Monday 3 May 2021

Independent Pricing and Regulatory Tribunal
PO Box K35, Haymarket Post Shop
Sydney NSW 1240

UDIA NSW Submission on the IPART review of the "The Rate Peg to include population growth"

The Urban Development Institute of Australia – NSW (UDIA) is the leading industry body representing the interests of the urban development sector and has over 500 member companies in NSW. UDIA advocates for the creation of liveable, affordable, and connected smart cities.

Council rate pegging has been a key UDIA policy focus for many years and we support the review by the Independent Pricing and Regulatory Tribunal NSW (IPART) as presented in *"The Rate Peg to include population growth"* Issues Paper. Our submission focusses on that part of the IPART review that allows the general income of a council to be varied annually to account for population growth.

1. Councils to be held accountable for any rate increases to support future growth and achieve better service provision

UDIA supports this proposal to provide better quality council services to their communities through the rate peg amendment. This is crucial as some council's, especially those experiencing population growth, object to development due to the significant disincentives within the current rating system.

> *"Because the rate peg prevents councils from raising additional rate revenue from a growing population, it creates a strong disincentive for councils to accept growth. If they do, councils must either reduce the quality and quantity of infrastructure to service their communities or recover some of the cost from infrastructure contributions." (Review of Infrastructure Contribution in New South Wales, Productivity Commissioner, 2020)*

UDIA contends that the rating system has resulted in service costs being shifted to developer contributions, as councils cannot raise sufficient revenue via rates to service new growth. A rate peg amendment would allow a council's total revenue to grow as their community grows and should increase council's willingness to accept growth provided a fair and reasonable local contributions plan is also developed. It would also allow a council to commit to a rolling program of infrastructure and service delivery as well as improve or upgrade existing infrastructure.

We have also noticed that some councils are increasingly looking to build into Planning Agreements the requirement for developers to fund infrastructure and ongoing maintenance costs. This is placing an unreasonable burden on development and costs to new housing, which is negatively impacting housing affordability.

UDIA supports a rating system that is equitable and responsive to community needs. The reforms must ensure councils have a stable and reliable revenue base and enable a fairer distribution of the rating burden.

Similar to developer contributions, UDIA recommends that any rate peg increase must be used for the purpose for which they were collected, and within a reasonable time. Councils should be held accountable to ensure that a rate peg increase is used appropriately and leads to improvements to efficiency and services. Accountability will also increase industry confidence that extra rate revenue is being used to service population growth.

Recommendation 1. IPART to ensure that any approved council rate peg increase is used appropriately and leads to improved efficiency, better service delivery and outcomes for the community.

2. Use of the rate peg amendment to encourage councils to spend their stored local contributions

In our recently released, *"Council infrastructure funding performance monitor for the Sydney Megaregion FY20"* we observed that councils have $3billion in stored Section 7.11 / 7.12 local contributions, which is up 5% from 2019 and 50% from 4 years earlier. The "*Review of Infrastructure Contribution in New South Wales"* (Productivity Commissioner, 2020) also identified that councils are not willing to take up low-cost loans from State government to deliver local infrastructure.

Without key local infrastructure, communities are missing out on facilities such as new parks and roads, which are especially important to growing councils. UDIA understands that in some cases residential development is being stalled due to that last piece of missing local infrastructure not being provided.

Other councils are reluctant to spend their stored local contributions to support growth as they have no revenue available to maintain, replace, and upgrade old infrastructure, which not covered by developer contributions, to allow for the complete transition of a place for an incoming population.

UDIA supports a rate peg amendment, where a council is aiming to upgrade and/or provide new infrastructure, that they must commit to a program of using their unspent developer contributions balances to provide infrastructure to support new growth.

The combined strategy should give a council greater confidence to spend unspent contributions on new growth infrastructure and allow for the total enhancement of a place overall, which has new and upgraded infrastructure for an incoming population.

Recommendation 2. IPART to investigate options through the rate peg amendment to encourage councils to spend up to $3 billion in stored local contributions on capital projects in areas targeted for growth.

We thank you for the opportunity to provide this submission and for further enquiries, please contact David White, Greater Western Sydney and South Regional Manager on 02 8330 6913 or dwhite@udiansw.com.au to arrange a meeting to discuss the recommendations contained in this submission.

Yours sincerely,

Steve Mann
CEO