

CITY OF RYDE IPART SUBMISSION - RATES GROWTH PEG AUGUST 2021

EXECUTIVE SUMMARY

The City of Ryde would like to thank IPART for the opportunity to provide a submission on the latest round of consultation relating to the Rates Growth Peg reform. The City of Ryde has experienced a large development boom over the past decade and has been critical to the NSW economy. However, the ongoing success of the area is in jeopardy due to the proposed changes to developer levies that shift costs to ratepayers and undermine the efficacy of the proposed improvements to the rating system.

The current rate peg system has prevented City of Ryde keeping pace with growth. During this development boom, the City of Ryde applied for a Special Rates Variation (SRV) to ensure it could maintain and renew its existing infrastructure to safe public standards and expected community standards. While this provided some assistance, it is not the most effective and efficient means for the rates base of a growing community to be managed. The City of Ryde, therefore, welcomes changes that would allow Councils to appropriately grow their rates revenue in line with population growth to fund the maintenance and renewing of expanding infrastructure and maintain service levels to the growing community.

However, linking the proposed rates growth peg changes that serve to supplement the proposed changes to developer contributions levies should be reconsidered. If the growth aspect of rates revenue is used to supplement diminishing developer contributions, the City of Ryde will either see its infrastructure backlog grow over the next decade or a cost shift to rate payers to fund the revenue shortfall. The City of Ryde does not believe it is appropriate that rate payers should disproportionately shoulder the cost of meeting the increased community facility demands resulting from new development.

The City of Ryde also notes that IPART has recently been asked by the Minister for Planning and Public Spaces to review the essential works list.

The City of Ryde strongly objects to the inclusion of the following constraint in the Terms of Reference:

‘The essential works list must not expand beyond the current parameters and community facilities works must not be included.’

This is a significant limitation on IPART in terms of providing a truly independent review. The restriction will fetter the consideration and identification of the most effective policy settings to support Councils’ capacity to provide communities with much needed infrastructure.

Council acknowledges that rate increases are part of the infrastructure funding solution. However, part of that solution is also ensuring more of the value harvested from development is returned to communities to deliver the required supporting infrastructure for sustainable growth.

In this submission we have responded to each of the three items that you are seeking feedback on, these are provided over the page.



1. Should our methodology be re-based after the census every five years to reflect actual growth?

The City of Ryde agrees that the methodology needs to include a net growth result that is inclusive of the portion of growth that is already achieved through the supplementary valuations process. To realign Census data on a periodic basis would provide IPART an opportunity to track the Estimated Residential Population (ERP) methodology against actual growth. This will allow IPART to provide Council's with the opportunity to align rates in line with actual growth through a one off adjustment. However, where a negative growth comparison occurs, Council should not be expected to reduce their rates as funding would be aligned to front line services and capital expenditure that have been factored into Council's Long Term Financial Plan.

The City of Ryde believes that the actual supplementary growth captured and ERP should be taken from the same reporting period. For example, the supplementary valuations adjusted in Council's valuation register during the 2020/21 financial year would be used in conjunction with the ERP from the 2020/21 financial year. These factors would be used in determining the 2022/23 rate peg. This should minimise any fluctuations in determining the rates growth peg.

The City of Ryde suggests that the 'supplementary valuation percentage' proposed definition be amended to a reference to the 'plus/minus adjustments' note contained within the 'Special Schedule – Permissible Income for General Rates' as identified in the Office of Local Governments 'Local Government Code of Accounting Practice and Financial Reporting' document. These schedules are completed by each Council to ensure that the rate peg is correctly calculated with the results contained in each Council's Annual Financial Reports and audited by the NSW Audit Office.



2. In the absence of a true-up, should we impose a materiality threshold to trigger whether an adjustment is needed on a case-by-case basis to reflect actual growth?

The City of Ryde agrees with the principle of applying a 'true-up' adjustment on a case by case basis to correct any material differences. If the concept of the 'true-up' is introduced, a Council's rating revenue should not be negatively impacted.



3. Do you have any other comments on our draft methodology or other aspects of this draft report?

City of Ryde strongly objects to the Government's decision to tie reform of the rate peg to cater for population growth to reductions in infrastructure contributions. This is a cost shift from developers onto ratepayers and councils.

Overall City of Ryde supports the proposed reform and is of the view that:

- Per capita rate revenue must be maintained over time including CPI growth.
- A one-off mechanism to address historic revenue losses should be included.
- A regular re-basing mechanism should be included
- Government should not undermine the rate peg reform with associated infrastructure contributions changes and review the parameters on Essential Works lists to ensure the infrastructure contributions changes work in concert with rate changes to provide an appropriate holistic infrastructure funding framework.