

Friday, 5 February 2021

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UDIA NSW Submission on Exposure Draft Bill on local government rating reform

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 NSW advocates for the creation of liveable, affordable, and connected smart cities.

UDIA welcomes the review into local government rating reform as contained in “*Towards a fairer rating system – A consultation guide to local government rating reform*” (NSW Government, December 2020). The review which is being undertaken by the NSW Office of Local Government (OLG) is long overdue.

UDIA believes that a fairer and more flexible rating system will foster a more productive relationship between State and local government to provide the “right balance” from which to fund infrastructure and help drive growth. It will help ensure councils have a stable and reliable revenue base to deliver services for their communities and future populations.

UDIA notes that any recommended changes to local government rate reform should be consistent with the recommendations contained in the “*Final Report of the Review of Infrastructure Contributions in New South Wales, 2020* (‘the Review’)”. It is critical that both review processes are integrated to ensure a wholistic rating and contributions reform outcome.

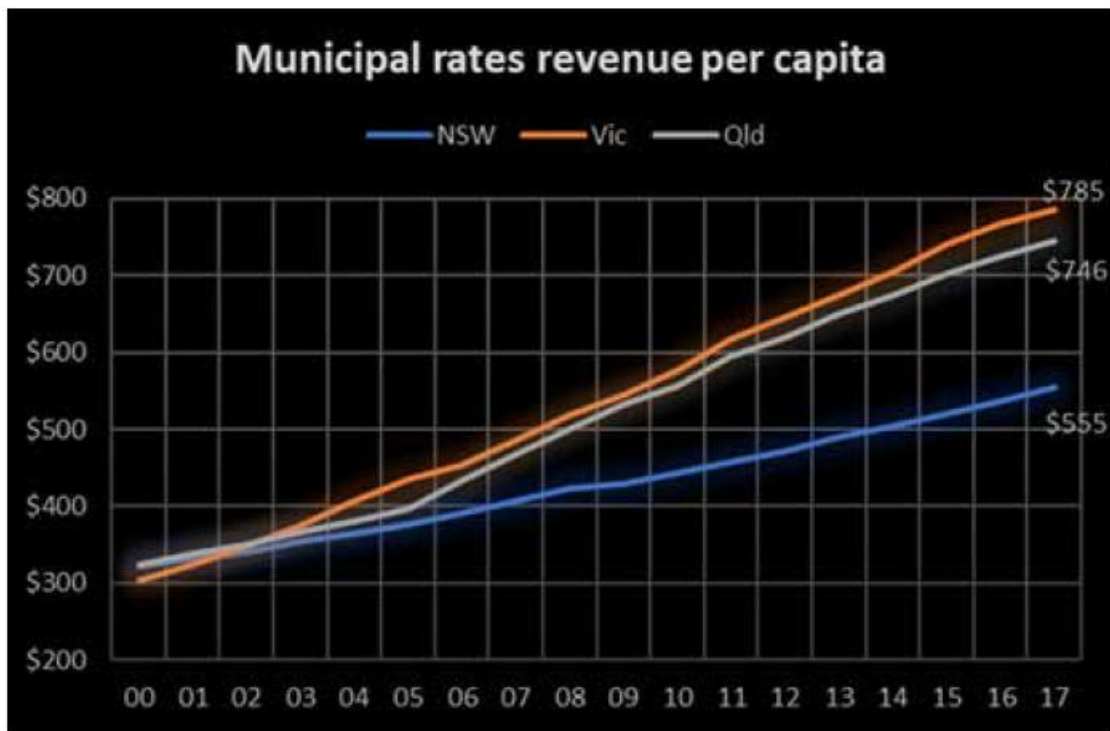
UDIA supports most of the recommendations contained in *Towards a fairer rating system consultation guide* but contends that the following issues need to be addressed prior to implementation of legislation.

1. Rate pegging impacts the ability of local councils to support development through provision of funding for infrastructure.

As identified in the Review into developer contributions, rate pegging under the *Local Government Act 1993*, makes no allowance for councils to raise general rate revenue to provide new and essential infrastructure necessary to support population growth.

This concerns UDIA, who support population growth which is supported by key infrastructure to provide liveable, affordable, and connected smart cities.

This is further constrained by some councils that use rate-pegging to block development and pursue low-growth housing options. Alternatively, other councils have applied higher developer contributions to fund infrastructure that essentially is a de facto tax on development, which can impact affordable housing outcomes. UDIA notes that taxes now contribute approximately a third of the price of a new house in NSW. In comparison to the other Eastern seaboard States NSW collects approximately 25%-30% less municipal rates per capita.



GLN Planning 2018

We support amending the rate peg to enable council general revenue to increase as its population grows to help support efficient local government funding and enable additional works roads and parks etc. to be completed. This would also remove one of the barriers from councils and the community to support growth.

The review should also consider broader policy changes arising from the Productivity Commissioners review into developer contributions such as rate pegging, state and regional infrastructure funding and funding for local infrastructure by a council.

Recommendation 1. The OLG to review rate pegging in consideration of the Productivity Commissioners review into developer contributions with options based on a wholistic approach to taxing and charging for infrastructure and services in NSW based on a 'user pays' model.

2. The process to obtain a special rate variation is arduous.

Councils have stated that the process to obtain a special rate variation for a nominated growth area is very resource intensive and high uncertainty.

This inhibits a potential funding source for infrastructure and results in councils seeking other funding sources to support population or trying to reduce population growth.

UDIA supports an easier, more timely and predictable process pathway to obtain a special rate variation.

Recommendation 2. OLG creates a process that makes it easier and more predictable for councils to obtain special rate variations.

3. **Allowing councils to levy special rates for jointly funded infrastructure.**

UDIA supports a recommendation that allows councils to apply for special rates that jointly fund infrastructure. This is critical to ensure that future communities are provided with infrastructure at the right time and in the right location.

As previously advised some councils are using the lack of infrastructure to justify a low growth scenario resulting in a lost opportunity to provide growth that responds to a diverse range of housing needs.

Including nominated infrastructure in a community endorsed operational plan will provide a stronger basis to justify and fund infrastructure and designate appropriate costs from rates, special rates, and developer contributions. This is an important part of the accountability of applying rates to deliver identified infrastructure.

Again, a seamless process needs to be implemented to provide councils with a clear approval pathway based on agreed criteria.

4. **Conclusion**

UDIA is supportive of attempts to review local government rating and achieve a fairer system. Local government has an important role in providing services for existing and future populations and contributing to the State's planning vision.

Rate pegging reform is supported to remove barriers to council's achieving population growth with appropriate infrastructure provision. Special rate variations are also supported, provided an appropriate process is developed that is less resource intensive and provides certainty to a council.

The review also needs to be integrated into the review of developer contributions that is expected to occur in 2021.

UDIA is keen to understand further the proposed changes. Please contact Mr Kit Hale on 02 9262 1214 or khale@udiansw.com.au to arrange a meeting to further discuss the review of into the local government rating system.

Yours sincerely,



Steve Mann
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UDIA NSW