



**THE HILLS**  
Sydney's Garden Shire

**THE HILLS SHIRE COUNCIL**  
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2 December 2024

Independent Pricing & Regulatory Tribunal of NSW (IPART)  
PO Box K35  
HAYMARKET POST SHOP NSW 1240

Our Ref: 21632274

Dear Sir/Madam

### **Submission to IPART Review - Prices for Sydney Water Corporation from 1 July 2025**

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We thank the Independent Pricing and Regulatory Tribunal (IPART) for the opportunity to provide feedback on the Issues Paper regarding the review of prices for Sydney Water and Water NSW Greater Sydney. This engagement with all stakeholders including Council is appreciated as Council manages many community facilities that consume water. Any cost changes will have an impact on the cost of providing these services.

The Hills Shire Council supports the guiding principles that IPART considers when setting water prices, in particular ensuring that customers are protected from abuses of monopoly power and that prices promote competition.

#### **Background**

Council requires the services from Sydney Water for its Parks and Sports Fields, Community Buildings, and Aquatic Centre, however majority of Council's expenditure is related to the maintenance of its parks, sports fields and reserves to ensure these community assets are maintained at the appropriate service levels for our residents.

Last Financial Year FY23/24 Council spent **\$1,006,899** on this service. This Financial Year FY24/25, **\$395,061** has been expended to date representing payments made only for the first quarter. This compared to the same period last Financial Year FY23/24 of **\$316,262** which represents an increase of **25%**. Assuming this increase on last year's expenditure for the remaining three quarters, forecasted expenditure this Financial Year will be approximately **\$1,258,357**.

## Response to Issues Paper:

Please find detailed below several items for consideration by IPART in response to this Issues Paper:

- Sydney Water is proposing a bill increase over the next 5 years. This proposal indicates an increase from next Financial Year FY25/26 of 18% and further increases of 7% + CPI (Assumed at 3%) for the subsequent 4 years. Assuming that Council's existing asset base remains unchanged during this period and there are no additional assets constructed that require this service, over this 5-year period this increase amounts to **\$1,060,722**, which is an average increase of **\$183,126** per annum. As Councils in NSW are capped by the Rate Peg, in order to recover these increases in the future, IPART should include a utilities factor in the Rate Peg methodology.
- It is important to note billing from Sydney Water comprises of 2 charges, being a variable charge based on customer usage, and a fixed service charge at each billing period. Sydney Water is proposing a much larger increase to this fixed charge than the variable user charge. This will mean that Council will be impacted regardless of consumption, and any reasonable attempts to reduce consumption through sustainable initiatives would make little to no difference to offset this increase.
- Whilst Council acknowledges the proposed investment in infrastructure to address customer growth particularly in the North West growth area and renewal of its existing infrastructure, we encourage IPART to enquire why sufficient funding had not been set aside proactively by Sydney Water to ensure the eventual renewal of these assets that would not have required Sydney Water customers to essentially pay a 'special levy' for the next 5 years to fund these works.
- In addition to the capital expenditure requirements mentioned above, Sydney Water has proposed increases in operating costs. 17% of these costs relate to bulk purchase of water from WaterNSW, but the remaining 83% comprise employment costs, energy bills and other costs. We encourage IPART not only to ensure these costs are reasonable but also enquire that all measures have been taken by Sydney Water internally to reduce costs and improve efficiencies to ensure only fair and reasonable costs are recovered from its customers.
- Council operates on a similar model where IPART will set a "Rate Peg" which will mandate the maximum percentage by which a Council may increase its general income for that year. As Council's rates income is capped, Council must ensure best practice financial management to control operating expenditure and implement continuous improvement to seek efficiencies. This discipline results in Council having the ability to sufficiently set aside funds for renewal of its existing assets and planning for known commitments in the future. If Council were to propose a Special Rates Variation (SRV) similar to the pricing proposal provided by Sydney Water, IPART would engage Council in a stringent assessment process which would determine if the community had the capacity to pay and it was affordable and require Council to present their productivity improvements and cost containment strategies in the context of ongoing efficiency measures. We encourage IPART to ensure that Sydney Water is subject to a similar level of stringency in its assessment process.
- There are various costs that are imposed on Council and managing unexpected increases in these costs each year is largely outside Council's control. These include but are not limited to, Election and Bi Election costs, Valuer General Fees, Sydney Regional Development Levy, and audit fees payable to the NSW Auditor General. In these instances, Council has little to no options to procure better value for money from other suppliers and this also applies to payments for services provided by Sydney Water.

While not in the current scope of your consideration, another issue that continues to impact Council is the way in which Sydney Water manages its approval process for Council's road and community facility upgrades. Council's experience is that the system is opaque with service providers put between the agency and Council and a system that supports anti-competitive outcomes. Council would welcome the opportunity for its staff to discuss its frustration, costs and risks when dealing with Sydney Water regarding the delivery of our Capital Works Program.

If you have any queries, please contact me at [REDACTED]

Yours faithfully

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[REDACTED]