



Review of the rate peg to include population growth

Draft Report

June 2021

Proposed methodology

- based on a change in population rather than a change in the number of dwellings or rateable dwellings
- reflects the change in residential population
- accounts for the impact of supplementary valuations
- maintains total per capita general income over time
- applies to all councils, subject to potentially varying the population factor for some councils

Recommendation

Each council's general income on a per capita basis should be maintained as its population grows. The rate peg for each council should be increased by a population factor equal to the annual change in its residential population, using Australian Bureau of Statistics data, with an adjustment for income derived through supplementary valuations. Our proposed method is provided below.

Proposed methodology

Rate peg

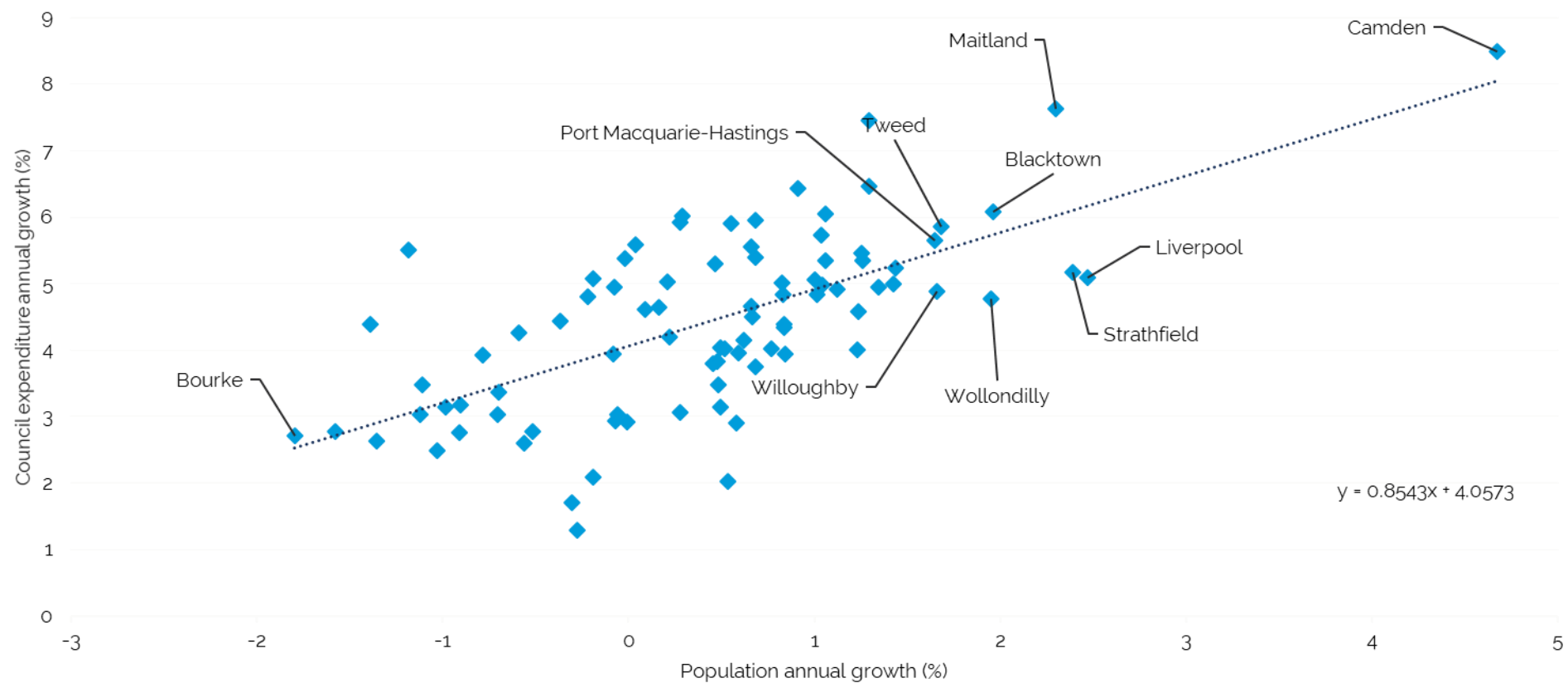
$$= \text{change in LGCI} - \text{productivity factor} + \text{other adjustments} + \textbf{population factor}$$

$$\text{Population factor} = \max(0, \text{change in population} - \text{supplementary valuations percentage})$$

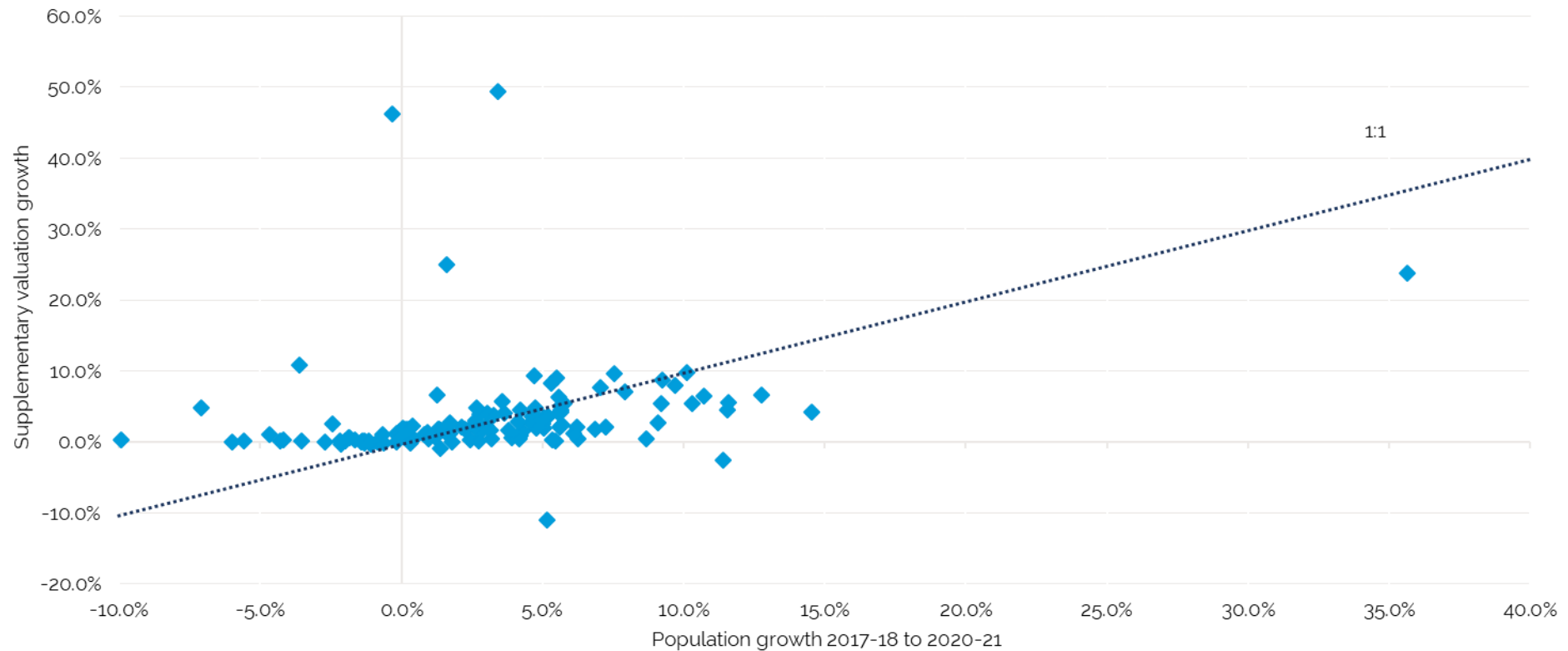
E.g.

$$\text{Rate peg} = 2.5\% - 0\% + 0\% + (2\% - 1\%) = 3.5\%$$

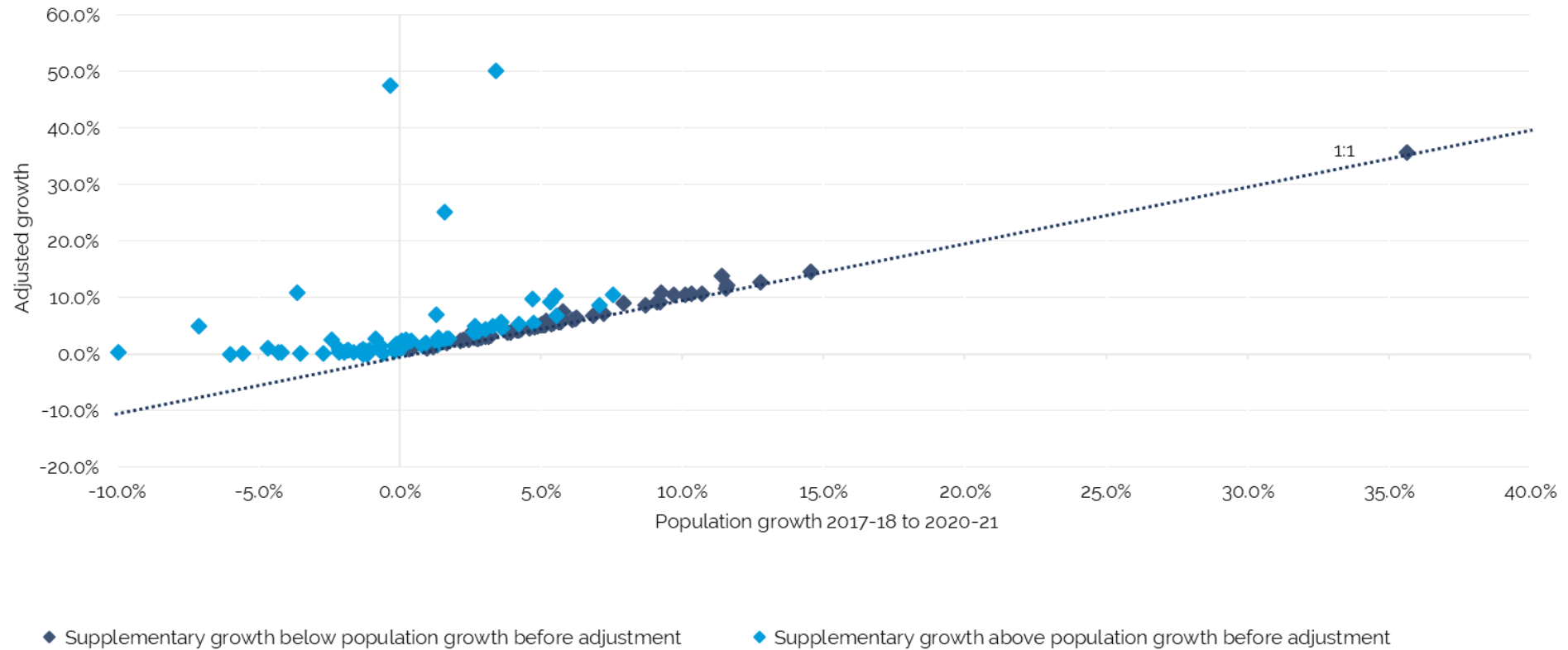
Population and council expenditure growth in NSW (1999-2019)



Increase in council's revenue per person from supplementary valuations vs population growth (2017-21)



Increase in councils' revenue per person from adjusted growth vs population growth (2017-21)

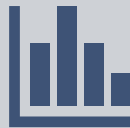




Increase total general income by
\$116m over four years



Make 96 of the 129 councils better
off



Methodology reviewed within 5 years

Terms of Reference

Specifically, I am requesting IPART's recommendations should:

- ensure no council would receive a lower increase in general income relative to a Rate Peg using the LGCI and productivity factor
- not consider other changes to the Rate Peg or maximum allowable income
- advise how to measure population growth within a reformed Rate Peg, with attention to:
 - how different components of the rate peg (ie, LGCI, productivity factor and population growth factor) should be structured and applied
 - whether a 'growth factor' should apply to each individual council or whether cohorts of councils should be established for this purpose
 - whether the methodology should account specifically for councils experiencing high population growth, including those in areas of new development, and, if so, how that may be best achieved.

Next Steps



Questions

