THE LORD MAYOR OF SYDNEY
CLOVER MOORE

16 July 2021

Chair, Parliamentary Inquiry on EPA Act / Contributions
Upper House Committees
Parliament of New South Wales
By email PortfolioCommittee7@parliament.nsw.gov.au

Dear Madam Chair

Parliamentary Inquiry on EPA Act / Contributions

At my appearance at the Upper House inquiry into the *Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021* today, I took on notice a question in relation to the City's financial modelling of the impact of these reforms.

The City of Sydney remains deeply concerned about the changes proposed within this Bill, which were introduced hastily, without due diligence and transparency. This process has prevented local governments across NSW, from developing accurate financial models to demonstrate the long-term implications of the proposal, for their own councils and most importantly their communities.

The Bill provides far reaching powers and great autonomy to the Minister for Planning, which pending the final drafting of the Regulations, SEPP and Ministerial Directions, could dramatically reduce the infrastructure contributions received by each council, reportedly to be recovered by councils through higher annual rate increases.

This proposal represents a cost shift from the current arrangements, in favour of the development industry (if contribution rates are lowered) or to the State if the current contributions are partially redistributed to fund new regional infrastructure funds, at the expense of local business and residential ratepayers who are expected to fund any shortfall.

If the ratepayers cannot fund the gap, then the ongoing provision of quality infrastructure in the future will either be diminished or delayed, further frustrating the current problem of essential infrastructure lagging new development as raised by the Productivity Commission.

At this stage, given the short duration from the introduction of the Bill and the absence of specific details for the proposed Regulations that will give effect to the proposal/s, the City has been forced to estimate the potential financial implications of the reduced developer contributions. In the absence of a full and detailed consultation package the City has relied on the limited information currently in the public domain.

The NSW Government's response to the NSW Productivity Commission's Review of Infrastructure Contributions indicates that the contribution cap for each additional dwelling will be reduced from $20,000 to $10,000 for houses and to $8,000 for apartments, that is by at least 50%. This contribution will effectively just be shifted (and increased) to a Regional Infrastructure Contribution of $12,000 per dwelling for houses and $10,000 for apartments. This is the basis for the City modelling a loss of 50% of infrastructure contributions revenue.

Over the most recent 5 years, the City has received cash and in-kind receipts for both:

- the s.61 the Central Sydney Plan under the City of Sydney Act; and
- the s7.11 contributions received under the Environmental Planning & Assessment Act.

CAPITAL GRANTS & CONTRIBUTIONS	FY-2017 Actual $M	FY-2018 Actual $M	FY-2019 Actual $M	FY-2020 Actual $M	FY-2021 Actual $M	**5 Year Total $M**	**5 Year Average $M**
Developer Contributions - Cash and WIK - At Risk	**96.1**	**95.7**	**52.5**	**71.5**	**33.7**	**349.5**	**69.9**

The capital contribution trend for the 5 years ($70M), reflects our experience over longer periods as the average cash and in-kind receipts for the past 10 years are in the order of $82M per annum. While the final year's receipts are lower in this brief analysis, given the current environment, it is important to realise that the new Central Sydney Contributions Plan as agreed would actually see an increase in the flat contribution rate from 1% to 3% in line with other capital cities and metropolitan Sydney areas.

However using recent receipts as a benchmark, were the City to lose 50% of this contribution following the introduction of this Bill, this would equate to an average decrease of $35M per annum or at least a $350M loss over the 10 year span of the City's long term financial plan.

As our annual rates income for the 2021/22 financial year total just under $320M, to recover a 50% reduction in annual developer contributions or $35M each year, our ratepayers would face an additional 11% increase in their rates to maintain the financial requirements and commitments within our existing long term financial plan. This increase would be in addition to the annual increases recommended by IPART (2%) to reflect local government cost increases, resulting in a total annual rate increase of around 13% for businesses and residents.

The City does not believe a shortfall of this magnitude could, or should, be borne by the ratepayers.

Yours sincerely

Clover Moore
Lord Mayor of Sydney