

**Submission
No 28**

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

Organisation: City of Ryde Council

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Parliament NSW
The Chair
Standing Committee on State Development
6 Macquarie Street
Sydney NSW 2000

22 April 2024

Dear Committee Members


City of Ryde Submission
Inquiry into the ability of Local Governments to fund infrastructure and services

We thank the Standing Committee on State Development for the opportunity to provide feedback on the Terms of Reference for the inquiry into the ability of Local Governments to fund infrastructure and services. This engagement with Council and the community will ensure a well-balanced approach to assess the ability for Local Governments to fund both infrastructure and services now and in the future.

The Terms of Reference (ToR) consists of seven subject areas which are under consideration for review. The following subject areas for review are listed below:

- (a) *The level of income councils require to adequately meet the needs of their communities*
- (b) *Examine if past rate pegs have matched increases in costs borne by local governments*
- (c) *Current levels of service delivery and financial sustainability in local government, including the impact of cost shifting on service delivery and financial sustainability, and whether this has changed over time*
- (d) *Assess the social and economic impacts of the rate peg in New South Wales for ratepayers, councils, and council staff over the last 20 years and compare with other jurisdictions*
- (e) *Compare the rate peg as it currently exists to alternative approaches with regards to the outcomes for ratepayers, councils, and council staff*
- (f) *Review the operation of the special rate variation process and its effectiveness in providing the level of income Councils require to adequately meet the needs of their communities*
- (g) *Any other related matters.*

Whilst the above ToR is broad in nature, we have provided information on the key issues and challenges facing City of Ryde and other NSW Council's regarding their ability to provide infrastructure and services for the community while remaining financially sustainable.



- **Rate Peg:** Prior to FY24/25, the Rate Peg methodology was “backward looking” and was not reflective of current and future market and economic conditions such as increases in inflation and construction costs to maintain critical community infrastructure and therefore resulting in infrastructure backlogs. These lags have had a compounding effect on Councils financial sustainability. In addition, currently the Rate Peg is not mandatory. Council can adopt to not apply the Rate Peg for a specific year or any percentage up to the maximum that legislation allows without consideration of the financial implications.

In FY22/23 City of Ryde adopted not to take up the special variation of 2.5% offered by IPART as the Rate Peg provided of 0.70% was insufficient. This had a financial impact of \$1.4m in FY22/23 and has impacted the current Financial Year and has a compounding effect into the future on Council’s financial sustainability.

- **Rates Exemptions:** When a significant proportion of land is rating-exempt, Council’s rate base may be too narrow to raise enough income to cover the costs of services its community needs. This undermines Council’s financial sustainability. In addition, existing ratepayers may have to pay higher rates to cover the cost of services for exempt properties or accept lower service levels. Rates exempt properties include Crown Land, religious bodies, schools, national parks, public hospitals, and universities. Inequities associated with rating-exempt land are increased when development of this land causes population growth. For example, the housing development by Department of Housing within the Macquarie Park Precinct where more than 2,000 privately owned units are scheduled to be constructed on Crown Land will result in loss of potential income of approximately \$2m due their rates exemption.
- **Housing Policy Changes:** Due to housing policy changes mandated by the NSW State Government such as State Significant Developments (SSD), Build to Rent (BTR), Affordable Housing and zoning changes. There will be an adverse impact on Council’s Rates income and Developer Contributions.
- **Statutory Fees & Charges:** Council has no control on the pricing of Statutory fees. Such fees have never been reviewed with the increases in costs and have not kept pace with the cost of providing the service by Council. Council cannot put downward pressure on rates through ‘own source’ revenue if these fees are not reviewed regularly. Council always looks for alternative streams of revenue so that they are not reliant on rates due to rate capping. However recently some Councils introduced a compliance levy which was to pay for development monitoring and regulatory activities, however this was removed by Department of Planning. These compliance and regulatory costs are enormous for Councils and the removal of this fee meant that City of Ryde could not recoup \$1.3m per annum, resulting in a shortfall of income.
- **Cost Shifting:** There are costs outside Council’s control which need to be looked at as part of this review. These are including but not limited to: Streetlighting, Election and Bi-Election costs, Valuer General Fees, Sydney Regional Development Fund, Part subsidised Pensioner Rebates, and Audit Fees including mandated performance audits.

- **Domestic Waste related costs:** Council incurred expenditure of \$4.3m in FY22/23 due the Waste Levy payable to the NSW Environment Protection Authority (EPA). State Government levies charged relating to Domestic Waste results in an increased Domestic Waste Charge for ratepayers. In addition, the State Government require Council's to provide Food Organics and Garden Organics (FOGO) to all NSW households by 2030. Implication studies of the introduction of FOGO have highlighted a potential increase of 31%-37% above the current collection and disposal contract costs, which amounts to a an additional \$6.2m to \$7.4m per annum. These increases in costs will be unprecedented and will further put pressure on ratepayers.
- **Federal Grants:** Most Councils are dependent in some respect on additional funding from the Federal Government (Federal assistance grants and other). The allocation methodology of these grants should be reviewed to ensure that it is fair and relative to the increasing costs that Councils must incur in providing services to the community.
- **Other Industry & Market Factors:** Increases in construction costs, supply chain issues, shortages of contractors, planning, compliance and regulatory costs, utilities and insurance have had a major impact on Councils ability to deliver critical infrastructure and manage to these expenses whist meeting the needs of the community. In addition, emerging changes within the industry and market which require council to fund costs relating to cyber security, climate change and mandated environmental sustainability targets must also be considered.
- **Special Variation Process:** The current Special Variation process through IPART is very onerous. IPART requires that the impact on affected ratepayers must be reasonable and there is consideration of the community's capacity to pay. This process can often take between 18 to 24 months due to extensive planning, community consultation, detailed justification to IPART, and support from Council even prior an application being submitted. This long lead time deters Councils in most cases from applying for a Special Variation, and Councils often resorts to cutting existing services or service levels to attempt to fund these shortfalls which is at the detriment of future generations.

If you have any queries, please contact me

Yours sincerely

Wayne Rylands
Chief Executive Officer

