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Independent Pricing and Regulatory Tribunal (IPART)

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Draft LGNSW Submission in response to Dams Safety NSW Levy Review Draft Report

Thank you for the opportunity to comment on the draft report of the Dams Safety NSW levy review. Local Government NSW (LGNSW) is the peak body for local government in NSW, representing all NSW general purpose councils and related entities. This includes all 90 councils who own and manage local water utilities (LWUs).

This submission is provided in draft form, pending endorsement by the LGNSW Board. Any amendments will be provided to IPART in due course.

As emphasised in our [previous submission](#), LGNSW strongly objects to the proposed introduction of a dams safety levy on council dams. LGNSW remains firm in our long-standing position on this matter. It is highly disappointing that the [Draft Report](#) fails to acknowledge the strong opposition to the proposed levy from the local government sector and assume the levy's introduction as a given. LGNSW acknowledges that this is largely the result of the Terms of Reference provided to IPART by the NSW Government, however, LGNSW believes that IPART could have used its discretion to consider options that would either exempt local government from the levy or exclude certain types of dam structure.

Local government appreciates the critical role that Dams Safety NSW plays in protecting life and property and as such very much sees the service provided as a public good that should continue to be funded NSW Government. Further, the beneficiaries of council dams are rarely restricted to the local government area in which they are built. Any water security and/or flood mitigation benefits derived from dams are likely to benefit communities in downstream local government areas. They may also provide water by pipeline to local government areas in other catchments. Benefits also accrue to the NSW Government as these public dams help build drought, bushfire and flood resilience across the state, helping to avoid or minimise response and recovery costs. LGNSW believes that shared benefits arguments alone should justify the exemption of councils from the Dams Safety Levy.

IPART's Draft Report provides a brief acknowledgement of the shared benefits and considered a 50 per cent rebate on the levy where this applies but subsequently dismissed the proposal as it would not help resolve the larger cost recovery issue. LGNSW considers it inappropriate for



IPART to dismiss the existence of shared benefits in such an expedient way. LGNSW would welcome policy development that more fairly balances all policy objectives rather than prioritising a cost recovery impetus for the NSW Government.

This is further evidenced by the Draft Report's failure to distinguish between declared dam owners in determining the levy. Councils, including those with Local Water Utilities, are not profit making and serve the public, yet it is proposed that they will pay the same levies as private and commercial dams where there are private and corporate benefits.

Under the proposed model, councils will be liable to pay the largest share of dam safety revenue, with councils owning 136 or 36% of the 381 declared dams. This includes flood mitigation structures such as retention basins. Total levies on councils will be approximately \$2 million per annum. While this is an immaterial amount to the NSW Government it is a significant amount to councils. The burden on individual councils will also vary widely with the number of council dams. While a typical council may only have 1 declared dam, others such as Liverpool and Fairfield Councils in metropolitan Sydney have 11 each, the majority of which are flood mitigation dams or retention basins rather than permanent, water storages. The proposed annual levy to councils ranges from \$7,639 to \$136,701.

As reinforced in our [previous submission](#), LGNSW views the proposed levy as yet another cost shift onto local government, further adding to the cumulative impact of the numerous cost shifts already imposed by the NSW Government onto the local government sector. LGNSW's latest cost shifting [report](#) was released in November 2023, highlighting a total cost shift to councils of \$1.36 billion in 2021-22, which is the equivalent of more than \$460 per ratepayer annually.

The Draft Report proposes that councils and local water utilities pass the costs to ratepayers and/or through water supply charges where the assets are owned by council local water utilities. The report does not recognise the difficulties involved in increasing rates, fees and charges, not the least being council and community resistance, particularly during the current cost of living crisis.

LGNSW is also concerned that the proposed levy is reflective of a trend to use local government as a mechanism for funding state government funding responsibilities. A major example of this is the Emergency Services Levy (ESL) imposed on councils, while a more recent example is the expansion of the interment levy on all burials and cremations. LGNSW is firmly opposed to the state government hiding state taxes in council rates, fees and charges.

LGNSW is also of the view that the proposed model, as it stands, is not 'fit for purpose' because the levy determination remains based on consequence not risk. The Draft Report makes it clear that the levy should be determined within a risk based regulatory framework. However, the draft report states that it will take 2-3 years before the required risk data has been collected.



LGNSW acknowledges the important role that Dams Safety NSW plays and commends its work. However, LGNSW considers that the service it provides is for the public good and that this service should continue to be funded from consolidated revenue. LGNSW strongly urges IPART and the NSW Government to reconsider any proposal to introduce a dam levy.

For further information please contact Shaun McBride, Chief Economist at

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Yours sincerely

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