

**Public Accounts
Committee**
Parliament of New South Wales



**Report on Brief Review of
the Statutory Funds of the
Department of Environment
and Planning**

The New South Wales Public Accounts Committee is composed of five members of the Legislative Assembly of the New South Wales Parliament. Its functions and powers are defined in the Public Finance and Audit Act and its role generally is to serve as a Parliamentary watchdog of government expenditure to ensure that government organisations are implementing government policy as efficiently and effectively as possible.

**1984-85
Parliament of New South Wales**

**Public Accounts Committee
of the
Forty-eighth Parliament**

Seventeenth Report

Inquiry pursuant to section 57 (1) of the Public Finance and Audit Act, 1983, concerning certain matters relating to the Statutory Funds of the Department of Environment and Planning.

(Transcripts of Evidence included as an Appendix to this Report)

July, 1985

Committee Members

The members of the Public Accounts Committee as at June, 1985 were:

Mr John Aquilina, M.P., Chairman*

John Aquilina was elected Member for Blacktown in September, 1981. A high school teacher by profession, John Aquilina was a Commissioner of the Ethnic Affairs Commission for two years and the Mayor of Blacktown for four years before entering Parliament.

Mr John Murray, M.P., Vice-Chairman

John Murray, formerly a teacher, was elected Member for Drummoyne in April, 1982. An Alderman on Drummoyne Council for three terms, John Murray was Mayor of the Council for five years, the longest time ever served continuously by a Mayor of Drummoyne. Mr Murray is also a member of the Prostitution Committee and the House Committee.

Mr Colin Fisher, M.P.

Colin Fisher was elected Member for Upper Hunter in February, 1970. Former Minister for Local Government (1975) and Minister for Lands and Forests (1976), in opposition Colin Fisher has served as National Party Spokesman on Local Government; on Planning and Environment, and on Energy.

Mr Phillip Smiles, M.P.

Phillip Smiles was elected Member for Mosman in March, 1984. A management and marketing consultant since 1974, Phillip Smiles has been involved with entrepreneurial business activities since his teens. Since entering Parliament he has been actively interested in the areas of emergency services, welfare and financial analysis.

Dr Andrew Refshauge, M.P.**

Andrew Refshauge was elected as Member for Marrickville in October, 1983. He previously practised as a Medical Practitioner with the Aboriginal Medical Service and was a past President of the Doctors' Reform Society. He is currently a fellow of the Senate of the University of Sydney.

*Mr Bob Carr was Chairman of the Committee until he was appointed Minister for Planning and Environment on 12 December, 1984.

**Dr Refshauge was appointed to the Committee on 20 February, 1985.



Committee Members. From left: Phillip Smiles, John Murray (Vice-Chairman), Andrew Refshauge, John Aquilina (Chairman), Colin Fisher

Secretariat

Frank Sartor, B.E., B.Comm.(Hons), Director

Ruth Tait, B.A.(Hons), M.A., Deputy Director

Bob Pritchard, AASA, CPA, Advisor on secondment from the
Auditor-General's Office

Christina Assargiotis, Secretary/Word Processor Operator

Sandra Vine, Secretary/Word Processor Operator

CHAIRMAN'S FOREWORD

This report was foreshadowed in the Committee's Report on matters examined in relation to the 1982-83 Report of the Auditor-General (Report Number 12). The Committee's report stated that a number of issues were being examined in respect of the seven statutory funds administered by the Department of Environment and Planning. These issues included:

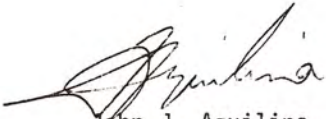
- developmental activities of the Sydney Region Development Fund
- interfaces with other government organisations
- Sydney Region Development Fund investments

Following its initial examination of the Auditor-General's report the Committee had sought information from the Department concerning administrative expenses, investments, private loans outstanding, justification for retaining the land development contribution fund and the justification and function of the other statutory funds administered by the Department. Upon examination of the Department of Environment and Planning's replies the Committee decided to obtain further information concerning the purpose and objectives of the funds, the organisational structure for administering them, their role and funding strategies.

The thrust of this short report is to point to the need to review the operation and relevance of the seven statutory funds. The Committee is also concerned that meaningful objectives and targets should be set, and performance measures devised. The Committee has not attempted, in this brief review, to conduct a detailed examination of the operations of the Funds. The report is essentially an overview, highlighting aspects which need further consideration.

I would like to thank the former Deputy Director, Ruth Tait, for her valuable contribution to this report.

I also wish to thank my fellow Committee Members for their work on this inquiry. Finally, I thank the Director, Frank Sartor and Advisor, Bob Pritchard, for their contributions and the Committee's stenographers, Christina Assargiotis and Sandra Vine for their work.

A handwritten signature in cursive script, appearing to read "John J. Aquilina". The signature is written in dark ink and is positioned above the printed name.

John J. Aquilina,
Chairman.

REPORT ON THE STATUTORY FUNDS OF
THE DEPARTMENT OF ENVIRONMENT AND PLANNING

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THE STATUTORY FUNDS OF THE DEPARTMENT OF ENVIRONMENT AND PLANNING

Section 1: Summary and Recommendations

The primary role of the Department of Environment and Planning (DOEP), its planning function, was not the focus of this brief inquiry by the Public Accounts Committee.

The Committee directed its attention to the seven Statutory Funds administered by the Department and in particular to the Regional Development Funds.

Initial questions relating to some financial practices were answered but questions relating to the overall purpose and effectiveness of the Funds raised issues which are the subject of this report.

The Committee makes the following recommendations:

1. That, to enable meaningful objectives and targets to be set, it is important that development plans and priorities for the Sydney, Illawarra and Hunter Regions be available and updated regularly. That specific objectives and performance measures be developed for each program of activity financed by the Regional Development Funds and the other Statutory Funds and that annual targets be set.
2. That the organisation structure be reviewed with the aim of:
 - . bringing the program format and the organisation structure more closely in line with each other and with organisation goals, and
 - . establishing clear accountability for the management of each of the Funds.
3. That the option of the Land Development Contribution Fund being absorbed by the Sydney Region Development Fund (and, if appropriate, the other Regional Development Funds) be investigated.

4. That the division of responsibility for development activities between the Department of Environment and Planning and the Department of Industrial Development and Decentralisation be clarified.
5. That the Government decide whether the levy system is to be continued and if it is to be continued that the following action be taken:
 - (a) that Councils contributing to a particular Regional Development Fund should participate in long term planning for expenditure from that Fund;
 - (b) that the Illawarra Regional Development Fund be activated immediately (i.e., a system of Council levies commenced) to generate funds for expenditures already incurred and that the Hunter Regional Development Fund be activated as soon as funds are required;
 - (c) that the inequities under the current formula be rectified;
 - (d) that the Department, when providing historical and current financial information to contributing councils in each Fund, also indicate in general terms the expected levy increases for future years.

The Committee would like to thank the Director and officers of the Department of Environment and Planning for the information which they have provided and for their helpful assistance during the course of this review.

Section 2: Introduction

The Public Accounts Committee expressed interest in the Statutory Funds administered by the Department of Environment and Planning following the Reports of the NSW Auditor-General for 1982-83.

In particular, the Committee sought information in the following areas:-

- . Administrative expenses shown under the Sydney Region Development Fund.
- . Investments held by the Sydney Region Development Fund and the rate of return achieved.
- . Long Term Debtors held by the Sydney Region Development Fund and the Land Development Contribution Fund.
- . Private Loans outstanding from the Sydney Region Development Fund including interest rates paid.
- . The justification for retaining the Land Development Contribution Fund and the terms under which advances to the Sydney Region Development Fund were made.
- . The justification for retaining the Trust Fund, the Hunter Region Development Fund and the Illawarra Region Development Fund.

Information was gathered by correspondence and in an appearance at a public hearing by the Director and Finance Manager of the Department. Further correspondence followed the hearing as well as a meeting of the Director and officers of the Department with officers assisting the Public Accounts Committee.

During the process of information gathering, the Committee was satisfied with the procedures adopted in most of the above areas. The following issues remain and are the subject of this short report:

1. The purpose and objectives of each of the Statutory Funds were not clearly stated and performance measures had not been developed.
2. Organisation structure; there appeared to be little direct link between the structure of the Regional Development Funds and the organisation structure of the Department.
3. Participation by the Department in development activities.
4. Funding strategies for the Regional Development Funds and relations with local government.

The Committee has not attempted to conduct a wide-ranging inquiry into the operation of the Statutory Funds. As indicated above, information has been gathered from published sources and from the Director and other officers of the Department of Environment and Planning.

However, even this level of inquiry has highlighted areas of concern and allowed the Committee to reach certain conclusions and make the recommendations included in this report.

Section 3: Relevant Background to the DOEP Statutory Funds*

The Department of Environment and Planning administers seven statutory funds:

- . Sydney Region Development Fund
- . Illawarra Region Development Fund
- . Hunter Region Development Fund.
- . Land Development Contribution Fund
- . Trust Fund
- . Heritage Fund
- . Coastal Protection Fund

Administrative expenses for these funds are met out of moneys voted from Consolidated Fund.

Each of the Funds is a discrete accounting utility. Their purposes are described below.

3.1. Regional Development Funds

There are three Regional Development Funds: Sydney, Hunter and Illawarra. Each of these funds was established to provide finance for the acquisition and development of lands required for regional, as distinct from local, planning purposes (open space, primary and secondary roads and for special purposes) within the defined Development Area.

Councils within each of the defined Development Areas have a legislative responsibility to meet the costs of servicing their areas capital debt.

In the Sydney Region, this does in fact occur, with the annual contribution from each council in the Region determined by a "levy formula" (explained below).

*The material in this section is derived from information provided to the Committee by the Director, Department of Environment and Planning.

The Illawarra and Hunter Region Development Funds have been established quite recently. An acquisition programme has not been finalised for Illawarra while Hunter is still at the planning stage. To date, neither of these Funds has been "activated", by applying the levy to relevant councils. In the meantime, finance has been provided to these Funds on a temporary basis from the Sydney Region Development Fund.

The Department should determine its policy as to whether these Funds are to operate as originally intended.

3.2. Land Development Contribution Fund

This Fund was established under the Land Development Contribution Management Act, 1970, which required holders of non-urban lands to contribute an assessed amount to the Fund when such lands were rezoned for urban purposes. The contribution ceased to apply to lands rezoned subsequent to 7 February, 1973.

The purpose of the Fund was to allow the government to capture some of the windfall gain to a landholder on rezoning and to have those funds made available by way of loans to assist with the cost of servicing land in release area. Loans have been made, with Treasury approval, to Councils in the release areas and to the Sydney Region Development Fund. Advances are repayable after 5 years by 15 annual instalments with interest calculated at 2% p.a. At 30 June, 1984, outstanding advances comprised \$13.4m owed by the Sydney Region Development Fund and \$2.7m owed by Councils.

3.3. Trust Fund

The Trust Fund was set up to hold moneys to be applied to specific purposes; it comprises deposit on tenders, stamp duty on contracts, National Estate Grants and other trust monies. Cash held in trust at 30 June, 1984 was \$2.2m.

3.4. Heritage Conservation Fund

The Heritage Conservation Fund was constituted under Sections 104-108 of the Heritage Act to provide for the recurrent and capital costs of the Heritage Council. Funds are provided by way of State Government Grant and by raising of loans for specific conservation projects undertaken by the Heritage Council. The Heritage Council is serviced by the Heritage and Conservation Branch of the Department.

Some concern has been expressed that items of expenditure that should properly be charged to this fund have been charged to the Sydney Region Development Fund, e.g., Camden Park Estate.

3.5. Coastal Protection Fund

This Fund was constituted under the Coastal Protection Act to meet the recurrent costs of the Coastal Council. The Council advises the Minister on the protection, enhancement and restoration of the environment of the coastal region of N.S.W. and the use and conservation of the region's resources. The work of the Council is carried out by the Environment Studies and Coastal Branch of the Department.

Section 4: Objectives and Performance

In answer to questions from the Committee regarding the specific objectives of the funds for the previous year, the Department responded with broad statements of purpose similar to those in Section 3, above. In a later interview, it was stated that the objectives of the Fund are "to implement plans".

Both responses imply that the Funds are more than accounting entities; that they correspond to programs of activities within the Department.

The Committee is concerned that the objectives as stated are not specific and do not provide sufficient guidance for management action. Often they refer to an activity rather than a desired result. Statements of priorities for the next twelve months which were provided to the Committee focus on inputs rather than results: for example "to meet acquisition obligations estimated at \$29m".

Concerning performance; the Department described the performance of the Funds against objectives as follows: "In each of the years 1982-83 and 1983-84 the objectives of all the Funds were met in that funds provided were fully utilised to meet the discrete purposes of each fund."

The Committee believes this is a most unsuitable indicator of performance since the spending of available monies is not the objective of the Funds. It is essential that more meaningful objectives and performance indicators are developed to guide Departmental activities and, subject to commercial consideration, to inform Councils and the public of the results being achieved and the plans and priorities of the various development programs.

To enable meaningful objectives and targets to be set, it is important that development plans and priorities for the Sydney, Illawarra and Hunter Regions be available and updated regularly. The Committee recommends that this be done, that specific objectives and performance measures be developed of each program of activity financed by the Regional Development Funds and the other Statutory Funds and that annual targets be set.

Section 5: Organisation

Information available to the Committee indicated that there is little direct link between the structure of the Regional Development Funds and the organisation structure of the Department. Planning Divisions exist to service defined geographic areas, but these areas do not correspond to the areas covered by the three Regional Development Funds.

According to the Department, management of the three Regional Development Funds is shared between the Manager, Financial Branch, who is responsible for keeping the accounts of the Funds, investment of cash holdings and sinking fund reserves and assessment of the Council contributions and, by the Head of the Land and Estates Division who is responsible for the management of the acquisition program, sales, leasing and property management aspects of the Funds.

It appears that these organisational arrangements may be contributing to the lack of specific and meaningful objectives for the Funds.

The Committee recommends that the organisation structure be reviewed with the aim of:-

- . bringing the program format and the organisation structure more closely in line with each other and with organisation goals, and**
- . establishing clear accountability for the management of each of the Funds.**

One possible structure which builds on the existing regional organisation, would have a number of Planning Divisions each responsible for developing and implementing a plan for their region. Thus the Planning Division (Sydney) would be responsible for updating and implementing the Sydney Regional Plan and for managing the Sydney Region Development Fund. Similar arrangements would be established for the Hunter and Illawarra regions. Regions not supported by Development Funds would work through Councils (and

growth area organisations) to achieve regional planning goals. The Land and Estates Division could assist the Planning Divisions or these functions could be decentralised to the regions.

Concerning the Trust Fund, the Heritage Fund and the Coastal Protection Fund, information available to the Committee suggests that there is already a direct link between each fund and the organisation structure of the Department. Hence the Heritage Fund is administered by the Heritage and Conservation Branch of the Department. However, these arrangements should be reviewed if a comprehensive study is initiated.

Section 6: Land Development Contribution Fund

This fund ceased receiving contributions resulting from the rezoning of land in 1973; after less than three years' operations.

At 30 June, 1982, \$4,000,000 had been advanced to local councils and \$12,650,000 to the Sydney Region Development Fund. Each loan was at 2% interest for 20 years with payments of interest and principal deferred for 5 years. Instalments are paid at the rate of \$1-1.5 million per year and this money is loaned out again in accordance with Treasury direction. In recent years, all new loans have gone to the Sydney Region Development Fund.

The Committee believes it is timely to review the continued existence of the Land Development Contribution Fund. If there are no plans to reactivate the Fund for its original purpose, the accounting structure of the Department could be simplified by absorbing the Land Development Contribution Fund into the Sydney Region Development Fund.

The Committee recommends that the option of the Land Development Contribution Fund being absorbed by the Sydney Region Development Fund (and, if appropriate, the other Regional Development Funds) be investigated.

Section 7: Development Activities

As discussed above, the Sydney Region Development Fund was established to provide finance for the acquisition and development of lands required for regional planning purposes.

The Committee has accepted the Department's role in facilitating the implementation of its plans by engaging in land acquisition. However, it questioned the DOEP's involvement in development activities.

According to the Director, development activities arise in three categories of land use.

1. Open space e.g. Sydney Park and other Green Space Programs
2. Special uses - corridors
3. Town centre sites provided and serviced by the DOEP and then leased to private developers e.g. Wetherill Park Shopping Centre and Mount Druitt Shopping Centre.

More significant development activities have also been undertaken, using the powers of the Minister, as a corporation sole, which allows him to be a development agency where required by planning purposes. The major examples here are Macarthur Growth Area and Somersby Estate. Macarthur Growth Area was transferred to the Department of Industrial Development and Decentralisation, however, responsibility for catalysing/co-ordinating industrial development at Somersby remains with the DOEP.

According to the Director, comparatively little expenditure has been incurred in development since the transfer of Macarthur Growth Area. The question is whether there is unnecessary duplication of the functions of the DIDD.

The Committee recommends that the division of responsibility for development activities between the Department of Environment and Planning and the Department of Industrial Development and Decentralisation be clarified.

Section 8: Funding Strategies for the Regional Development Funds and relations with Local Government

Funds for the Sydney Regional Development Fund (SRDF) are provided by councils in the Sydney Region by payment of a compulsory annual levy. This raises issues such as the basis of the levy, cross-subsidisation and the provision of information to contributing councils.

The formula employed to determine individual council levies has been in place since 1951 and may be presented in simplified form as follows (there is some adjustment for non-rateable land in this practice):

$$\text{Levy for Council A} = \frac{\text{total levy assessable for the year}}{\text{Land value of all councils in region}} \times \frac{\text{Land value of Council A}}{\text{Land value of all councils in region}}$$

According to the Director, the main disadvantage of the formula is the degree of fluctuation of individual council levies arising from the use of unadjusted land values affected by tri-annual revaluations and rapidly rising values. As all Council areas are not revalued at the same time, Councils with the most recent valuations generally are required to pay more, proportionately, than those with older valuations.

The Committee is concerned that despite criticisms of the formula, to date the Department has failed to develop a more satisfactory formula for levying Councils.

Another issue is cross-subsidisation. It can be seen from the levy formula that the use of land value as the basic measure means that the levy is applied on an "ability to pay" basis. the Department explains

"... in this context, it is important to emphasise the overriding regional nature of the Fund ... The benefits from large Regional open space acquisitions for example are enjoyed by all residents of the region not merely those of the council area in which it is situated. Accordingly, it will be recognised that open space amenities throughout the Sydney Region are available for use by the community in general."

The associated question is that of appropriate Regional boundaries. Three Funds have been established. Sydney, Hunter and Illawarra, but only the Sydney Fund has been fully activated. At present, funds have been provided, on a temporary basis, from the SRDF for activities in the Illawarra Region. Plans have been in place to activate the Illawarra and Hunter Regional Development Funds since the early 1980's.

Regarding council satisfaction with the value they receive for the levy, the Department comments

"this is a matter which for many years has been accepted by the contributing councils which generally acknowledge the need for the costs of regionally significant planning initiatives to be borne equitably by all councils within the region."

The Local Government Association has called for the abolition of the levy, a stand which received sympathetic consideration from the Premier.

There is no limit on the increase in the levy which councils are required to pay and it has been suggested that increased information would assist council planning.

A further concern of Councils is that title to open space developed by the Department out of the Regional Fund, paid for by Councils, remains with the Department when the land is vested back to the relevant local Council.

The Committee recommends that the Government decide whether the levy system is to be continued and if it is to be continued that the following action be taken:

- (a) that Councils contributing to a particular Regional Development Fund should participate in long term planning for expenditure from that Fund;**
- (b) that the Illawarra Regional Development Fund be activated immediately (i.e., a system of Council levies commenced) to collect funds from Councils in the Region and that the Hunter Regional Development Fund be activated as soon as funds are required;**

- (c) that the inequities under the current formula be rectified;
- (d) that the Department, when providing historical and current financial information to contributing Councils in each Fund, also indicate in general terms the expected levy increases for future years.

APPENDICES

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Follow-up Correspondence between the Committee and the Department	40

1.

RICHARD BARNESLEY SMYTH, Director, Department of Environment and Planning, of _____ and

ANTHONY O'DEY, Finance Manager, Department of Environment and Planning, of _____, affirmed and examined:

CHAIRMAN: Did you receive a summons issued under my hand to attend before this Committee?---A. (Both witnesses) Yes.

Q. We have received a submission from your department dated 7 February, 1984. Is it your wish that that submission be included as part of your sworn evidence?---A. (Mr Smyth) That would be the letter?

Q. Yes, that is right.---A. Yes. The submission reads:



Department of Environment and Planning



THE DIRECTOR

Mr. M. Egan, B.A., M.P.,
Chairman,
Public Accounts Committee,
Legislative Assembly,
Parliament House,
SYDNEY, N.S.W., 2000.

Remington Centre,
175 Liverpool Street, Sydney 2000
Box 377, G.P.O. Sydney 2001
DX 10 Sydney

Telephone: 233 2000

Our Ref: 84/10018

Your Ref: AG83/86

Dear Mr. Egan,

As requested in your letter dated 14th December, 1983, I now provide various items of information required as a result of the examination by the Public Accounts Committee of the 1982/83 report of the Auditor General's Department.

Item 1. The administrative expenses of the Sydney Region Development Fund comprise bad debts (rents) of \$20,000 and staff charges of \$1m.. Detail of the latter is given at Appendix A.

A brief account of the history of the charge by the Department on The Sydney Region Development Fund for administrative services will help appreciation of the treatment of this item.

For many years the Department and its various predecessors made only a nominal (though substantial) charge on the Sydney Region Development Fund for administrative services. However, following the assumption by the Government of responsibility for the administrative expenses of the Department in 1977, it became necessary to move closer to the principle of "user pays" and recover from entities such as Development Funds the cost of services provided. In these early stages of that process the Department seeks to recover the direct salary costs of staff employed full-time in the business of the Development Fund.

While the detail in Appendix A shows costs of \$1.089m, the amount actually charged in each of the past few years has been rounded down to \$1m., pending the development of a costing system able to provide reliable and accurate cost data. Microcomputer equipment necessary to operate, such a cost system is expected to be acquired soon (budget situation permitting).

The actual expenses, that is, the salaries paid, are allocated to the vote of the Minister and are included in the general expenses incorporated in the Minister's Public Accounts which account for the disbursement of the Vote.

The item of \$1m. shown in the financial statements of the Sydney Region Development Fund records the payment by the Development Fund of that amount to the Treasurer and into Public Revenue, being in effect a payment by a "privately funded" corporation to the Public Service for services rendered. The Development Fund does not employ staff or pay salaries directly.

Item 2. Detail of investments held by the Development Fund at 30th June, 1983, together with rates of return are given at Appendix B.

Item 3. Detail of long term debtors for both Sydney Region Development Fund and Land Development Contribution Fund are provided at Appendix C.

Item 4. A schedule of the outstanding balances of all private loans is provided at Appendix D.

Item 5. The Land Development Contribution Fund is at present a sum of approximately \$16m., which is the net proceeds of the levies collected between 1970 and 1973 under the Land Development Contribution Act, 1970 and interest earnings on advances.

The terms on which funds may be advanced were set down and approved by the then Premier and the Treasurer in 1972. The terms are:- interest 2% p.a., term 20 years, payments of principal and interest deferred for the first (5) years. These terms apply to all borrowers, Councils and Development Fund. The purposes to which the Fund may be applied are specified at Section 54(4) of the Act. The Treasurer authorises all advances.

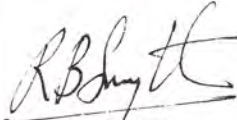
Justification for retaining the Fund is considered to lie in the continuing validity of the original objectives of the Act and having regard to those objectives, the continuing relevance of the 1972 decision that the greatest long term benefit would be gained by administering the Fund as a regenerating capital fund providing a continuing source of very low cost finance.

Item 6. The Trust Fund is used for the customary purpose of holding money deposited with the Department for any purpose including stamp duties payable by tenants, deposits of all kinds relating to the sale or purchase of land, and Federal Government grants for specific programs such as the National Estate Program. The strict separation of Trust monies from the many classes of government and other funds flowing into the various entities administered by the Department is considered an important feature of the internal control system and for that reason should be retained. Balances held fluctuate considerably and at present, 20/1/84, exceed \$900,000.

.... /3

Both the Illawarra and Hunter Development Funds are new Funds only recently established by the Environmental Planning and Assessment Act, 1979. While the two funds have not yet been fully activated and therefore do not record significant transactions in current annual statements, they may in due course fulfil their intended role as financial vehicles for land acquisition in the Illawarra and Hunter regions and must therefore be retained.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'R.B. Smyth', written over a horizontal line.

R.B. SMYTH
Director

Appendix A

SALARIES CHARGED TO SYDNEY REGION DEVELOPMENT FUND

Land and Estates Division Executive (3)

	<u>Salary</u>
Manager	43,807
Special Property Officer	35,326
Head Valuer	37,483
	<hr/>
	116,616
	<hr/>

Valuers (16)

16 Grade 1/2 valuers 457,752

Property Officers (9)

Clerk Grade 7/8	27,300
" " 3/4	21,400
" " 2	18,826
" " 1/2	17,704
" " 1/2	18,826
" " 1	17,704
" incremental	17,000
" "	13,477
Clerk of Works	23,534
	<hr/>
	175,771
	<hr/>

Search Officers (4)

1 x Grade 5	23,868
3 x Grade 3	56,478
	<hr/>
	80,346
	<hr/>

Legal Conveyancing (5)

Manager	39,868
4 x Solicitors	121,855
	<hr/>
	161,723
	<hr/>

Accounts (3)

Clerk Grade 5	23,868
" " 1	17,704
" Incremental	13,781
	<hr/>
	55,353
	<hr/>

Secretarial (3)

Secretaries/Typists x 3	41,963
	<hr/>

SUMMARY

<u>Section</u>	<u>Number</u>	<u>Salaries</u>
Land & Estates		
Executive	3	116,616
Valuers	16	457,752
Property Officers	9	175,771
Search Officers	4	80,346
Legal Conveyancing	5	161,723
Accounts	3	55,353
Secretarial	3	41,963
		<hr/>
		\$1,089,524
		<hr/>

DEPARTMENT OF ENVIRONMENT AND PLANNING
INVESTMENTS HELD BY SYDNEY REGION
DEVELOPMENT FUND AS AT 30TH JUNE, 1983

Westpac Interest Bearing Deposits

<u>IBD No.</u>	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
314912	30 x 14.20%	25.07.83	500,000	
187394	30 x 14.20%	27.07.83	500,000	
165549	60 x 15.95%	27.07.83	500,000	
695233	90 x 15.00%	11.07.83	500,000	
695313	90 x 15.00%	11.07.83	500,000	
187395	30 x 14.20%	27.07.83	500,000	
695401	37 x 16.00%	27.07.83	500,000	
304827-31) 20957-59)	14 x 15.25%	8.07.83	<u>1,000,000</u>	4,500,000

National Australia Interest Bearing Deposits

<u>IBD No.</u>	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
5021529	42 x 12.95%	3.07.83	500,000	
5021692	30 x 14.30%	8.07.83	500,000	
5020534	30 x 16.00%	17.07.83	500,000	
5021588	45 x 13.52%	16.07.83	500,000	
5021879	30 x 16.20%	20.07.83	500,000	
5021561	35 x 13.10%	5.07.83	500,000	
5021748	30 x 16.20%	15.07.83	500,000	
5021908	30 x 14.25%	27.07.83	500,000	
5021916	30 x 14.25%	27.07.83	500,000	
5021924	30 x 14.25%	27.07.83	500,000	
5021932	30 x 14.25%	27.07.83	500,000	
5021713	28 x 14.6%	8.07.83	500,000	
5021473	70 x 15.6%	19.08.83	500,000	
10603029	99 x 15.9%	13.07.83	<u>1,000,000</u>	7,500,000

ANZ Interest Bearing Deposits

<u>IBD No.</u>	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
570634	30 x 16.25%	15.07.83	500,000	
570632	30 x 16.25%	15.07.83	500,000	
570614	62 x 10.65%	18.07.83	500,000	
486279	90 x 13.25%	18.07.83	500,000	
570642	30 x 16.50%	21.07.83	500,000	
570645	30 x 13.75%	21.07.83	<u>500,000</u>	3,000,000

State Bank Interest Bearing Deposits

<u>IBD No.</u>	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
131264	30 x 13.00%	1.07.83	500,000	
131266	30 x 13.00%	1.07.83	500,000	
131281	30 x 15.00%	10.07.83	500,000	
131289	30 x 16.50%	15.07.83	500,000	
131247	60 x 10.00%	16.07.83	500,000	
164251	30 x 16.50%	22.07.83	500,000	
131082	7mth. x 12.50%	1.09.83	500,000	
131085	226 x 12.50%	15.09.83	<u>500,000</u>	4,000,000

Grain Elevators

<u>Cert. No.</u>	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
341	5yrs. x 9.20%	11.04.84	500,000	
343	10yrs. x 9.30%	11.04.89	500,000	
374	11yrs. x 11.20%	27.05.91	<u>500,000</u>	1,500,000

Metropolitan Water Sewerage & Drainage Board

	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
Inscribed stock	4yrs. x 17.00%	1.07.84	500,000	
"	5yrs. x 13.70%	15.01.85	200,000	
"	5yrs. x 10.90%	1.07.86	550,000	
"	1½yrs. x 15.00%	1.10.83	500,000	
"	1½yrs. x 10.70%	1.07.84	500,000	
"	4yrs. x 10.40%	1.10.83	<u>1,000,000</u>	3,250,000

Elecomm

	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
Inscribed stock	4yrs. x 10.4%	1.11.83	500,000	
"	3yrs. x 12.20%	1.08.85	500,000	
"	7yrs. x 12.20%	1.08.87	<u>500,000</u>	1,500,000

Commonwealth Stock

	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
Bonds	2yrs. x 14.00%	17.07.83	450,000	
"	6mths. x 12.90%	28.07.83	300,000	
"	16mths. x 12.90%	28.07.83	1,145,000	
"	6mths. x 13.00%	1.08.83	400,000	
"	9mths. x 15.00%	31.08.83	500,000	
"	6mths. x 15.75%	13.09.83	500,000	
"	100 x 13.00%	7.09.83	<u>484,000</u>	3,779,000

A.G.L.

	<u>Term</u>	<u>Maturity</u>	<u>\$</u>	
101858-62	180 x 13.50%	2.08.83	468,790	
19748-101952	6mth. x 13.10%	15.09.83	480,347	
102128-33	181 x 12.70%	17.10.83	470,377	
101953-7	5mth. x 13.70%	15.09.83	472,343	
102137-41	164 x 12.05%	17.10.83	<u>474,319</u>	2,366,176
				<hr/>
				\$31,395,176
		Plus accrued interest to 30.6.83	<u>629,123</u>	
				<hr/>
				\$32,024,299

Appendix C

Detail of Long Term Debtors held by the Sydney Region
Development Fund as at 30th June, 1983

	<u>Amount Outstanding</u>
	\$
(i) Long Term Advance to N.S.W. Housing Commission (\$5m. loan repayable over 53 years (Federal Government funds)	4,718,897
(ii) Contribution by Blacktown City Council for Mount Druitt Town Centre	1,150,612
(iii) Balance of \$60,000 mortgage to Kaputa Timbers Pty. Ltd. for sale of land at Mount Druitt	45,000
(iv) Amounts owed by other Government bodies for land	1,351,414
	<hr/>
	7,265,923
	<hr/>

Detail of Long Term Debtors held by the Land Development
Contribution Fund as at 30th June, 1983

	<u>Amount Outstanding</u>
	\$
Advances to Councils -	
Baulkham Hills	111,100
Blacktown	432,600
Campbelltown	151,500
Fairfield	1,440,245
Penrith	673,333
Sutherland	185,177
	<hr/>
	2,993,955
	<hr/>
Advance to Sydney Region Development Fund	13,035,500
	<hr/>
	\$16,029,455
	<hr/>

CHAIRMAN: Do you wish to add to, or elaborate upon, your submission?---A. Not unless you have questions you wish to ask us.

Q. Mr Smyth, the Department of Environment and Planning administers a number of statutory development funds, which include the Sydney Region Development Fund, the Illawarra Region Development Fund and the Hunter Region Development Fund. What is the purpose of these funds?---A. To assist the department, and the Government, to meet the objectives of the Environment and Planning Assessment Act.

Q. Which objectives in particular do those funds assist in meeting?---A. Broadly in the implementation of plans that are made in the three regions.

Q. Does the department have clear land development objectives for each of these regions?---A. The department has clear planning objectives, but land development is ancillary to meeting the objectives of the plans.

Q. Does the department ever acquire land whose proposed use is not consistent with a regional plan?---A. Yes. It would acquire land in anticipation of a regional plan, or in accordance with a local plan. The land is acquired for planning purposes.

Q. Could you tell us the appropriate geographic area covered by each of these regions; that is, the Sydney region, Illawarra region and Hunter region?---A. The geographic area is defined in the Act. The Sydney region consists of the councils ranging from Wyong through to Sutherland, and west as far as Penrith, and the Blue Mountains is still to enter

the fund.

Q. Would you describe the purpose of these funds as being more in the nature of land acquisition rather than land development?---A. Very definitely. The land is acquired primarily for planning purposes, and development is an ancillary objective as it is necessary.

Q. What developments have the funds carried out?---A. The fund has supported the Macarthur development area. It has seen the development of a number of parks, the Mount Druitt Shopping Centre, which was built to support the Housing Commission out there, and currently Sydney Park is being developed from the fund. Those come to mind.

Mr AQUILINA: Wetherill Park?---A. Wetherill Park Shopping Centre, I am sorry, yes.

CHAIRMAN: Does the department develop all of the land acquired by these funds?---A. No, not by any means. Some of it is handed over to other departments, for example the Department of Main Roads for roadworks, and other agencies possibly for development and educational purposes. It depends on the purpose for which the land is acquired.

Q. Does the department own any land in the Sydney region other than that shown in the balance-sheet of the Sydney Region Development Fund?---A. As far as I know it does not.

(Mr O'Dey) It does not own any. Some land is held occasionally in the Minister's name when it is bought for coastal protection purposes. We acquire it for the Department of Lands in the Minister's name, and we are immediately reimbursed and the land is then transferred to the Department

of Lands or the National Parks and Wildlife Service.

Mr AQUILINA: Does the department have clear land development objectives for each of these regions? If so, what are they for the Sydney region?---A. (Mr Smyth) We do not have land development objectives. We are not a development agency; we are a planning agency. Development is sometimes necessary to see the plans are implemented, but it would be done with the Minister's, if not Government, endorsement.

Q. Would there be any subregional plans?---A. Development plans?

Q. Yes.---A. Not to my knowledge. We have what we call planning and development committees that are supportive of development in areas, but we do not operate as a development agency. There are occasions when it is thought desirable that we should do so, but developments that are carried out, such as the Mount Druitt or Wetherill Park Shopping Centres, are done on the basis of release to the private sector and the department retains the ownership of the land and receives a rental from the development.

Q. As opportunities come up does the department ever acquire land the proposed use of which is not consistent with the regional plan?---A. There would be occasions when the department acquires land in anticipation of a regional plan, or a local plan. For example, if there is a possible future development area on the outskirts of Sydney, and there is a large holding of 130 hectares, or something like that - there are not many holdings that large left - and there is a possibility of it

being subdivided into 1-hectare blocks, the department on occasions, with the Minister's approval, has stepped in and acquired land for future planning purposes, but only on the basis of a preliminary structure plan that has shown that the land would be suitable for development.

A 1-acre subdivision five or ten years before development occurs does not do anything to improve the efficiency of the area. That has occurred when the Land Commission, for one reason or another, has not had the finance to acquire the land, or has chosen not to acquire the land in advance of its ultimate development, but I would assume that at some stage the land would be transferred for development purposes.

Q. Would records of such holdings be readily available?---

A. There are very few of them. There is an example in the Campbelltown-MacArthur area. The State Planning Authority acquired a lot of land down there in anticipation of future development. That is a separate subject.

Q. What happens to that land eventually? Is it transferred to another government authority?---A. In the Campbelltown exercise the government, in agreement with the Commonwealth, decided not to establish a development corporation, but the commission asked the Planning and Environment Commission to take over the development role of that land. When the legislation was changed from the Planning and Environment Commission to the Department of Environment and Planning the development powers in the Environment and Planning Assessment Act were roughly the same as those in the development corporation legislation, so that if the Government so decides

it can require or direct us to develop land as a development agency. But that is not our prime purpose, and we do not deliberately set out to do that.

Q. How would such development be funded?---A. The Somersby Estate is an example where no special allocation was made, so far as I know, as priming funds, and the department was asked to do it. Why the Government asked the department to do it I did not ask. We just got on and did what we were told to do. That is separate from the Sydney Region Development Fund. It is a separate funding exercise and a separate development exercise. We have done it as well as we were able, but the area is developing a little more slowly than the Government hoped it would, or expected it to.

Q. In other words, a special fund was set up for that purpose?---A. Yes, special funds were allocated for that purpose.

Q. Have any acquisitions been possibly made in error, or not proceeded with in accordance with the original plan?---
A. That is possible. None comes to mind, but I would say that it is possible that land has been acquired for a purpose, and for some reason or other the agency that might have originally wanted it, and put it in a plan twenty years ago, now does not want it. We would sell the land as surplus, or pass it on to another government department according to normal arrangements.

Mr MURRAY: What are those normal arrangements?---

A. Treasury rules say that when land is transferred from one department to another reimbursement is at the normal market

value. That is the basis on which we would normally exchange land.

Mr AQUILINA: Would you have any idea how much land is acquired in that manner, or how much land acquired by the Sydney Region Development Fund would be surplus to the department's requirements?---A. No, I could not tell you offhand. I could probably get an assessment, but it would only be an assessment, because the situation changes from time to time.

Q. Are there accurate figures, or accurate details, available at any one time in relation to such matters?---

A. We are currently improving our record system and establishing a computerized inventory of all our landholdings, but that is at a fairly early stage. Part of the review done in preparation was an assessment of whether the land was still needed and surplus to the requirements of the fund.

Q. The main reason I asked that was not so much to go on a witch-hunt to find out what land is available and how much is available, but whether or not the type of land that has become surplus over the years, and its location, as well as its cost to the Government, would provide any directions for alteration of policy by the department in any way. I am referring particularly to the acquisition of land on behalf of the Department of Main Roads.---A. The land we acquire on behalf of the Department of Main Roads is for paper freeways and paper roads. That land is not built up.

Quite often we have to acquire a complete holding, and the Department of Main Roads only requires part of that.

Once the requirements are defined some of the balance of the holding that they do not want would become surplus to requirements. That helps explain our ongoing surplus-to-requirements sales of land. That is a difficulty. If somebody wants to sell a holding that is affected by a Department of Main Roads reservation quite often they cannot sell it. Quite often we end up having to buy the land, and we would sell off the balance surplus to our needs. We have not lost money on it.

Q. What about where land has been purchased in anticipation of a proposed road programme that eventually gets scrapped?---

A. It would be sold then, too. There are rules established by the Government for disposal of such land. Offhand I cannot remember the exact order, but it does include other departments and original owner considerations as well as sale on the market.

Q. There is a set procedure, then?---A. There is a set procedure for the disposal of land from abandoned projects or surplus to requirements in that regard.

Q. Is there any document that identifies parcels of such land?---A. In relation to the freeways that were abandoned there would have been documentation of those that were abandoned some time ago. The land that was acquired by the department, or by the Department of Main Roads, has largely been sold back to original owners, or on the market, or to other departments.

Q. Does the department have a disposal programme as such for surplus land?---A. I would have to check that. I know we are as involved as our resources would allow each year.

in selling surplus land.

(Mr O'Dey) For budgeting purposes.

(Mr Smyth) There is, for budgeting purposes, the land disposal programme. If we allocated further resources we would probably be able to dispose of more land in one year. There is an ongoing programme of disposals. Sometimes it does take some time to get rid of particular parcels of land.

Q. Is this land disposed of to other government departments, or to the public?---A. There is an original owner consideration in some instances, if not all. For other departments it goes through the normal system in Government--the Property Management Unit. Other departments have an opportunity to express an interest in it. If no other departments want it we sell it on the open market. We may auction it. The normal process, or my preference, anyway, is for auction, but sometimes it is sold by tender.

Mr MURRAY: What happens to the funds? Do they go to Consolidated Revenue, or are they invested?---A. No. The Act requires sales of surplus land to be reinvested in the Sydney Region Development Fund to offset charges to councils or to acquire other land. It does reduce the liability from councils, so we are anxious to keep the income of the fund up to keep a reasonable hold on the levies that are imposed.

Mr AQUILINA: The new Annual Reports Act requires statutory authorities to prepare a register of land. Has the department a register of all land owned in the Sydney region, and would it be able to identify all the open space and other parcels

of land it owns in any local council area?---A. We have a manually-based inventory at the moment that we are currently putting on the computer. I would assume that will form the register that is required. We would be able to identify the land that we own. We could not do that now, but I would hope that within a year we would be able to produce a print-out of the full inventory. We have been proving the programme on the Ryde Municipal Council area. Once we are satisfied with that we will proceed with all of the council areas.

Q. What you are putting on the computer at the moment is land owned by the department in specific zonings; it is not all land in all zonings?---A. It is a land management system, because a lot of the land is rented, or leased out, and we are anxious to get a more efficient hold on that as well. The management system we have got now has improved a lot from what it was a few years ago, but we can improve it even more, particularly in relation to arrears in rental payments, and so forth. The manual system does not allow us to pick up the areas where rent is going into arrears as quickly as we would like.

Mr COLLINS: Is the department establishing a comprehensive computer-based land information system, and, if so, what are the details of that?---A. No, we are not. We are involved with the Department of Lands and the Registrar General's Office, who are co-ordinating the preparation of such a register on a State-wide basis. I am a member of the steering committee that has been going for some time. The Department of Lands has the carriage of it. We support it.

Q. Appreciating, then, that it is not your specific responsibility, except as a member of the steering committee, when do you see that coming on line?---A. I cannot answer that, I am sorry, Mr Collins.

Q. The balance-sheet of the Sydney Region Development Fund as at 30 June, 1983, showed land value at cost worth \$133 million. My question is: has all land owned by the fund been valued?---A. (Mr O'Dey) There is a note in the Auditor General's report for the year giving information on the extent of the valuation. It is on page 243.

(Mr Smyth) We did a valuation of the land ourselves, and that was checked by the Valuer-General's staff. While there was some variation in individual parcels, the total sum for the parcels came to approximately the same. There was quite wide variation in that check.

Q. So your valuation roughly tallies with the book values?---A. The book value should be based on our valuation.

Q. The balance-sheet of the Sydney Region Development Fund as at 30 June, 1983, shows private loans to the fund of approximately \$75 million. In reply to our letter of 14 December, 1983, you attached a schedule of some 286 private loans that make up this amount. Are all of these loans for acquisition of specific sites?---A. (Mr O'Dey) The loans are applied to the general acquisition development activities of the fund.

Q. Do you want to elaborate a little bit on that?---
A. (Mr Smyth) They would go into the fund and be used. They would not be applied to specific properties.

(Mr O'Dey) We do not have a list of acquisitions at the beginning of the year in respect of which we borrow X dollars. We have a general large acquisition programme which we work through according to the amount of money we are allowed to borrow.

(Mr Smyth) The order is "upon request of the owners", in accordance with any queue-jumping on hardship or other grounds, and in accordance with funds that we have. We probably have funds to acquire about \$15 million worth of land in a year, and we have something like \$40 million worth of land under offer to us at any particular time, and it is being recycled continually. Some people will ask us to acquire, and then change their minds. There are all sorts of reasons that cause that figure to be so high.

MR AQUILINA: How do you determine, then, at what level to keep this loan fund where you have not got any accurate details of what sites you may be asked to acquire in any one year at the beginning of the year? You have a loan bill there which is obviously available for the purchase of such sites. How do you determine at what level you keep that loan bill?---

A. (Mr O'Dey) We do have accurate listings, or groups of files, relating to land that has to be acquired at any time, which always exceeds the amount of money.

Q. Which you are going to raise?---A. Yes. The Treasury itself determines the amount of money we are going to get each year.

(Mr Smyth) We give them an estimate on the basis of the requests we have had and what we anticipate and what we

forecast. The Treasury, in accordance with their overall budget allocations, recommend an allocation to the Government for us.

Q. In other words, the number of sites to be purchased always exceeds the amount of money you have available by way of loans?---A. Yes.

(Mr O'Dey) At the present time.

(Mr Smyth) We hope to catch up on it.

Mr COLLINS: In Appendix B of your letter of 7 February this year of the \$32 million held in investment by the Sydney Region Development Fund as at 30 June last over \$25 million was due to mature on or about July 1983. Is it, in your opinion, sound investment practice to have nearly all of your investments maturing at that one time?---A. (Mr O'Dey) It has been the department's policy, especially in the last five or six years, to invest the bulk of its sinking fund and other moneys in relatively short-term stocks and IBDs simply because that is the most profitable way of using the money. Interest rates have been high; demand has been competitive, and we believe that is the best and most profitable way of using the money.

Q. So that is why they all mature at the one time?---

A. Yes.

Q. You are happy with that practice?---A. It is entirely coincidental that a particular date, or month, appears in that report. Usually there is a spread between thirty days, ninety days and 180 days, and a fair sprinkling of twelve-month and two-year stuff in there. It is simply a quirk of

whatever that we have got that series of dates there.

CHAIRMAN: While we are on the loans, why are there such a large number of small loans?---A. Mainly because we tended in the last four or five years to deal in short-term IBDs, and, by their very nature, trying to work the money market to maximize the returns, we deal in relatively small parcels in order to be able to move them quickly. We do not have too much with one institution at a time.

Mr MURRAY: How do you contact your lenders?---A. Generally by phone.

Q. So it is on a personal basis, and you would contact the Bank of New South Wales, or a superannuation fund? A. Yes.

Q. Are there any constraints in terms of the types of agencies that you can fund?---A. Yes. We operate within the restraints set out in the Public Bodies Finance Act. I cannot recall the exact terms of the section, but investment must be in either government-secured investments, such as the State bodies, and the main banks, and that is all.

Q. How is the rate of interest determined?---A. That is determined by the market rate of the day.

Q. So there are no constraints in terms of the local government or the Loans Council maximum rate?---A. No. It is entirely a market operation.

Q. How would the establishment of the newly-created Treasury Corporation and its involvement in loan-raising for government agencies affect your future loan raisings?---
A. All our money is now supplied to us by the Treasury Corporation. It raises money on our behalf. We also invest

in it quite heavily from time to time as an alternative to the commercial banks.

Q. The municipal councils, as you mentioned earlier, are levied by the Sydney Region Development Fund. Do all councils in the region make contributions to the fund?---

A. (Mr Smyth) With the exception of Blue Mountains all councils in the Sydney region contribute to the fund.

Q. You might explain the reason for the anomaly?---A. In the original fund Blue Mountains, Wollondilly and Colo Shires were not included. When the Act came in and there were some council amalgamations Windsor was already in, but Colo was not, so Hawkesbury was brought in, Wollondilly came into it, and Blue Mountains is in the process of coming into the fund.

Q. How were the levies on each of the individual councils calculated?---A. There is a formula set out in the Act. The levies relate to the Valuer-General's valuations on the councils, so there is quite a fluctuation. The Valuer-General's values are altered, so the formula adjusts the levy on each council.

Q. Following that through, if council Y contributes \$1 million do you subjectively look at the land acquisition and try to put \$1 million worth of land for open space acquisition into that council?---A. No, we have never done that. The objectives of the original county scheme were to acquire land, and it was designated land in that scheme. It was mostly, in the outer areas, land that had not been built on. In the inner areas the land had generally been built on. When the Commonwealth Government refused to contribute towards the

implementation of the county scheme they reduced the financial burden of the scheme, or the costs set out in the scheme, by deleting the inner city land that they wanted to acquire for parks, so the initial emphasis was on that. In 1977 or 1978 the inner city open space acquisition fund was established, or the Sydney Region Development Fund was diverted to inner city open space, because it was realized that the solution proposed in the county fund, that is that land for open space would be acquired as massive redevelopment took place, was not going to occur.

It was still necessary to establish parks. There was quite a lot of land that was suitable, both around the harbour and in South Sydney, where Sydney Park is being established. Some of the deficiencies in the inner city open space could be made good through use of the fund. That was the logic to it.

Q. Would you like to comment on the methodology of raising the money? Is a system that is based on the land value of the municipality or the shire an adequate way to raise that money when you are not implementing a user pays principle?---

A. I cannot really comment on that, certainly not off the top of my head, Mr Murray. The levy formula does have problems. A lot of the problems fall back on to the system that is followed for the rating practices in the Valuer-General's formula, but those are matters it would be appropriate for the Valuer-General to address. Without giving it some thought I could not comment, I am sorry.

Q. Is the overall council contribution sufficient?---

A. For the level of funds that Treasury allocate us, yes.

Q. Could I just extend that one step further into the Illawarra Region Development Fund? According to the Auditor General's report during 1982-83 the Sydney Region Development Fund funded land acquisition by the Illawarra Region Development Fund worth \$220,101. The schedule of private loans forwarded to the Committee shows total loans of \$555,300 to the Illawarra Region Development Fund. Why does not the Illawarra region raise its own funds?---A. The County of Cumberland used to include the northern end of the City of Wollongong, and that land was designated as county open space for acquisition. So there was a historical requirement to acquire land in the northern part of the City of Wollongong.

When the Act was brought in the separate regions were defined, and the liability was placed on a fund for those regions. As far as I am concerned, unless there is a change in the legislation, the Illawarra Region Development Fund will be activated when the Minister makes a decision to activate it.

Q. So that was really a one-off situation of the Sydney ratepayers subsidizing the Illawarra ratepayers?---A. It has been a one-off situation since the fund was established. The reason for the land acquisitions was because they were in the County of Cumberland and were all, so far as I know, in the northern end of the City of Wollongong which, in some ways, has some affinity with the Sutherland Shire area. Therefore, perhaps there is some logic to the old county fund boundary, but I agree that the Sydney ratepayers are to some

extent subsidizing the Illawarra area.

Q. I have had experience through a local council in the development of land under the regional development plan. Do you have a ratio of the amount that a council should contribute compared with the contribution of the fund itself to the acquisition of land?---A. If the land is acquired at the council's request the normal practice is for the State body to acquire the land with the council contributing the value of improvements on it. Sometimes, if there is some doubt about the regional significance of the land, or there are some budget difficulties, the Minister may well make a decision to invite the council to contribute a fifth, or a half, or some other other amount. It depends on the budgetary situation of both bodies.

Some councils will say "This land is so important to us and it is of some regional significance. We know your budget is tight. We will contribute 50 per cent if you meet the rest". In those situations we obtain the Minister's approval.

Q. Would the majority of land that has been utilized in that manner be given wholly to the councils, or would the majority of it have a component of a contribution by the councils?---A. The majority of land that has been handed to council for care, control and management on a trust basis would be acquired totally by the fund. There are a few areas on which there are improvements where we would normally look to the council for a contribution, but land for open space would mostly be acquired by the fund totally. The council

may be asked to develop the land. That has happened in a number of areas. The fund has also been used to develop land for open space where it has been particularly difficult or where there would be an excessive impost on ratepayers in a particular year.

Mr FISHER: Is all acquisition carried out under the Public Works Act?---A. The resumptions would be, but the land would be acquired under our Act.

(Mr O'Dey) Under our Act, yes.

Q. Do you ever need to use the Public Works Act to acquire land?---A. (Mr Smyth) We resume land from time to time, yes.

Q. Is all the valuation done by the Valuer-General?---
A. NO. The department has its own valuation staff. The Valuer-General plays the normal role in the resumption process, but the valuation and negotiation is done by the department's valuation staff.

Q. To what extent does the department need to pay more than the value placed on land by the Valuer-General?---A. We find that the Valuer-General values highly. That is our assessment. We find he is generous. We are often subject to complaints for being too tight with our valuations. The Ombudsman did a big investigation over a period of about two years into our practices, but in spite of his best efforts he had to conclude that our valuations were fair and proper.

Q. Are the procedures of acquisition that you have under your Act adequate, or would the recommendations in the Westlake Report assist your department in acquiring land?---A. We were aware of the Westlake recommendations when the Act was drafted.

I am quite sure that the various clauses, particularly section 116 of our Act, would be consistent, at least in spirit, with the Westlake recommendations.

Q. The Land Contribution Development Fund was created in 1970, and provided for a levy on the increment and value of non-urban land in the Sydney region following the rezoning for urban purposes. That levy was abandoned in 1973, but the fund still exists. Can you tell us why?---A. We have only just finished collecting some of the assessments. There is a little bit outstanding, but not very much now. The fund still exists because it was set up for the purpose of allowing the Government to capture some of the windfall increment to a landowner on rezoning. The intention was to have those funds made available to further the development of the region, and particularly the general area where that development was occurring.

In theory it is an excellent idea, and I regret that the fund had to be abandoned. The use of the fund is limited by Treasury approvals. At the moment some of it is recycled to local government at very low interest rates to assist in the further development of those areas, and some of it has been allocated to the Sydney fund. The final allocations and determinations are made by the Treasury in that matter.

Q. Did you say some of it is still being used by local government? When will those loans mature?---A. (Mr O'Dey) The loans generally have been for twenty years. They went out over the past three or four years, so we are looking at a period of the year 2000, or the late 1990s. Obviously

instalments are being paid continuously at about \$1 million or \$1.5 million a year. It is coming in and going out again.

Mr AQUILINA: You are still making loans, then, to local councils through that fund?---A. (Mr Smyth) Also to the Sydney Region Development Fund, in accordance with Treasury directions.

(Mr O'Dey) There have been no loans recently to local government.

Q. What is happening, then, to the pool of funds that you have got?---A. All new loans have recently gone to the Sydney Region Development Fund at the direction of the Treasury.

Q. So, basically, the Land Contribution Development Fund is being held fairly static?---A. What do you mean by that?

Q. We have a list here in Appendix C of your submission of six councils which have received advances from the Land Contribution Development Fund. You made the statement that repayments are being made at the rate of about \$1 million per year. Is that correct?---A. Yes.

Q. What I am asking is, what is happening to that \$1 million a year? Is there roughly the same amount of money going out from the Land Contribution Development Fund to the Sydney Region Development Fund?---A. Yes.

Q. So the pool of funds you have got in the Land Contribution Development Fund and the Sydney Region Development Fund has remained fairly static over the past two years, or so?---A. Yes. The rate of interest charged on the loans is 2 per cent, which is very low, so it is static, except for that slight growth of 2 per cent per year.

Q. What is the purpose of having the Land Contribution

Development Fund? Could it not be wiped, and have the repayments made to the Sydney Region Development Fund?---A. The original idea is still valid. If the Government chooses to make the money available on a wider scale at that very low interest rate it can achieve its original objectives of fostering development in the areas where the money was collected.

Q. Would it be fair to say that practically no local government area in the last ten years has had much success in obtaining a loan out of this fund? Would that be correct?---A. That is right.

Q. Again I just question the validity of having a fund from which it is difficult to obtain a loan.---A. (Mr Smyth) That is possibly a matter of policy of the Government. I have my views on it, which may well be similar to yours, but there was a decision made at Treasury level, and it is not for me to question it.

Mr AQUILINA: Perhaps that is something we could take up independently, Mr Chairman, with the Treasury.

CHAIRMAN: Also in Appendix C I note the list of four long-term debtors of the Sydney Region Development Fund, between them owing \$7 million. Could you explain how each of those debts arose, and when they might be expected to be repaid?---A. (Mr O'Dey) Our position in relation to the first one, the Housing Commission, is simply that of an intermediary. The debt was originally a Commonwealth Government low-cost housing advance to the State Government and the Housing Commission. For reasons which I do not quite know we were appointed the executive body. We received the money and bought the land.

The land has since been transferred to the Housing Commission, and they have taken over the role of servicing the loan, but legally we are the borrower, and the Housing Commission services us to enable us to service the Commonwealth. Does that clear it a bit? It is a bit labyrinthine.

The second one is an amount of money that Blacktown City Council undertook to repay to the Sydney Region Development Fund for various community assets in the Mount Druitt Town Centre, such as the swimming pool and the library and a few other bits and pieces. That is payable over about fifteen years. The third item is simply the case of a sale of land at Mount Druitt on a deferred terms basis. The fourth item relates to land in the Macarthur Growth Area that was bought by the Sydney Region Development Fund before 1974, when the Macarthur Development Board was formed.

The land technically remained in the ownership of the Sydney Region Development Fund, but because of the nature of the area and the enterprise there the Macarthur Development Board has sold the land and, therefore, has to reimburse the Sydney Region Development Fund for it.

(Mr Smyth) That is subject to separate discussions and negotiations with the Treasury at the present time.

Q. For the purpose of accounting clarity would the department consider preparing the annual financial statements showing the sources and applications of funds for each of the statutory funds?---A. (Mr O'Dey) We will do so from next year. We have prepared a model for 1982-83 which is with the Auditor General at the moment. He is having a look at it.

Mr MURRAY: I notice in Appendix A that there are sixteen valuers employed by the unit at a cost of \$457,000 a year. How many parcels of land would be acquired each year for the fund?--A. (Mr Smyth) On average something over 100. I could not tell you offhand, I am afraid, but I recollect we did look at it, and around 100 would be acquired acquisitions. I could be wrong in that figure, and I would have to come back to you.

Q. Total salaries are a bit over \$1 million a year for thirty-three members of staff. That seems to me to be a fairly large body of people to administer a fund such as this.---
A. Could I explain the operation of the division? It works in three areas. The valuers do a lot of the negotiations. They do acquisitions and disposals. They also value property for rental purposes, and so on.

The property officers manage the properties principally. We have our research officers, and legal conveyancing area. The great bulk of the work is done through those areas. In relation to the valuers, the Public Service Board recently did a service-wide audit of the valuation services in the various departments. They were looking at reducing the number of separate valuer units. Their conclusion about our valuation branch was that because of the integrated nature of their activities they were a valid and necessary part of the department and should remain in the department. That was the board's review.

I can get you the detailed statistics of the properties that go through, and roughly the numbers of properties acquired

on average each year and the numbers rented out. We currently rent out some 600 properties. I may be wrong on that. I would have to check the details.

Q. You have five people employed in the legal area. If 100 properties are acquired a year, that means that the conveyancing is averaging twenty properties per solicitor per year. That is a pretty good workload.---A. It goes through fairly solidly. They work fairly continuously on acquisitions and leases. The legal people do the essential legal work, but the valuers do a lot of the negotiations that other solicitors might do, and the clerical people who generally support the activity also do a lot of work. I would have to get you the exact statistics.

Q. The point I am making is that to employ a solicitor to undertake twenty conveyances in a year - the manager gets \$39,868 and the other four solicitors \$121,000 between them - when you could possibly get that work done through the Department of the Attorney-General and Justice seems to me an impost on the fund that is rather excessive.---A. I am sure the Crown Solicitor charges for his services, and he takes a darn sight longer than we do. On top of that, we are quite often subject to complaints about delays in completing the work, anyway, whether they are disposals or acquisitions. The solicitors would look after both of those areas, and also all the major leases. We would pay more for the Crown Solicitor's services. Certainly our discussions with other agencies would suggest that. They, too, have the same problems that we would have.

Q. I might just make a comment, and you may wish to take it up. Overall you have got over \$1 million in salaries, and you have thirty-three people servicing the unit. That seems to me to be a disproportionate number of people to service such a unit.---A. You must consider it handles acquisitions, disposals and rentals, and the rental return on the properties each year is in the order of \$3 million.

(Mr O'Dey) Yes, \$3 million.

(Mr Smyth) The number is not inconsistent with the number you would find in a real estate office managing the same number of properties. I will try to get some comparisons with some of the larger firms, if you like. We have had some involvement with some of the major real estate firms in town in relation to property dealings, and we have had occasional disputes with major leaseholders, and more often than not our figures have been confirmed by independent arbitration. From the comments I have had from senior executives of some of those firms our numbers compare fairly reasonably with theirs in terms of numbers of properties handled, and so on.

Q. What would be the rental income for the fund?---A. We might be able to find that.

(Mr O'Dey) Gross income for 1982-83 was \$3,256,962.

Q. That is the rental income?---A. (Mr Smyth) That would be rents, etc.

Q. Rents collected?---A. That is rents, etc.

(Mr O'Dey) Does that answer the question?

Q. Yes. Have you looked at the possibility of utilizing private enterprise to collect the rents and to service the

properties? I understand they charge about 7 per cent.---

A. (Mr Smyth) We have looked at that. We have experimented with it in the past, and the results have not been particularly good. We have also looked at the possibility of some form of amalgamation with the Housing Commission. I discussed that with the former chairman of the commission at one stage for either all or part of our activities, and we agreed that it would not be possible to do that for a number of practical reasons.

Our holdings were much smaller than theirs, and they were for different purposes. There are some areas where there is a house on a property, and the future use of that property does not require the house to be left there. Our maintenance on that would be sufficient to keep it livable until such time as we wished to have it demolished. If it became unsatisfactory for habitation before the demolition date we would demolish it early. So there are differences in the way we manage different properties.

Q. Would all the officers in this summary work exclusively for the fund, or would they also have duties within the department as a whole?---A. The allocation of salaries is made on the basis that that is the proportion exclusively for the fund. There would be a lot of contributions to the fund from planning staff that we are not able to assess at this stage in terms of supporting values and planning advice, because the Act requires us under section 116 to consider the alternative likely use of the land. That is very much in a summary form. We need planning advice when we are

acquiring, as well, and we have not any way at this stage of charging for that, but we have a job control system which we hope to introduce throughout the department within the next year or so that would allow us to apportion costs and charges more accurately. That is the most reasonable assessment we can make towards the fund.

CHAIRMAN: On the question of the Macarthur Growth Area, and negotiations affecting that area, can you tell us how much land is involved, and whether that land is an asset of the Sydney Region Development Fund?---A. I cannot answer those questions without doing some research, I am afraid. Some of the land is an asset of the Sydney Region Development Fund and some of it is not. Would that be right?

(Mr O'Dey) Yes. All land bought before 1974 is an asset of the Sydney Region Development Fund.

(Mr Smyth) If I remember rightly the cost price of that land was something in the order of \$10 million.

Q. Who has title to the land that is not an asset of the Sydney Region Development Fund?---A. (Mr O'Dey) Our Minister still has title to that land, although the administration of the land has passed to the Department of Industrial Development and Decentralisation.

Q. On the question of the current market value of the land, are you able to give us an assessment of that?---A. Of which land? This land in the Macarthur Growth Area which is still owned by the Sydney Region Development Fund?

Q. Yes.---A. (Mr O'Dey) A valuation was done in 1974.

(Mr Smyth) It was something like \$27 million in 1974.

The \$10 million cost price prior to 1974 equated to something like a market value of \$27 million in 1974. I am not sure what the value would be now. Perhaps it would be in the order of \$50 million to \$60 million.

Q. When do you expect negotiations on that land to be finalized?---A. In terms of the transfer I would expect the final settlement of which land is transferred and which land remains with the fund to be done within the next month, and, in terms of the financial arrangements, to be settled with the Treasury within the next couple of months.

Q. What has been the cause of the delay in finalizing the transfer?---A. The fact that the MacArthur operation could continue without the transfer did not exactly lend haste to the need to do it. The land to be transferred has been more or less agreed for some considerable time. The last few parcels have not been settled, but the possible financial adjustments have been under consideration and discussion. We have been looking at the possibility of ministerial meetings, but nothing has been pushed on that.

As I understand it, there could be a number of reasons why Treasury are not anxious to necessarily push it. We all realize it has to be settled, and the sooner the better. I expect it to be done in the next month or two.

(The witnesses withdrew)

(Luncheon adjournment)

Public Accounts Committee

Parliament House, Sydney 2000
Telephone: 230 2111



PARLIAMENT OF NEW SOUTH WALES
LEGISLATIVE ASSEMBLY

24 July, 1984

Ref: AG 83/36

Mr. R. B. Smyth,
Director,
Department of Environment and Planning,
175 Liverpool Street,
Sydney NSW 2000.

Dear Mr. Smyth,

The Public Accounts Committee appreciates the information that you have provided to date on the operation of the Department of Environment and Planning (D.O.E.P.) Statutory Funds. Your appearance before the Committee was particularly helpful.

I am writing to check our understanding of sections of your verbal evidence, to follow up on information that you offered to provide to the Committee and to ask a number of further questions.

1. Objectives

The DOEP administrates a number of statutory funds; could you please provide a complete list of these funds and explain any relationship between the various funds?

For each fund :

- (a) What were the specific objectives of the fund in 1982-83 and have these changed since? If so, please specify.
- (b) How do these objectives relate to the objectives of the DOEP?
- (c) What was the performance of the fund during 1982-83 and 1983-84 against objectives?
- (d) What are the priorities of the fund for the next twelve months?
- (e) How are these objectives and priorities determined?

2. Sources and Application of Funds

I understand that in future years you will be reporting sources and application of funds for each of the statutory funds. It would assist the current work of the Committee if you would provide us with this data for the last three years, 1981-82, 1982-83 and 1983-84 even if the figures are not exact.

3. Organisation

- (a) Is there a single person responsible for the management of the Sydney Region Development Fund (SRDF)?
- (b) What position does this person hold and where is this position located in the hierarchy or DOEP?
- (c) Are the staff listed in your written submission of 7 February, 1984 dedicated to SDRF work and do they report to the responsible manager?
- (d) If not, what are the organisational arrangements for the SRDF?
- (e) What are the actual and planned organisational arrangements for the other statutory funds?

4. External Interfaces

Land acquisition and development activities seem to overlap with those of local government and other government agencies. How do these interfaces work in practice? Are there any difficulties?

5. Land Acquisition

Concerning land acquisition activities for each fund :

- (a) How are priorities determined?
- (b) Who is involved in the decision making process?
- (c) How is the "want list" reduced to an annual programme of activity?

..../3

6. Developmental Activities

- (a) I understand that most developmental activities, of the SRDF for example, do not involve expenditure by the Fund nor a sale of land, rather a release of land to the private sector or other parties and acceptance of rental monies. Is this correct? If not, please provide an explanation.
- (b) How are decisions made to undertake developmental activities; who is involved and what are the major factors taken into account? How are priorities determined?
- (c) You referred to your powers, under the Environment and Planning Assessment Act, to act as a development agency and instance the Somersby Estate. Are you undertaking other such activities now? Does this pose any conflict with your major planning role? Does the DOEP have appropriate expertise? How are such activities managed and how is their performance evaluated?

7. Surplus Land

At the hearing (pp 31-2) you offered to provide additional information on this matter.

- (a) How much land held by the SRDF could be classed as surplus to requirements? What is the current market value of this land? How do you decide to sell land?
- (b) Briefly describe your disposal programme for surplus land. What are the objectives of the land disposal programme? How efficient and effective is this programme?

8. Reserves

Looking at the financial position of the SRDF; with cash investments of \$32 million and an annual land acquisition programme of \$15 million; there appears to be some scope for using cash reserves for the land acquisition programme and releasing some loan funds for other government uses. Could you comment please?

9. Levy Formula

- (a) You mentioned that the levy formula has problems. What is the basis of the current levy formula (user pays, ability to pay, or etc)? When was the formula last revised? What are the advantages and disadvantages of this formula? What other options have you studied?
- (b) How is the level of the levy determined from year to year?
- (c) How satisfied are councils with the levy formula and the value they receive for the levy?

10. Staff Levels and Salary Costs

- (a) At the hearing (p 50), you offered to provide comparisons between SRDF staff levels and those of major real estate firms; relative to the level of business in property dealings. We would appreciate receiving these figures.
- (b) At the hearing (p 52) you referred to a new job control system. Is this in place yet? What effect has it had? How were 1983-84 costs developed?

11. Land Valuation

- (a) From evidence at the hearing, I understand that all land on your books is valued at current market values as determined by your own valuers. However, the Auditor General states that land holdings are recorded in the balance sheet at cost of acquisition. Could you clarify this please?
- (b) In notes 1.2 and 1.3 to the accounts "Value of Fixed Assets", it appears that you may use different methods of valuing assets acquired for planning purposes and those acquired for development purposes. However, in the accounts, the two are not differentiated. Would you explain these matters please?

.... /5

12. Macarthur Growth Area

Further to your evidence at the hearing (p 52) concerning the negotiations affecting this area :

- (a) How much land is involved?
- (b) Who holds the title to this land now?
- (c) What is its current market value?
- (d) What is the current status of the negotiations?
- (e) If the land is in more than one parcel, please answer questions (a) to (c) for each parcel.

The Committee would appreciate the above information by 10 August, 1984 and, if considered desirable, may seek further information at a later date.

Yours faithfully,



Bob Carr, M.P.,
Chairman

Department of Environment and Planning



Mr. R. Carr, M.P.,
Chairman,
Public Accounts Committee,
Parliament House,
SYDNEY. 2000

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Ref: 84/10018

Dear Mr. Carr,

I refer to your letter of 24th July, 1980 in which you sought further information relating to the statutory funds administered by the Department, and enclose a document which details sequentially that information, except for the statement of Source and Application of Funds which is in course of preparation; also a separate reply will be forwarded providing the information regarding investment management practices which you sought in your second letter of 24th July, 1984.

It will also be of interest to your Committee to know that the Department is revising its annual financial statements and report to encompass some of the proposals made by the Committee and to show in summary form all funds administered by the Department other than the Heritage and Coastal Funds which are subject of separate annual reports.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R. B. Smyth'.

R. B. Smyth

DEPARTMENT OF ENVIRONMENT AND PLANNING
INFORMATION RELATING TO STATUTORY FUNDS ADMINISTERED BY
THE DEPARTMENT

1. Objectives:

The Department administers 7 statutory funds :-

- (i) Sydney Region Development Fund
- (ii) Illawarra Region Development Fund
- (iii) Hunter Region Development Fund
- (iv) Land Development Contribution Fund
- (v) Trust Fund
- (vi) Heritage Fund
- (vii) Coastal Protection Fund

The relationship between the Funds is that they are all managed by the Department; each fund is governed by the specific statute for specific purposes as defined by the relevant statute.

With reference to the Regional Development Funds, each is constituted to meet costs of land acquisition and development within the specified Development Area. Councils within each of the defined Development areas have a legislative responsibility to meet the costs of servicing that area's capital debt. Pending the raising of capital for the Illawarra and Hunter Region Development Funds, finance has been provided to a minor extent, on a temporary basis, from the Sydney Region Development Fund.

Each of the Funds are discrete entities and their purposes are described in 1(a).

- 1(a) The specific objectives of the Regional Development Funds are to provide finance for the acquisition and development of lands required for regional as distinct from local planning purposes (open space, primary and secondary roads and for special purposes) within the defined development areas. The objectives have not changed since 1982/83.

The Land Development Contribution Fund was constituted under the Land Development Contribution Management Act, 1970, which required holders of non-urban lands to contribute an assessed amount to the Fund when such lands were rezoned for urban purposes. The contribution ceased to apply to lands rezoned subsequent to 7th February 1973. The objective of the Land Development Contribution Fund was to provide finance by way of loans to assist with the cost of servicing land in release areas. Loans have been made to Councils in the release areas and to the Sydney Region Development Fund. Treasury approval is necessary for the loans. This objective has remained unchanged since 1982/83 but contributions are no longer levied; the Funds capital has been substantially put to its purpose, i.e. term loans to Councils in the release areas and to the Sydney Region Development Fund.

The Trust Fund was set up to hold moneys pending these being applied to specific purposes; it comprises deposits on tenders, stamp duty on contracts, National Estate grants and other trust moneys. Its objectives have remained unchanged since 1982/83.

The Heritage Conservation Fund was constituted under Sections 104-108 of the Heritage Act to provide for the recurrent and capital costs of the Heritage Council. Funds are provided by way of State Government Grant and by raising of loans for specific conservation projects undertaken by the Heritage Council. Its purposes remain unchanged since 1982/83.

The Coastal Protection Fund was constituted under the Coastal Protection Act to meet the recurrent administrative costs of the Coastal Council for which \$ 100,000 was provided from Consolidated Fund in 1982/83. In addition, an amount of \$ 3,250,000 was provided from Consolidated Fund to finance the Council's coastal land acquisition program.

- 1(b) The objectives of the Regional Development Funds relate to objectives of D.O.E.P. in that, as a planning department responsible for the reservation of land required for planning purposes in planning instruments, the department is required by Section 27 of the Environmental Planning and Assessment Act to make provision for the acquisition of such lands. Where reserved lands are of regional significance, the department becomes the acquiring authority and the Regional Development Funds were set up to finance acquisition as owners seek to sell. The financing of acquisition and development of land reserved for planning purposes has been subject to legislation and formal agreements with the State Treasurer since the inception of formal State and Regional planning initiatives dating back to the formation of the Department's precursors, the Cumberland County Council (1951), the State Planning Authority (1962) and the Planning and Environment Commission (1975).

The acquisition responsibility is consistent with that of any Government constructing authority which is that once land is incorporated in a program, owners may require that authority (Main Roads, Public Works, Water Resources, etc) to acquire.

- 1(c) In each of the years 1982-83 and 1983-84 the objectives of all the funds were met in that funds provided were fully utilised to meet the discrete purposes of each fund.

1(d) Priorities of the Funds for the next twelve months are:

- Sydney Region Development Fund

- (i) To meet acquisition obligations estimated at \$ 29m.
To meet development programmes estimated at \$ 3m.
These will be achieved by borrowing funds to level approved by Treasury and the application of the grant from Consolidated Fund.
- (ii) To meet loans repayments and interest charges estimated at \$ 19m.
This will be achieved by assessment of Councils (as provided by Section 143 of the E.P. & A. Act, 1979) within the Development area of amounts required to meet the loan servicing commitment of the Fund, reduced by rental income and interest earnings.

- Illawarra Region Development Fund

No acquisition programme.

Priority only to establish levy collection to service the existing liabilities of the Fund.

- Hunter Region Development Fund

Activation of the Fund still at planning stage.

- Land Development Contribution Fund

Continuation of existing policy of advancing available funds to the S.R.D.F. as directed by Treasury.

- Trust Fund

Administer deposits in accordance with Act.

- Coastal Protection Fund

A sum of \$ 280,000 has been sought to meet the recurrent expenses for 1984-85.

- Heritage Funds

To meet administrative expenses, run interest and sinking fund charges, Government Heritage projects such as the First Government House site, grants and loans to churches, local government, private business in relation to protection of the heritage and heritage studies.

- 1(e) The objectives and priorities are determined -
- (i) in the case of land acquisitions, as owners request the Department to acquire lands reserved in planning instruments and approved government programs; and
 - (ii) as development of county and regional open space is programmed and approved. The major development expenditure in recent years has related to the development of "Sydney Park" an open space area at St. Peters as part of the Government's Bicentenary works.

The other major development activity has been the 'Greenspace' program designed to assist Local Government expedite the creation of parks in areas of land acquired by the fund. The Greenspace Program has used 70% Commonwealth Funds under the Employment Creation Programs of the Commonwealth.

Note:

In essence, comparatively little expenditure has been incurred in development since the transfer of the responsibility for the Macarthur Growth Centre from this Department to the Department of Industrial Development and Decentralisation; the Department does not trade in land, it is a planning body not a land developer.

2. Source and Application of Funds

Statement in course of preparation.

3. Organisation

- (a) No. Management is shared between the Manager, Finance Branch, who is responsible for keeping the accounts of the Fund, investment of cash holdings and Sinking Fund reserves and assessment of the Council contributions and, by the Head of the Land and Estates Division who is responsible for the management of the acquisition program, sales, leasing, and property management aspects of the Sydney Region Development Fund. Final decisions are taken by the Minister (as Corporation Sole) or his delegates. The overall responsibility is the Director's. The Head of the Land and Estates Division reports directly or through the Land and Estates Committee. This committee is comprised of the Heads of the Lands and Estates, the Administrative and a Planning Division and all acquisition and disposals are reviewed by the Committee.
- (b) The Head of the Land and Estates Division is second tier; see organisation chart attached.

- (c) No. While the major part of their duties relate to the Sydney Region Development Fund work they also have duties associated with Heritage Council and Coastal Council matters; Illawarra and Hunter Region Funds; valuation advice to the Premier's and other Departments.

The staff listed in the report under reference report to the Head, Land and Estates Division, excluding those in the Finance Branch (about 3 positions) who report to the Manager, Finance Branch.

- (d) See (a)
- (e) (i) Illawarra and Hunter Region Development Funds as in (a).
 - (ii) Land Development Contribution Fund - the Manager, Finance Branch, is responsible for the management of this Fund in relation to maintaining term loan accounts, while the Treasurer is responsible for approval of loans made from the Fund. All loans since 1974 have been to S.R.D.F.
 - (iii) Trust Fund is managed by the Manager, Finance Branch.
 - (iv) Heritage Fund is managed by the Manager, Heritage Branch, who is responsible for obtaining necessary approvals for Fund expenditure. The accounting records are kept by Finance Branch.
 - (v) Coastal Protection Fund - management is the responsibility of the Manager, Coastal Protection Branch; while not forming part of the Coastal Protection Fund, the land acquisition allocation from Consolidated Fund is managed by the Head of the Land and Estates Division.

4. External Interfaces

Land acquisition and development activities do not overlap with those of local government or other government agencies. The position is:

This Department (and in relevant cases a council) in carrying out planning functions, is required to identify in planning instruments the uses to which land may be put, viz., residential, commercial and industrial purposes and, those required for planning purposes that is, open space (local and regional), roads (local and primary) and, special uses.

Councils are the nominated acquiring authorities for local open space and local roads falling within their respective areas; this Department is the nominated acquiring authority for roads other than local roads which are not programmed for construction and, regionally significant open space and special uses areas.

The reason for forming Development Areas comprising a number of local government areas is to share equitably between the Councils for the benefit of residents in the designated Development Areas the cost of acquiring regionally significant areas regardless of the local government area or areas in which such lands are located. The Department of Main Roads will not accept the responsibility for acquiring primary road lands ahead of its 5 year construction program and Treasury provides the finance by way of annual grant to the Sydney Region Development Fund to acquire lands for County road purposes.

The Sydney Region Development Fund is not used to a significant extent to finance development. County or Regional open space development costs are generally met by Councils when following acquisition, these lands are placed under the care, control and management of particular Councils.

Exceptions where the S.R.D.F. is financing development include Sydney Park and the Green Space programs. The interfaces based on the respective responsibilities for acquisition of land for local and regional planning purposes work well and are equitable; as legislation requires nomination of the acquiring authority as lands are reserved, regional planning could not be given effect in planning instruments unless funds were available to acquire lands reserved for planning purposes in defined development areas.

5. Land Acquisition

- (a) Priorities are determined as owners of reserved lands request that acquisition take place and in certain special circumstances, the Department, with approval of the Minister, initiates acquisitions for special purposes.

Owners are advised that offers are made "without prejudice" and subject to the availability of funds. At times the lack of funds has meant that acquisitions cannot proceed until the next financial year, however, regard is had to the owner's circumstances and hardship. Where hardship exists, such acquisitions may be given precedence should the funds position be critical. The funds position is reviewed continuously throughout the year.

7.

In regard to acquisitions from Heritage Fund these are determined by the Minister on recommendation of the Heritage Council.

- (b) Decisions to reserve lands are made by the Minister on the recommendation of the Director for adoption and promulgation of planning instruments. Once land is reserved, the Department is obliged to negotiate the acquisition when so requested by the owner. The Department is also constrained to limit its acquisitions so that it does not exceed available funds.

In cases where lands are not reserved or in an approved government program a decision to acquire would be made by the Minister on the recommendation of, a Planning Division Head endorsed by the Land and Estates Committee, and the Director (or his delegate), or on the recommendation of the Coastal or Heritage Councils.

- (c) There is no such thing as a "want list". The Department's only program of activity is dependent upon the order of requests of owners modified where hardship exists, where Governmental priorities determine or where the parcel is critical to the more effective acknowledgement or use of the larger area.

6. Development Activities

- (a) Development activities of the Sydney Region Development Fund have varied since the transfer of the Macarthur Growth development function to the Department of Industrial Development and Decentralisation. Development activities arise in three categories of land use:

- (i) open space;
- (ii) special uses - corridors; and
- (iii) town centre sites.

In reference to (i), the Sydney Region Fund is being used on a very limited basis to assist Councils develop for passive and active recreation uses regional open space lands throughout the development area.

This use relates to a Green Space program which was instituted to develop regional open space to stimulate employment under the Commonwealth Employment Program and, the development of a large area at St. Peters as a multi-purpose major park; known as Sydney Park, it is an area of regional significance, most of which is already in government/local government ownership and is a Bicentenary Project.

In reference to (ii), the fund has not undertaken significant development works in the special uses corridors. These lands were acquired to provide corridors for use by public utilities for provision of services to the release areas. Much of the corridor land is flood prone or environmentally sensitive and unsuitable for intensive development anyway.

In reference to (iii), two sites for commercial/retail/community facilities were acquired by the Fund, one at Mt. Druitt and the other at Wetherill Park. Acquisition of these sites was essential to ensure that, as adjoining areas were released for residential development, provision existed for regional commercial, retail and community facilities. The retail area of the Mt. Druitt Town Centre was leased by tender in 1972 for development by the Lend Lease Corporation; other sites in the Centre have been progressively leased for development by the respective lessees, of commercial buildings, community and sporting facilities. Apart from providing and servicing the site, the cost of which was borne by the Development Fund, the cost of development has been borne by the lessees.

The Wetherill Park Community Centre site was leased in 1982 after calling public tenders, to the Stocks and Holdings Group. The lessee has borne the cost of servicing and developing both community and commercial facilities on the site.

In summary, the Development Funds are not used for construction of commercial developments although land is provided for that purpose.

- (b) The initial decision to proceed with land acquisition at Sydney Park was taken after an approach was made by the Sydney City Council, who already owned a substantial part of the area required for the Park. The decision to undertake developmental activities was made when a reasonable proportion of the land had been acquired. It is intended that the costs of development should be covered by the sale of surplus properties. The development is being staged accordingly.

The "Green Space" Program originated because some of the areas acquired for regional open space were topographically difficult areas of bushland and the costs of development were often more than the Council could afford, hence the land was left derelict and became a tipping ground for the local community. As a result of approaches from a number of Councils, and Members of Parliament, the Minister determined that the funds should be used to tidy up the more difficult areas of open space that had been acquired by the Fund

and at the same time facilities should be provided for the community to ensure that those areas of open space are useable to the community. The "Green Space" Program was seen to be an employment generating program and after the first stage, 70 percent of the funds were obtained from the Commonwealth Employment Creation Program Funds.

- (c) The Minister, as Corporation Sole, has powers similar to a Growth Centre Corporation allowing him to be a development agency where planning purposes require. The Somersby Estate was instanced as an activity which was allocated by the Government to the former Commission (and subsequently the Department) to act as a catalyst/co-ordinator to get industrial development going at Somersby near Gosford. I believe the problems arose because the area had been zoned for industrial uses. Because of the fragmented nature of the holdings and the lack of services, there was little or no interest by industrialists. As a result of pressure from the land owners the Government decided to proceed with "seeding" funds to assist in the development of the area. These funds were allocated to the Department and after complex negotiations with the owners and the Council, items of infrastructure were provided.

The Department is not a developer as such. It rather co-ordinates the activities of Council and land owners and administers the funding arrangements. This activity does not pose any conflict with the Department's major planning role and indeed, in this instance, is essentially to bring "a plan" to fruition. The Department is not at present undertaking any other activity of a similar nature to the Somersby Estate.

Consideration is being given to ways and means of accelerating the development of the Estate and this may result in this Department, with of course the approval of the Minister, taking a more active role. The co-ordination and activity is now centred on the Department's Gosford Office where the Regional Manager is responsible. In the early stages and until the agreements had been negotiated and the project was well on the way a Deputy Director of the Department and the Department's Solicitor were the responsible officers. Performance is evaluated by the amount of land sold and the rate at which the Government's "seeding" funds are repaid. The S.R.D.F. has not contributed to its development other than to acquire properties to provide sites for land servicing facilities and from owners within the Estate on hardship grounds, where such owners did not wish to participate in the scheme.

7. Surplus Land

- (a) Surplus land as at 30.6.1984 comprised 366 properties with a current market value of \$32,097,725. Of this holding some 122 properties valued at \$11,718,550 are not presently marketable. This is because the areas are not yet

10.

serviced and released for urban development and are the balance of areas acquired for planning purposes such as corridors or open space. The remaining 244 surplus properties valued at \$20,379,175 are to be marketed and the present position is:

	<u>No of.</u> <u>Properties</u>	<u>\$</u>
Agreement reached awaiting settlement	29	1,543,000
In course of negotiation - Housing and Land Commission	5	2,571,000
Local Government and Others	21	6,200,000
		<u>\$10,314,000</u>

As land is declared to be surplus, that is, no longer required for planning purposes, it is entered in a register; it is policy to offer the properties to other Government bodies through the Premier's Department Property Unit. Should no Government concern express interest, then it is offered to the former owner and then to the local council. Should none of these parties wish to acquire at market value, then the land is offered at auction. Decisions to sell the land at auction have regard to the state of the market and necessity to realise the properties highest potential use by rezoning (if necessary) and ensuring services are available.

- (b) The disposal program is described above; it is intended to maintain an orderly marketing program to derive funds from sales proceeds to help minimise borrowing requirements and sustain the ongoing acquisition and very limited development programs. The efficiency and effectiveness of the program depends to some extent on the willingness of Government buyers to agree on price and settle and on the existence of favourable market.

8. Reserves

The nature and purposes of the Reserves and other liabilities to which the investments relate, were disclosed in the Balance Sheet for the year 1982/83. They were:

(a) Loans Repayment Reserve	\$15,601,933
(b) Land Replacement Reserve	\$ 8,653,725
(c) Accumulated Fund	\$ 2,464,135
(d) Lease Premiums	\$ 2,059,659
(e) Mortgage Payment Impending	\$ 1,032,000
(f) Cash Resources	\$ 2,212,847
	<u>\$32,024,299</u>

The Loans Repayment Reserve and related investments are maintained as required by the Public Authorities (Financial Accommodation) Act and in accordance with established financial practice to ensure loan repayment and interest dues are met.

The Land Replacement Reserve represents the net proceeds of land sales set aside for the very purpose referred to in your letter, i.e. the acquisition and/or development of land. Delay in application of the funds to land acquisition arose mainly from protracted negotiations for a number of very large parcels. Similar delay was experienced in respect of the Sydney Park project, resulting in postponement of development work. All these matters were resolved during 1983/84 and the Reserve has now substantially been applied.

Accumulated Fund, Item (c), has been derived in the main from interest earnings on item (b) to (f) above and during 1983/84 was applied to loan servicing expense in relief of Council levies.

Investments relating to items (d), (e) and (f) above are held for legal, accounting and financial management purposes.

9. Levy Formula

The Sydney Region Development Fund, the levy concept and the formula for fixing individual council levies were all devised and set up in 1951 by Local Government as the financial arm of the original planning body, the Cumberland County Council. Apart from changes in name, the Fund and its financial machinery has remained unaltered to this day.

The formula employed to determine individual council levies is prescribed in section 143(4) and may be presented in simplified form as follows (there is some adjustment for non-rateable land in this practice):

$$\frac{\text{Total Levy Assessable}}{1} \times \frac{\text{Land Value of Individual Council}}{\text{Land Value of All Councils}}$$

Typical 1984 Assessment:

$$\frac{\$9,571,987}{1} \times \frac{709,798,182}{37,588,922,068} = \$180,749$$

- (a) With regard to the underlying basis of the formula, the Department understands that the intention of the founders of the Cumberland County Council was simply to share costs equitably between member councils. This the formula achieves and this is its major advantage. The use of land value as the basic measure would seem to indicate a leaning towards the ability to pay basis. However, in this context it is important to emphasise the overriding regional nature of the Fund

of the whole Sydney Region and providing for long term development requirements. The benefits from large Regional Open Space acquisitions for example are enjoyed by all residents of the region not merely those of the council area in which it is situated. Accordingly, it will be recognised that open space amenities throughout the Sydney Region are available for use by the community in general.

The disadvantage of the formula and a feature causing concern is the degree of fluctuation of individual council levies arising from the use of unadjusted Land Values affected by tri-annual revaluations and rapidly rising values. The effect of a revaluation in a particular year is to increase the levy share of an affected council in the same proportion as the revaluation so that a very large revaluation causes a very large levy increase. Councils not revalued in that year enjoy a reduced levy. Over a three year period all councils on average fare equally.

Options to remedy this problem are being examined by a working group convened by the Treasurer comprising officers of the Treasury, Local Government Association, Department of Police and Emergency Services and the Department of Environment and Planning. A recommendation is expected soon.

Apart from the difficulties arising from fluctuations of land value, it is understood that councils are entirely satisfied with the formula itself.

- (b) The level of the total levy assessable each year is determined by the level of payments necessary to service loans raised through the Fund for the purpose of land acquisition. This total requirement is reduced to the extent that the Fund is able to generate income from the use of assets, e.g. leasing properties, investing cash. Administration costs must also be met. Thus the various elements of the budget affecting the level of the levy are:
- (i) The level of outstanding loans which is affected significantly by the level of new loans raised. This in turn derives from the approved land acquisition program and the Treasury loan allocation for the year.
 - (ii) Income from the sale of land which reduces the need to borrow money.
 - (iii) The loan servicing costs arising from (i) which are significantly affected by the terms of loans raised, both period and interest rate.
 - (iv) Administration costs.
 - (v) Income from the leasing of property and from the investment of reserves and other temporarily unused funds.

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A typical budget therefore appears as follows:

<u>Expense</u>	<u>\$M</u>
Loan Servicing	16.0
Administration Services	1.0
	<u>\$17.1M</u>
<u>Income</u>	
Interest Earnings	2.6
Rents	2.8
Misc.	.3
Council levies	11.4
	<u>\$17.1M</u>

- (c) As indicated in (a) councils are concerned with the fluctuation of assessments which are presently determined in proportion to the land rating/valuation of each council area. This method is under review and proposals to stabilise the annual contributions are under active consideration by the Department.

As to councils satisfaction with the value they receive for the levy, this is a matter which for many years has been accepted by the contributing councils which generally acknowledge the need for the costs of regionally significant planning initiatives to be borne equitably by all councils within the region.

10. Staff Levels and Salary Costs

- (a) With regard to the suggested comparison of the Department's staff levels in property dealings with those of a major real estate firm, I have taken the opportunity for further discussion within the Department and limited discussions with private sector property firms and now consider that such comparison would serve no purpose for a number of reasons.

Firstly, the private sector does not have similar responsibilities in that the major part of the Department's property is not acquired for commercial but for planning purposes.

Secondly, government accountability, procedural, policy, and legislative requirements for acquisition, disposal and property management, together with attendant political considerations would not provide a proper basis for comparison of the Department's and private sector operations as a means to assess efficiency.

14/...

Acquisition program - requires in many cases lengthy negotiations and in a minor number of matters, resumption. The Department acting for the Corporation, as acquiring authority, cannot be classed as a "willing buyer" as it has the obligation to acquire. The private sector can walk away from negotiations the Department cannot. Owners and their representatives are quite often prepared to bargain long and hard, some owners do not really wish to sell but will enter into negotiations without any real intent to proceed with the sale.

The private sector does not have to deal with political sensitives, complaints to the Ombudsman, planning consequences and owners who may attempt to exploit the position because of the Department's obligations to acquire.

Disposal program - requires that properties be offered to State Government bodies, local councils, former owners before disposal on the open market.

Property Management - including lease management, assessment and re-assessment of rents and conditions; management of vacant lands; development of open space under care, control and management of councils; restoration of historic properties; transfers to the Department of Main Roads; maintenance of leased properties; maintenance of property records; dealing with and acting for other Government agencies in property management matters; taking action against unauthorised occupants; all of which must have regard to political sensitivities and the need to obtain a fair market rental for leased properties.

Legal Conveyancing involves resumption matters, litigation, briefing of counsel, co-ordination of planning, valuation and other expert evidence; lease terms and conditions; advisings on complex lease matters; legal action against unauthorised occupants, ejection and arrears collection.

Sydney Region Development Fund management including monitoring expenditure to ensure budget is not overspent.

- (b) The job control system has not yet been instituted and its implementation of necessity has been deferred until suitable computer equipment is obtained, although a pilot program will be started when resources are available. It is anticipated that provided funds are available, appropriate equipment will be purchased in the current financial year.

The cost of administration of the Sydney Region Development Fund for 1983/84 was based on the salaries of the three Branches forming the Lands and Estates Division, Valuation, Property and Legal (Conveyancing) plus accounting and administration staff (6 positions) mainly engaged on S.R.D.F. work. This approval does not take into account office rental nor administrative on-costs, nor does it include planning and specialist staff salaries which could equitably be charged to the Fund. Planning and specialist staff advise on the potential of lands to be acquired and in special cases, the notional costs of developing certain properties for such uses is also required; this advice is used in assessing the basis of valuation of reserved lands for purposes of making offers to owners. Similarly, planning advice is sought on property management aspects and lease matters. The cost of administration accordingly is assessed on a somewhat arbitrary basis, and while it is acknowledged and was stated in earlier evidence to the Committee that some staff whose salaries form the basis of assessment of that cost, are not fully engaged on S.R.D.F. matters, no charge has been assessed for other staff within the organisation, part of whose time could properly form a charge on S.R.D.F. Further, no on-cost nor rental is included.

This cost will, of course, be more accurately assessed when the related job costing system becomes available.



Department of Environment and Planning



THE DIRECTOR

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Your Ref: AG 83/36

-4 JAN 1985

Dear Mr Aquilina,

On 5 September 1984, I wrote to Mr Carr, then Chairman of the Public Accounts Committee, in response to a Committee letter of 24 July, providing information on Statutory Funds administered by this Department.

I now enclose the final item of information, Source and Application of Funds Statements for the past four years, which we were unable to provide at that time.

Please note carefully that the funds statements for earlier years have necessarily been compiled in the format used for 1983/84 and, as that statement is derived from a new summary form of balance sheet introduced only in 1983/84, some figures for 1980/81 to 1982/83 will not be verifiable from published accounts for those years.

Yours sincerely,

R.B. SMYTH

DEPARTMENT OF ENVIRONMENT AND PLANNING

STATEMENT OF SOURCE AND APPLICATION OF
FUNDS FOR THE YEAR ENDED 30 JUNE 19

\$000s

	'84	'83	'82	'81
THE DEPARTMENT'S FUNDS WERE PROVIDED BY:				
OPERATING FUND INFLOWS (NOTE 1)		53,238	45,323	40,954
LESS OUTFLOWS		(47,729)	(41,747)	(37,154)
NET INFLOW		<u>5,509</u>	<u>3,576</u>	<u>3,800</u>
INCREASES IN				
PRIVATE LOANS	11,000	9,000	7,050	6,150
STATE GOVERNMENT GRANTS	3,334	3,000	3,000	3,000
COMMONWEALTH GOVERNMENT GRANTS	800			
LAND TRANSFERRED FROM OTHER BODIES	400			
LONG TERM LIABILITIES				2,957
DECREASES IN				
WORKING CAPITAL	-	2,422	1,748	
LONG TERM DEBTORS	1,794	609	159	
INVESTMENTS	7,132			
	<u>24,460</u>	<u>20,540</u>	<u>15,533</u>	<u>15,907</u>
THE DEPARTMENT'S FUNDS WERE APPLIED TO:				
OPERATING FUND OUTFLOWS	58,066			
LESS INFLOWS (NOTE 1)	(57,344)			
NET OUTFLOW	<u>722</u>			
INCREASES IN				
LAND TRANSFERRED TO OTHER BODIES	X 10,155	187	639	398
LAND AND BUILDINGS	11,747	12,759	8,324	12,373
WORKING CAPITAL (NOTE 2)	777			547
INVESTMENTS		6,986	5,514	1,766
LONG TERM DEBTORS				823
DECREASES IN				
LONG TERM LIABILITIES	1,059	608	1,056	
	<u>24,460</u>	<u>20,540</u>	<u>15,533</u>	<u>15,907</u>

NOTE 1

RECONCILIATION OF CASH FLOWS WITH DEFICIENCY FOR YEAR ENDED 30 JUNE

	84	83	82	81
NET CASH INFLOWS /(OUTFLOWS)	(722)	5,509	3,576	3,800
LESS - TRANSFER TO LOAN REPLACEMENT RESERVE	4,237	3,998	1,319	1,000
ADD RESERVE APPLIED TO LOANS REPAID	2,730	2,122	581	1,160
LESS - LAND DEVELOPMENT CONTRIBUTIONS AND INTEREST CAPITALISED	302	338	227	224
LESS - TRANSFER TO LAND REPLACEMENT RESERVE		2,700	2,700	3,800
ADD				
TRANSFER TO LAND REPLACEMENT RESERVE GOVERNMENT CONTRIBUTION	414	145	137	143
SURPLUS/(DEFICIENCY) AS PER INCOME AND EXPENDITURE	<u>(2,117)</u>	<u>740</u>	<u>48</u>	<u>79</u>

NOTE 2

STATEMENT OF CHANGES IN WORKING CAPITAL

INCREASES IN WORKING CAPITAL				
SUNDRY DEBTORS	2,478		1,428	3,421
DEBTORS - LAND ACQUISITION	48	200	76	
CASH AT TREASURY	1,132			
SUNDRY CREDITORS		348		
INTEREST ACCRUED		668		
DECREASES IN WORKING CAPITAL				
INTEREST ACCRUED	499		896	272
ADVANCE CONTRIBUTIONS (COUNCIL)	467	460	355	319
SUNDRY CREDITORS	1,915		128	245
SUNDRY DEBTORS		2,166		
DEBTORS - LAND ACQUISITION				367
CASH		1,012	1,873	1,671
	<u>777</u>	<u>(2,422)</u>	<u>(1,748)</u>	<u>547</u>