



THE CABINET OFFICE
NEW SOUTH WALES

30 MAY 2006

Mr Kevin Greene, MP
Chair
Legislative Assembly Standing Committee on Public Works
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Greene

I refer to your letter to the Premier dated 13 December 2005 regarding the Inquiry into Infrastructure Provision in Coastal Growth Areas.

Enclosed is the NSW Government's response to the recommendations of the Committee's report.

Yours sincerely

A large, stylized handwritten signature in black ink, appearing to read 'R. Wilkins'.

RW Roger B Wilkins
Director-General

NSW Government Response to the Inquiry into Infrastructure Provision in Coastal Growth Areas¹

Introduction

The NSW Government supports the ongoing work of the Legislative Assembly Standing Committee on Public Works and welcomes the findings and recommendations made by the Committee in relation to infrastructure provision in coastal growth areas.

The NSW Government welcomes the Committee's support for the regional planning process and recognises the importance of the Committee's recommendations in seeking to strengthen integrated planning and infrastructure provision in a manner that manages the tensions between development and maintaining the natural environment and amenity of the coast that attracts so many "seachangers" in the first place.

The Government supports the Committee's focus on strengthened accountability for the delivery of regional strategies and regional infrastructure projects. A major component of recent planning reforms is the development of regional strategies to provide the basis for improved integrated planning and management in areas of high population growth pressures. These strategies will bring together land use, natural resource and infrastructure planning. Regional strategies will inform all new local environmental plans and the preparation of the State Infrastructure Strategy, as well as drive coordination to ensure expenditure on priority infrastructure projects.

The NSW Government supports the notion that regional strategies should be subject to rigorous scrutiny during their development, exhibition and implementation. Once exhibited and then made, regional strategies will be reviewed every five years and amended to respond to the changing needs of each region.

The NSW Government supports the objectives and outcomes sought by the Standing Committee. However, as set out in the Government's response to the Committee's specific recommendations below, some of the mechanisms by which the Government currently seeks to achieve these objectives vary from those proposed in the Committee's Final Report.

¹ Parliament of NSW, Legislative Assembly Standing Committee on Public Works, Report No. 53/05, November 2005

Recommendation 1: Coastal Cabinet Sub Committee (CSC) - The Committee recommends that the NSW Government establish a Coastal Cabinet Sub-Committee. The basis for the Cabinet Sub-Committee is recognition of the unique service and infrastructure needs and environmental challenges posed by the rising population in coastal areas of NSW. The Coastal Cabinet Sub-Committee would consist of key infrastructure and financing Ministers and the Minister for Local Government. The Coastal Sub-Committee would be chaired by the Minister for Planning. The primary tasks for the Sub Committee would be to consider progress against infrastructure targets set by coastal Regional Strategies. An annual Regional Report Card would be produced for each region that notes performance against targets and grades coastal regions according to key indicators of amenity.

The NSW Government supports the need for an appropriate Cabinet forum in which regional planning and infrastructure planning issues are considered. The Government also supports the notion that regional strategies should be subject to rigorous scrutiny during their development, exhibition and implementation.

The NSW Government has established the Cabinet Standing Committee on Infrastructure and Planning (the IPCC), which is chaired by the Premier. The IPCC is responsible for ensuring that decisions related to planning for land use, development, infrastructure, natural resources and the environment are carefully considered and that the best outcomes are delivered for the State.

The IPCC is responsible for undertaking detailed assessments of regional strategies before they are released for public consultation and again before they are finalised by the Minister for Planning. The IPCC will have a role in ongoing monitoring of the implementation and outcomes of regional strategies.

Infrastructure needs for regional areas will be informed by regional strategies, and considered by the IPCC and the Cabinet Standing Committee on the Budget. The long-term provision of new infrastructure in regional areas will be documented in Budget Paper 4 and the State Infrastructure Strategy. In taking this approach, the Government can ensure that the delivery of future infrastructure needs is consistent with the projected population growth and desired outcomes contained in each regional strategy.

Given that the IPCC has been established, the NSW Government does not support the creation of a new Cabinet Committee for planning solely related to coastal areas. A Coastal Cabinet Committee would mean that coastal planning issues would be considered separately from planning and infrastructure matters being considered for other parts of the State. This could create the risk that planning and infrastructure issues in coastal areas may not receive the same integrated, high-level consideration through IPCC as for other areas.

Recommendation 2: Regional Strategies - The NSW Department of Planning is currently preparing coastal Regional Strategies. These Strategies are designed to canvass anticipated needs for services, infrastructure and the environment based on demographic change and other factors. On the basis of issues raised in this inquiry and to enable Regional Report Cards to be generated from the Strategies, the Committee recommends the following components be included in the Regional Strategies:

- statement of long term vision and values for the coast and each coastal regional area;
- identified infrastructure projects to be delivered in specific timeframes;
- nominated and focused areas for coastal growth;
- set benchmarks and targets for coastal amenity;
- defined links between Regional Strategies and other strategies, agencies and planning tools; and
- alignment of coastal planning boundaries.

The NSW Government supports this recommendation in-principle. A key purpose of coastal regional strategies is to set out a long-term vision for each region. They will be guided by sustainability criteria against which potential growth areas for settlement and employment can be assessed and identified. Regional strategies will provide a settlement plan to accommodate population and employment growth over the next 25 years.

Regional strategies will not identify specific infrastructure projects. The NSW Government will use the State Infrastructure Strategy and Budget Paper Number 4 to identify, plan and deliver infrastructure to meet population growth needs across the State, including in coastal growth areas. As noted above, the State Infrastructure Strategy will be informed by the settlement and employment lands plans contained in each regional strategy. Budget Paper Number 4, which sets out funded infrastructure programs over the coming financial year by the General Government Sector and Private Trading Enterprises, will continue to be released.

The focus of regional strategies is to guide local councils in the development and implementation of Local Environmental Plans. As such boundaries for regional strategies are best aligned with existing local government boundaries to ensure efficient implementation and monitoring.

Recommendation 3: Sustainable Regional Economies - The Committee recommends that a long term goal for all coastal regions be self sufficiency in terms of its economic and employment base.

The NSW Government supports the goal of all regions achieving economic and employment self-sufficiency. The Government also recognises the need to protect and enhance economic and employment connections between regions and sub-regions.

Regional strategies will seek to encourage sustainable regional economies. The State Infrastructure Strategy and Budget Paper Number 4 will also assist coastal regions in becoming self-sufficient by delivering infrastructure funding in line with population growth, employment growth, social services and other needs.

Recommendation 4: Regional Report Cards - The Committee recommends that the Cabinet Sub Committee release an annual Regional Report Card for each region based on the infrastructure projects and indicators noted in the specific Regional Strategy.

The NSW Government supports the need for regional strategies to be subject to appropriately timed reviews during their implementation.

All regional strategies will be subject to a five yearly review, which is consistent with the timetable to complete the introduction of standard local environmental plans across the State. The Government is of the view that five yearly reviews is an appropriate frequency for the Government to be provided with a comprehensive report against which the long-term objectives and vision for each region can be tested. If there was to be any significant unexpected changes in the demographic trends or development patterns in any particular region, the Government would expect the Department of Planning to bring forward proposals in relation to any necessary adjustments to regional strategies or infrastructure provision for Government consideration at any time.

In addition, the provision of funded infrastructure will continue to be updated and reported by way of the annual Budget papers process.

Therefore, the Government does not support the annual reports cards proposed by the Committee. The Government is of the view that the review and annual Budget processes described above are the most effective or efficient way for progress to be monitored.

Recommendation 5: Infrastructure Audits - The Committee recommends that the NSW Government fast track and resource the completion of coastal infrastructure audits to a common, nationally agreed methodology. The results of the audits should be integrated into the formation of the Department of Planning's Regional Strategies and be used to assist the ranking of priority infrastructure projects.

Using planning reform funds, the former Department of Infrastructure, Planning and Natural Resources undertook a strategic review of existing infrastructure to assess the implications of settlement growth scenarios. These reviews are informing the preparation of regional strategies, which in turn will inform the State Infrastructure Strategy.

The State Infrastructure Strategy will be the main tool put forward by the NSW Treasury for Government asset planning. The SIS will set out the State's major infrastructure over the medium term and identify the sequence of proposed infrastructure investment to meet agency service delivery objectives for the Budget process.

In addition, at an agency level, the Total Asset Management (TAM) Policy is targeted at better planning and management of the State's physical assets, both existing and to be acquired. The TAM Policy is a strategic approach to physical asset planning and management, to ensure that an agency's physical assets best support its service delivery objectives. Agencies will consider the expected long-term population growth and distribution expectations contained in regional strategies when developing their service delivery objectives under the TAM policy.

Recommendation 6: Review of local government funding - The Committee recommends that the NSW Government, led by the Department of Local Government, undertake a review of funding options faced by coastal councils including consideration of:

- debt attitudes and borrowing capacity for local government;
- the current impacts of rate pegging;
- the impact of pensioner rebates on rate revenue;
- the effectiveness of new development contribution reforms;
- options for new fees and charges; and
- impacts of increased local government responsibilities.

The NSW Government agrees that financial sustainability is a significant issue facing many local councils across Australia, including those in coastal growth areas.

An Independent Inquiry into the Financial Sustainability of NSW Local Government, commissioned by the Local Government and Shires Associations of NSW, released its Final Report on 3 May 2006. It is understood that the Local Government and Shires Associations of NSW is currently considering the report.

In April 2006, all Local Government Ministers signed a new Inter-Government Agreement (IGA) to establish a framework to improve the way the three spheres of government relate to each other to achieve the best possible outcomes for communities. The provisions of the IGA include the establishment of principles guiding the allocation of roles and responsibilities between local government and the other spheres of government, and how services are funded and delivered at a local level. The NSW Government looks forward to working with local government and the Commonwealth and the other States and Territories on these issues.

In acknowledgement of concerns about financial sustainability of local councils, the Minister for Local Government has convened a meeting of State and Territory Local

Government Ministers for late May 2006 to consider this issue. The NSW Government will consider the recommendations of the final report of the Inquiry into the Financial Sustainability of Local Government in the context of this ongoing work.

Recommendation 7: Resourcing of Strategies - The Committee recommends that the NSW Government fast tracks and resources the planning reforms by increasing the planning reform funds to ensure that Regional Strategies are operational sooner and standard LEPs generated in less than the current 5 year timeframe.

The Government is committed to ensuring the preparation of the regional strategies and revised LEPs as soon as practicable. Approximately \$2 million was provided to coastal LGAs and regions over 2005. A similar sum is projected for 2006. It is expected that most regional strategies will be released in 2006 and that all LEP revisions will occur within the next 5 years, with many expected to be completed within two to three years.

Recommendation 8: Section 94 contributions - The Committee recommends that Section 94 Contribution Plans' flat rate of 1% be variable to allow coastal growth councils, which can demonstrate they are experiencing higher than average growth to set levies of a higher rate. Such variations should require approval by the Minister for Local Government.

Traditionally, local government was able to charge a 'one-off' sum under section 94A of the *Environmental Planning & Assessment Act 1979* at the time of granting development consent if it was satisfied that the development was likely to require the provision, or increase in the provision, of public amenities or services.

Under recent changes to the development contributions system, local government is now afforded greater flexibility in choosing the method or combination of methods that best suits their needs.

Under section 94A of the *Environmental Planning & Assessment Act 1979*, local government can now impose as a condition of development consent a requirement that the applicant pay a flat percentage levy of the proposed cost of carrying out the development. This option is most effectively used in areas where development is incremental or slow.

Local government can also enter into a planning agreement with a developer under sections 93F-L. Planning agreements enable councils to collect funds for public amenities and services, affordable housing, transport, funding of recurrent expenditure and conservation and/or enhancement of the natural environment.

Local government is also now afforded greater flexibility in the expenditure of developer contributions. Monetary contributions collected can be pooled and applied towards any purpose for which a contribution is required to be paid. Pooling of developer contributions promotes the efficient use of funds and the timely provision of priority infrastructure.

Local governments can also introduce cross-boundary levying (between neighbouring councils). This reform recognises that a development can occur near a local government boundary but have a wider impact on more than one local government area.

This suite of options gives local government in NSW the capacity to collect and spend appropriate levels of contributions in a way that recognises that councils experience different pressures to provide infrastructure based on their location, community needs and the availability of existing infrastructure.

Recommendation 9: Public Information - The Committee recommends that the Department of Planning provide clear and transparent information on the current planning system in New South Wales and the impact of the planning reforms as they become operational.

The Government supports this recommendation, noting that the Department of Planning already uses circulars, forums, its website, and other communication mechanisms to provide information to the community on changes to the planning system in NSW. These tools will be used as regional strategies and draft LEPs are developed.