

Ms Sheridan Rapmund
Chair – Review of the rate peg to incorporate population growth
Independent Pricing and Regulatory Tribunal (IPART)
PO Box K35
Haymarket Post Shop
SYDNEY NSW 2000

Dear Ms Rapmund

Re: Review of the rate peg to include population growth

I write in relation to the Independent Pricing and Regulatory Tribunal's (IPART) review of the rate peg to include population growth.

As one of the largest growth councils in New South Wales and home to several of the country's largest infrastructure projects, Council is supportive of a rating system that is equitable and responsive to community needs and welcomes reforms which ensure councils have a stable and reliable revenue base while enabling a fairer distribution of the rating burden.

The proposed policy will ensure councils are incentivised, rather than disadvantaged when experiencing additional growth and increased density. The changes will also provide Council with the ability to respond to the increasing expectations in its role as a community service provider and deliver much needed infrastructure to its growing community.

Attached is a submission outlining Liverpool's response to the questions outlined in the draft report on the Review of the rate peg to include population growth, published by IPART in June 2021.

These reforms are required to ensure Councils (and specifically growth Councils) deliver sustainable services into the future. Council looks forward to continuing to work with IPART on further reforms attributed to the local government rates system for growth Councils.

Should you require any further information on this matter, please do not hesitate to contact Council's Manager Corporate Strategy, Ms Hiba Soueid on [REDACTED]

Yours sincerely

[REDACTED]

George Hampouris
Acting Director Corporate Services

1. Should our methodology be rebased after the census every 5 years to reflect actual growth?

In principle, Liverpool City Council supports the suggestion to rebase the formula after the census to reflect actual growth. This would alleviate Council's concern that centring the rating formula on a 'point in time' projection will create a shortfall in funding. By factoring in a rebasing, periodic adjustments to actual amounts can be incorporated. This is important as in Liverpool's experience population projections generally underestimate the actual pace of growth. In addition, the impact of Covid-19 has only accelerated the demand for detached dwellings and blocks of land with developers in the suburb of Austral (a greenfield region in Liverpool) selling supply that is two years away reinforcing the high levels of growth that Liverpool is experiencing.

However, Council proposes that protections be put in place to ensure that councils' do not have to pay back or lose anticipated revenue should the projections be over-estimated, and that population growth does not occur as expected. In accordance with the Integrated Planning and reporting legislation, councils' forward plan services and infrastructure to service their anticipated population (both service and residential), rebasing the methodology needs to ensure that councils' are not penalised due to factors outside their control in regard to population growth.

In addition, the proposed adjustment to the rate peg for population growth does not include any adjustment for past growth. Section 2.3 of the draft report into the *Review of the rate peg to include population growth* which has been published by IPART states that councils' are only recovering 60% of the costs associated with rate growth, this leaves a gap of 40% which is reflective of Liverpool City Council's experience. The costs of servicing this increase in population have been comprehensively outlined in Council's initial submission to IPART in April 2021.

To address this, Liverpool City Council proposes that in addition to the proposed methodology, a mechanism for catch up be introduced for growth councils' which allows them to recoup a percentage of the costs associated with past population growth and the associated maintenance backlog which is de-politicised and based on evidence around increased costs. While Council acknowledges that it can apply for a special rates variation, this would not be well received by the community during the introduction of the proposed rate pegging methodology. This 'catch-up' could be phased as an additional percentage over five-ten years to protect rate payers from sudden or excessive rate rises and maintain the integrity of the review's Terms of Reference while improving the financial sustainability of local governments.

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?

Council supports the introduction of a materiality threshold which is assessed on a case-by-case basis. This will allow Council the opportunity to address factors which are unique to Liverpool City Council's situation as a high growth Council that is home to several of the nation's largest infrastructure projects.

For example, Council has an outdated depot which is no longer fit for purpose to meet service needs. This issue will be exasperated by growth suburbs in the South West of the LGA and the development of the new airport which will require additional satellite sites to maintain service responsiveness and service demands. To upgrade the primary and secondary sites to meet current and future demand is estimated to be more than \$50m. This proposed rates methodology only considers the increased cost of services rather than the infrastructure that is required to support it. These cannot be collected through Section 7.11 funding or other revenue streams and therefore, as it stands, cannot be funded. By introducing a materiality threshold that triggers an adjustment on a case-by-case basis, Council will have the mechanism to put forward a case regarding gaps in the growth factor and have these assessed.

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

While Council appreciates IPART's objective to provide a methodology that is simple and easy to calculate, the one-size-fits-all approach could result in a disadvantage to Council due to the following factors:

The development of Western Sydney Airport and the Aerotropolis:

IPART's proposal only considers growth to the LGA's residential population when calculating the adjusted rate peg. The rate reform does not appropriately address asset renewal pressures. Council's assets portfolio and its depletion are affected by commercial infrastructure and non-residential visitation. Liverpool City Council is expecting a significant amount of commercial growth within its business district, the Western Sydney Airport, and the aerotropolis. The maintenance of infrastructure and services to support regional employment centres and industrial precincts has not been factored into the proposed methodology.

In addition, the impact of re-zonings around the Aerotropolis and other areas will have a substantial impact on Council's cashflow in the short to medium term. Preliminary consultation indicates that many landowners will be seeking relief to postpone their rates as per Section 585 of the *Local Government Act 1993*. This will cause a significant impact on Council's cash flow in the short and medium term with rates written off after five years unable to be recovered by Council. The State Government's rezoning of land around the airport will also have an adverse financial impact as Council will have to acquire properties where homeowners are able to prove financial hardship without the funding mechanisms in place to do so.

This review in the broader regulatory context:

The IPART review needs to take into account the broader regulatory context and other reviews which are currently in the process. This includes changes to be made by the *Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021*, which encompasses changes to land contributions and the cost and scope of Section 7.12 Plans, as well as IPART reviews into the special rate variation process, baseline costs and the essential works list.

Council advocates that there needs to be a consolidated approach to implementing these reforms as the ad-hoc nature of these reviews and the cumulative impact of these changes could impose significant risks to the organisation.

Council welcomes further review and reform to its rate pegging methodology specifically addressing the cost pressures and challenges for growth Councils to deliver sustainable services to growing populations and business. Growth Councils surrounding the Aerotropolis have similar cost pressure challenges and this should be reviewed on a regional scale.