may be vastly different.

If it was determined that councils with similar characteristics should be grouped, the groups should be defined by population demographics that to ensure it includes socioeconomic information, however this is not recommended.

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

A minimum threshold is not recommended. Population growth will have some impact on the cost of providing services, facilities and infrastructure and should be incorporated at any level. If a minimum threshold is established, it may not account for the cumulative increases over time, and therefore leave the slower growing communities without the additional funding required to service and support their community.

**9. What is your view on the calculation of the growth factor – should we consider historical, projected, projected with a true-up, a blended factor or another option?**

Historical growth means there will always be a lag in the provision of infrastructure, services and facilities to support the population that is already in existence. While this is a "safe" method of calculation, it is not allowing councils to appropriately plan and therefore service the population growth as it occurs and the council will continually play 'catch-up', which is not recommended.

Projected growth numbers from DPIE are significantly understated and would not be recommended for use.



Projected growth with a true-up is also not recommended as it still uses DPIE numbers that are understated, and the true-up mechanism would create a further administrative burden to councils. If councils had rated within the projected amounts, but the true-up revealed that the council did not have the population growth to support the rates set down, the community may develop the view that the additional rates raised in excess, would be required to be returned through the following year's rating process for example. This methodology would make it difficult to forecast rate income and would result in rates fluctuating, which is not a good community outcome, particularly if the population increases significantly in a particular year and the outcome is a significant increase in council rates.

A blended option of historical growth and projected growth would minimise the potential risk of significant fluctuations, should be relatively easy to administer, but would also depend on where the projected growth numbers are sourced. The difference in the DPIE and profile.id projections highlighted above were significant for Wagga Wagga, a 10,323 in variation by 2036. If there is a level of confidence that can be provided in relation to the projections, then a blended option would be the recommended approach.

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

While councils can currently raise revenue for growth outside the rate peg using supplementary valuations, special variations and developer contributions, the supplementary valuations do not accurately determine the increase in population; the special variation process is administratively burdensome; and developer contributions are capped. The rate peg has been in place since 1977 and has been a key factor in councils not being able to fund operating and maintenance costs associated with a growing population nor to service debt to forward fund infrastructure that would improve the coordination of service delivery with development. The Final Report on the Review of Infrastructure Contributions in New South Wales undertaken by the NSW Productivity Commission released in November 2020 states that *“While the rate peg accommodates changes in the price of services faced by an average council, it does not include changes in the volume of services required.”* Further to this the report indicates that *“The special variation process to increase general income above the prescribed rate peg appears to be underutilized by councils. This is attributed to the level of resourcing required to develop a satisfactory application, the lengthy timeframes involved, and community backlash from a council increasing its rates by more than other councils.”*

There has been no recognition of population growth in the rate peg calculation methodology, hence the significant backlogs in asset maintenance and a lower quality and quantity of infrastructure to service the community. Given these factors, the population growth factor should be accounted at 100% to effectively start to claw back what has been lost since 1977 and provide council with a greater ability to meet the need of a growing community.

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

Population growth could be accounted for by allowing councils, in consultation with their communities, establish the ad-valorem rate, rather than IPART.

If you have any concerns with this submission, please contact Peter Thompson, General Manager, Wagga Wagga City Council on [REDACTED]

General Manager