

## GROWTH FUNDING QUESTIONNAIRE FROM IPART – Waverley Council.

### Waverley Population Growth

The population growth in Waverley LGA is estimated to be 5,000 (7%) people from 2016 to 2041 on its current base population of 72,000. This increase in the population will drive extra costs at Council.

### Visitor Data

Waverley Council area - 2010/11 to 2019/20				Waverley Council area			New South Wales		
Year	International Visitor Nights	Domestic Visitor Nights	Domestic Daytrips	International Visitor Nights	Domestic Visitor Nights	Domestic Daytrips	International Visitor Nights	Domestic Visitor Nights	Domestic Daytrips
2019/20	2,129,727	351,974	509,095	69,572,939	97,115,649	61,427,983			
2018/19	3,100,525	478,848	--	97,921,257	114,126,612	68,235,949			
2017/18	2,956,284	670,127	--	93,991,977	103,048,262	60,533,017			
2016/17	2,587,425	327,810	--	91,634,940	95,213,953	56,135,447			
2015/16	2,424,151	514,678	--	86,078,709	90,198,856	56,317,066			
2014/15	1,817,070	410,383	--	79,010,482	86,926,492	52,248,102			
2013/14	1,751,063	358,699	--	74,975,084	84,924,849	53,052,754			
2012/13	1,586,871	391,856	--	69,764,108	83,735,574	51,344,671			
2011/12	1,742,383	497,119	--	66,617,521	82,316,358	53,656,342			
2010/11	1,860,094	317,782	--	66,118,596	82,465,665	50,103,881			

Overall international visitor nights have peaked at 3.1M a 63 % increase in 10 years.

Domestic visitor nights reached a peak in 17/18 at 670K more the doubling the 10/11 base line recorded.

This is obviously not included in the population in the local LGA but it drives the use of local services, open spaces and facilities increasing costs council incurs to provide operating services and maintain the necessary infrastructure.

The benefit derived for economic activity associated with tourism will be seen across the Country. However, Bondi Beach is a major attraction for overseas tourist and an attraction for the population of greater Sydney as seen by the rapidly increase visitations over the last ten years.

#### 1. What costs increase as a result of population growth ?

There are essentially two type of population growth that affect costs at a Council :

- ❖ Direct population growth in the LGA.

This directly drives the requirement for services e.g. waste and wear and tear on assets/infrastructure e.g. pavements, parks.

- ❖ Indirect – Population Growth outside the LGA.

This drives activities such as car parking management, beach management, wear and tear on open spaces and open space and facility cleansing.

There are essentially three main categories of costs that increase with population growth :

- ❖ **Infrastructure** – requiring capital investment, for example new roads where new housing estates are developed, additional parks, gardens and communal facilities.
- ❖ **Services** – e.g. waste collection, planning, cultural events, childcare services, housing.

- ❖ **Cost related to tourism** – in Waverley’s case, beach supervision, litter collection, wear and tear on assets.

## **Cost Behaviour**

This is the difficult area to predict, councils’ costs can be divided into various categories :

- ❖ **When there are small incremental changes in population**  
Some costs will not alter, some costs will only alter after accumulated growth over a number of years. There will be other costs that will more directly relate to population .e.g waste collection.
- ❖ **Where there are large increases in population – direct.**  
Growth of this sort drives a requirement for further infrastructure – parks, roads, buildings, more capacity for any events etc. This requires both capital investment and supporting ongoing increase in operational cost to support e.g. more rates queries, more customer service calls, more waste collection, more use of public facilities. These all drive cost.
- ❖ **Indirect Population growth - Increases in visitors**  
Growth of this sort drives costs such as public place cleansing , beach supervision, areas around transportation & parking. There is also some revenue growth attributed to increased visitors.

Cost behaviour is difficult to model and predict, it will vary depending on size of growth and attitude towards service provision. e.g. More planning applications - options are : increase staff to keep same service level, keep same staff and extend lead times or somewhere in between.

One thing is certain, larger population drives a requirement for more infrastructure and services which cost money.

### **How much do these costs increase with additional population growth ?**

There are many drivers that impact the cost structure of Councils. Some of these are linked to population size but there are lots of other factors :

- the levels of services required by the residents, some linked to legislative requirements.
- External environmental factors, climate, pandemic, global economy.
- Profile of the LGA population, age, children, wealth.
- State and commonwealth government policy e.g. housing targets.
- Tastes and fashions, locally, nationally and internationally (tourism).
- Property trends and construction/development cycles.

Councils offer a broad range of services, so it is a complex micro system. To link cause and affect would require quite a lot of modelling work. Even then it could only be done with best endeavours, a scientific approach would be extremely difficult.

Some indications are provided in Appendix A. This show Waverley services and how the costs behave and possible cost drivers. This is by no means totally comprehensive as this is a complex topic.

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

Our population is set to grow, which will increase the demand on Council services. Extra demand will drive extra council costs. The exact dynamics of the relationship between cost and population are of course not totally linear.

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

Developer contributions assists in providing the necessary infrastructure associated with new developments but does not necessarily fund the total cost of necessary infrastructure. There is not a direct link between the cost of funding infrastructure and the level of contributions made.

This funding does not pay for growth in ongoing services provided by the Councils.

The rate PEG funds the inflationary pressure on services but not the cost of population growth or any other factors driving cost increases.

All of these extra costs have to be absorbed was the existing funding methodology. This either means finding efficiency gains, reducing costs in some areas which may or may not have a resulting impact on service levels. One thing is for certain, continued growth in demand for services and complexity of modern-day life cannot be funded as we are today. Something will have to be sacrificed.

**4. Do you have any views on the use of supplementary valuation process to increase income for growth, and whether this needs to be accounted for when incorporating population growth in the rate peg ?**

It makes sense to fund any extra revenue for growth annually at the same time as the rate peg. Regional growth factors seem to make sense to allow for movements in people around the state and the use of services across LGAs.

The current supplementary valuation process provides for growth, however, it is constrained by limitations as “unimproved value” valuation is legislated for rating. Council supports the introduction of the use of Capital improved valuation which will enable increased growth in rates linked to the developments and population growth.

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

No, they seem well known and relevant.

**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) ?**

There are two competing aims here :

1. To keep the mechanism simple to administer.
2. To accurately fund councils for growth.

Measuring growth does not give a very nuanced approach to measuring the impact on Councils costs. As already stated, there are different types of growth and there are different type cost behaviours. (see question 1).

Accounting often refers to cost drivers, these are the activities that drive costs not a simple broad demand model.

So for example – measuring the number and complexity of planning applications is likely to provide a better indication of the resources required to maintain service levels around planning.

Demand on Early Years centres will drive their costs, but they will max out at a certain capacity at which point one would require a new building/fixed cost infrastructure.

**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 ?**

Without understanding your overall objective this is difficult to answer. Do you want to have something that is accurately funding councils for growth or quick and easy to administer ? Do you want to treat all Councils the same, so fairness is a big driver ?

Both politically and administratively it is going to be difficult to treat every council separately, but one approach could be a minimal threshold and business case submission.

Alternatively, some modelling around various services and the impact of population growth – directly and indirectly. This could derive a formulaic approach based on the services offered.

It would seem sensible to have regional growth factors, if you take Waverley example there has been a substantial level of growth in domestic visitors over the last 10 years. This in part will be driven by population growth across the greater Sydney metropolitan area and their desire to visit iconic attractions in the city. There is clearly a strong nexus between visitors and costs to council.

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

All growth will impact the cost base. Annual growth and cost impact may not be large but it will impact more significant over time, so there is a strong argument to factor in growth each year.

A minimum growth factor of zero is supported to ensure Councils are not negatively impacted by the introduction of the population factor at a time when they are experiencing little growth. A threshold level of growth to be achieved is not supported.

**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 ?**

Using a projection will enable councils to put infrastructure in place ahead of time versus waiting for the growth to arrive and a lead time of often years to create the necessary infrastructure and services. It will be difficult to repay and capital elements if the growth does not materialise but revenue could then be adjusted will actual growth rates retrospectively.

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

The growth factor needs to mirror the incremental costs to council as closely as possible. The difficulty is predicting and understanding the cost movements. There are many cost drivers as already noted.

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

There could be an independent business case submissions by councils to apply for growth funding. The downside is this takes it away from a formulaic process and would require resourcing.

There could be minimum growth criteria set to apply for such funding however the compounding effects over time of growth needs to be taken into account.

We would advocate using a regional approach, due to the spill over of service utilisation from one LGA to another.

**12. Do you have any other comments on our proposed review process and timelines ?**

If a formulaic approach is taken a cross council working group should be established with a view to modelling cost behaviour and therefore informing an appropriate mechanism to calculate a growth factor.

It would also be useful to understand the overall objectives in devising a mechanism e.g. simplicity /comprehensive/fair etc.

## Appendix A

Service Area	Actual \$K 2020	Cost Drivers	Impacted By Australian Population Growth.	Impacted By Waverley Population Growth.
Asset Management Services	63,618	Driven by the services offered, to some degree population e.g. wear and tear on footpaths would increase with population growth. Also driven by the number and type of assets held.	Yes	Yes
Beach Services, Maintenance & Safety	7,677	Visitors to the beach, people living locally.	Yes	Yes
Cemetery Services	986	No of incarcerations, also given age of the facility and type of momuments drives costs.	Unlikely	Yes
Child Care Services	10,379	Number of children, but capped.	Some - people working locally.	Yes
Community Services	2,450	People using various services.	No	Yes
Corporate Support Services	10,370	Not driven by marginal increase in population but large increases would drive step increase in costs.	Yes	Yes
Cultural Services	4,824	Largely driven by scale and type of events. Population outside of Waverley relevant.	Yes	Yes
Development, Building & Health Services	23,278	Driven by development cycle, which does increase with the size of population. However we do have limited areas for redevelopment.	Less so	Yes
Emergency Management Services	253	Small cost	Less so	Yes
Environmental Services	3,024	Driven by legislative/compliance issues. More facilities would driven more compliance work.	Somewhat	Somewhat
Governance, Integrated Planning & Community Engagement	2,403	Not really related to population size, more legislative and compliance driven.	No	No
Library Services	5,380	Probably significant capacity in our current library. No everyone uses library services.	no	Yes - but only significant changes.
Parking Services	11,916	Costs and income would both increase.	Yes	Yes
Parks Services & Maintenance	10,216	Not driven by marginal increase in population but large increases would drive step increase in costs.	Yes	Yes
Place Management	874	Not driven by marginal increase in population but large increases would drive step increase in costs.	Yes	Yes
Recreation Services	265	Not sure what this is .		
Regulatory Services	2,107	Compliance driven.	No	Somewhat
Social & Affordable Housing	2,123	Size of population requiring social/affordable housing.	No	Yes - to the extend this growth the sector needing these services.
Traffic & Transport Services	65	Small cost		
Urban Open Space Maintenance & Accessibility	7,314	Use of facilities, visitors.	Yes	Yes
Waste Services	21,535	More driven by people living here but visitors generate waste	Yes	Yes
<b>Total Functions &amp; Activities</b>	<b>191,056</b>		-	