

**Submission  
No 53**

**INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO  
FUND INFRASTRUCTURE AND SERVICES**

**Organisation:** Camden Council

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24 April 2024

Standing Committee on State Development  
Chairperson – Hon Emily Suvaal MLC  
Submission Lodged Online

Dear Chairperson

**RE: INQUIRY INTO THE ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES**

Camden Council welcomes the opportunity to make a submission with respect to the Inquiry into the ability of Local Governments to fund infrastructure and services. Council provides the following comments in relation to the Terms of Reference of the Inquiry.

**The Calculation of the Rate Peg**

While the calculation of the Rate Peg by IPART has improved with each review it remains inadequate in two fundamental areas:

1. The base level of income generated by Local Government is incorrect due to historical Rate Peg methodologies that were not representative of increasing costs, coupled with State Government cost shifting where options for Councils to recover costs are limited. This could be corrected by including a catch-up factor in the annual Rate Peg.
2. The Rate Peg makes no allowance for the consumption of public assets (depreciation expense). This is central to Local Government sustainability. Over time, the only option for Local Government is to borrow for the renewal of assets, reduce services or service levels or a Special Rate Variation. The funding model should not place Local Government in this position. This could be corrected by making an allowance in the Rate Peg that is restricted for purposes of asset renewal.

The number of requests for Special Rate Variations over the past 10 years demonstrates the inadequacy of the current calculation methods.

## Greenfield Development and the funding of Infrastructure

Greenfield development should not place an unreasonable tax burden on existing residents. Where there is fragmented land ownership, Councils use Section 7.11 developer contributions and grants to fund new local infrastructure. In these situations Council effectively takes on the role of the lead developer. The fundamental issue with greenfield development is councils are placed in the position of having to forward fund the cost of infrastructure (including land acquisition) as the income from development has not yet been realised. A \$2 Billion land acquisition and infrastructure program cannot be forward funded by any Council. Yet this is the proposition for Camden Council to facilitate the strategically important Leppington growth area.

Further, delays in the funding and delivery of State infrastructure including water and sewer, electricity, road networks, schools and public transport place significant additional financial risk and costs on Councils, who by taking on the unenviable role of 'lead developer', are required to forward fund local infrastructure to support growth outcomes.

## Contributions Planning and Infrastructure delivery in Greenfield Developments

Income derived from contribution plans is highly regulated and, in the case of greenfield development land and infrastructure costs are approved by IPART on the basis of what they estimate the cost will be. Historically this approach has not aligned with actual costs. There is a significant funding gap, between what is collected and the actual costs, in most contribution plans in NSW.

The gap in funding is partly due to the indexation periods always being in the past, relative to when money is expended, but more importantly the base cost for land and infrastructure works are often incorrect (as approved by IPART). The base cost is a benchmark calculated without seeing the land to which infrastructure is to be built on, understanding the condition of the land, including possible contamination and the site-specific engineering requirements impact the cost of construction. This is not considered when IPART determine benchmark costs.

In addition, between the base cost being set and the plan coming into force, the determined cost is only subject to CPI, which is often significantly lower than construction costs escalation. This results in the base cost for works being lower than what actual costs are before the plan even comes into force.

The base embellishment for open space and sporting facilities allowed for by IPART grossly underestimates the social value of open space to new communities or how they are utilised. For example, sports grounds with base embellishment do not include drainage, irrigation or imported topsoil, which results in the grassed surface not lasting a full season. This results in councils having to use rating income to cover the cost of these elements to meet the community's expectations. Base level embellishment also places a significant maintenance and renewal burden on the council because the assets are not fit for purpose given the level of use they are subjected to.

Relying on contributions to be paid before funds can be spent on land acquisition or works means that councils end up paying a premium for land, already escalated by the rezoning process and construction costs that have continued to escalate beyond what the indexation method used is capable of contributing. **If State funds were available at the time of rezoning significant savings could be realised, which would reduce the funding gap exacerbated by time and also make housing more affordable by reducing the per lot contribution required to fund land and works.**

Land to support infrastructure should be valued, for the purposes of contribution plans and acquisition, as constrained. If the development cannot occur without the provision of the infrastructure, then the land for infrastructure cannot be conceived as developable land, therefore it is constrained and should be valued as such. This will lessen councils risk as the land will not be subject to the astronomical rises experienced by developable land.

**Community facilities (Leisure Centres, Libraries and Community Centres) should be included in the Essential Works List that determines what a contribution plan, reviewed by IPART, can collect for.** It should not be the responsibility of general rate income to provide infrastructure needed by new communities.

### **The Social Impacts of the Rate Peg**

For a growth Council such as Camden, the long-term impacts of the rate peg are significant. This negatively impacts Council's ability to deliver the important services our community expects and deserves.

While the long-term planning within the growth areas is required to be prudent and future focused, planning for services also has to be dynamic and responsive to the needs of the community. Hence it is important to consider some level of agility to provide flexible options for councils for rate increases to meet these needs.

In saying the above, the cost-of-living pressures in our communities are real and have to be factored in how and when the community is burdened with the rate increases. This is something that the sector should be able to determine in their own context based on a set of transparent criteria.

The rate peg also limits councils' ability to provide local services and one of the adverse outcomes could be higher user charges for services resulting in inequities in the communities abilities to pay.

A specific consideration in the rate peg context is the diversity of Local Government operations. This means councils can face significant and often different challenges in managing their revenues and costs to meet their community's needs and ensure their financial sustainability. The recent COVID-19 pandemic, economic volatility, bushfires, droughts and floods, and growing climate and cyber security threats, have increased these challenges. They also reinforce how important it is for councils to be financially sustainable so they can deliver reliable, safe services that their communities can afford.

Yours sincerely

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General Manager

