**IPART Issues Paper – Review of the rate peg to include population growth**

**Submission by Wentworth Shire Council.**

**Question 1 – What Council costs increase as a result of population growth? How much do these costs increase with additional growth?**

At a glance Councils considers the following some of the costs that would be impacted as a result of population growth:

* Increase in maintenance of roads, parks and gardens etc (additional roads, footpaths, parks etc created by new sub-divisions);
* Cleaning of public amenities;
* Street Sweeping;
* Increase in level of services – Libraries etc (additional hours, programs etc);
* Increase in workload at Council office – phone calls/inquiries, customer requests/complaints, additional rates notices, receipting, increase in sub-divisions, Developer applications, construction certificates, 10.7 and 603 certificates;
* Increase in staffing numbers (both short term to cope with the initial population growth and then long term to cover increased maintenance etc);
* Increased maintenance and turnover of plant and equipment;
* Purchases of additional plant and equipment; and
* Increase in staff workload resulting in delays to existing services/projects etc.

Council has yet to quantify how much costs increases as a result of additional growth, however, there would be a correlation between % increase in costs as a % of the increase in population growth. It would depend on the size of the Council, whether the population growth is across the whole Council area or is only limited to a specific part of the Council. Consideration should also be to whether the population growth been a steady increase over a number of years or it is a sudden sharp increase.

**Question 2 – How do Council cost change with different types of population growth?**

The cost change would depend on the demographics of the population growth:

* Younger residents are more tech savvy and will tend to communicate with Council electronically but have greater expectation of the quality and quantity of services provided.
* Older residents are more likely to interact with Council either face to face or over the phone which generally results in a longer interaction at a higher cost to Council.

It would also depend where the population growth occurs, if it is an already existing population area and the increase doesn’t result in a large increase in additional infrastructure etc than the increase in Council costs may not be significant. It would also be the same if the growth is a gradual/moderate increase over time.

However, if the population growth involves a rapid expansion in a short period of time or is centred in one particular area that result in a significant increase/expansion of that area than the increase in costs are likely to be significantly more.

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

In Councils opinion the following costs associated with population growth are not currently funded through the rate peg or developer contributions:

* Additional infrastructure requirements that cannot be apportioned to a developer via developer contributions; and
* Short term staffing increases to cope with the population increase.

These additional costs are currently recoveredvia either:

* A Special Rates Variation;
* A loan;
* A reduction in levels of services (reduction in expenditure); or
* In the case of water and sewer infrastructure via a larger increase in Annual Charges

**Question 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 is appropriate for small levels of growth that can be picked up each year where the increase doesn’t result in significant increases in cost. It is not suitable for rapid or sustained population growth where the increase in costs is more than the additional increase to the notional income that a supplementary valuation provides.

It is also dependent on where the growth is occurring, the base rate/ad valorem of the existing category that the new properties are going in.

The supplementary process would work if the development resulted in a completely new suburb/locality that results in a new residential sub-category where Council can set the notional income that it wants to receive.

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

In Council’s opinion ABS historical growth and DPIE project growth data doesn’t necessary reflect what is happening in reality.

**Question 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)?**

Due to the timing of Census and other population date there is often a lag/delay in increase in population data compared to what is happening on the ground. It is Council’s opinion that theincrease in rateable properties and/or development applications would be a better measure.

Council would be happy to consider other options but at this stage it has no opinion or hasn’t given any consideration to other options.

**Question 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?**

Council believe that the population growth factor should be set for each council using a set of criteria that can tailored for each Council’s individual circumstances.

**Question 8 – Should IPART set a minimum threshold for including population growth in the rate peg?**

Yes, those Council’s not experiencing population growth should not be negatively impacted.

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

Council has no fixed opinion on this. Further information is required before Council feels like it would be in a position to comment.

**Question 10 – How should the population growth factor account for Council costs?**

This is difficult to account for as factors will differ for each Council depending on but not limited to:

* location of the Council,
* access to staff, contractors, services etc,
* which part of the council area is experiencing the growth
* demographics/expectation of the new residents

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

Council is of the opinion using the criteria set by IPART that councils should be given the ability to be able to set their own percentage increase to justify population increase without having to get IPART approval. To ensure appropriate accountability that this process should then be included as part of notional income return and included in the year end audit.

This means that not only would Council have to outline their pricing methodology in its Annual Statement of Revenue but it would also then be included in the year end financial statements.

Consideration should be given to limiting the number of years that Council can apply the population factor before maybe having to then go through another level of justification to continue applying it beyond that.

Maybe a review by IAPRT every 5 years but the process would need to be simple and not as onerous as the SRV process.

**Question 12 – Do you have any comments on our proposed review process and timeline?**

No the proposed process and timeline seems reasonable.