

3 December 2021

The Hon Matt Kean MP  
Treasurer  
Minister for Energy and Environment  
52 Martin Place  
Sydney NSW 2000

Via email: [office@kean.minister.nsw.gov.au](mailto:office@kean.minister.nsw.gov.au)

Dear Treasurer,

Regional Cities New South Wales (RCNSW) is pleased to present this submission for consideration when preparing the 2022-2023 NSW Budget.

RCNSW is an alliance of 16 regional cities from across the state. The alliance aims to grow regional cities in New South Wales (NSW) through increased investment that will build productive, liveable and connected regions.

Regional cities are thriving urban centres that provide a high level of economic activity, amenity and affordability. These cities are strong regional hubs providing a central point to access essential transport, health, business, employment and education and other services.

These services and infrastructure are accessed by local residents as well as those in surrounding towns and rural areas especially in times of natural and other disasters such as bushfires, drought and the COVID-19 Pandemic. Strong regional cities create strong regions.

Due to the service hub role regional cities play, these cities also provide a liveable and affordable alternative to people and businesses seeking to escape the crushing congestion of Sydney, Australia's largest city. This trend has accelerated in the past two years and presents a major opportunity to shape a more diverse and resilient Australian economy.

This has been confirmed by recent research released by the Regional Australia Institute (Regional Movers Index), which indicated that many of our regional cities are in the top 20 centres of growth across Australia.

However, this trend is not without its growing pains. While Sydney has lost population to the regions during the pandemic, this acceleration has put additional stress on the availability and affordability of regional housing and pressures on the approvals process, as well as exacerbated labour and supply shortages.

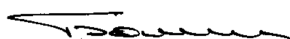
Similarly, while ongoing investment in regional infrastructure and renewable energy projects are very welcome and helping to build resilience and drive economic growth in the regions, they are also adding to regional supply constraints and community concerns about managing growth.

This submission seeks to address some of these issues and to make recommendations to ensure that growth is managed appropriately so our member cities continue to play a role in enhancing the liveability and prosperity of the state.

We have also included our priorities for investment opportunities across key areas required to build connected, liveable and productive regional cities. RCNSW believes a consolidated policy approach and comprehensive investment plan will deliver a more equitable and efficient outcome for NSW.

On behalf of our 16 members, we thank you for your regional initiatives and we look forward to contributing to the development of a new regional policy strategy and deepening our partnership in 2022.

Yours sincerely,



Cr Tim Overall  
Chair, Regional Cities New South Wales  
Mayor, Queanbeyan-Palerang Regional Council

# **Regional Cities New South Wales**

**2022-23**

## **Pre-Budget Submission**

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## Introduction

Regional Cities New South Wales (RCNSW) is an alliance of 16 regional cities from across the state. The alliance aims to grow regional cities in New South Wales (NSW) through increased investment that will build productive, liveable and connected regions.

Regional cities are thriving urban centres that provide a high level of economic activity, amenity and affordability. These cities are strong regional hubs providing a central point to access essential transport, health, business, employment and education and other services.

These services and infrastructure are accessed by local residents, transient workforces and tourists as well as those in surrounding towns and rural areas, especially in times of natural and other disasters, drought and the Covid-19 Pandemic. Regional cities provide those higher order facilities that sponsor and support the smaller communities. Strong regional cities create strong regions.

It is the position of RCNSW that while our members should be strengthened as regional hubs, we also have the potential to play a critical and therefore greater role in the future prosperity and rebuilding of regional NSW.

Due to the service hub role regional cities play, these cities also provide a liveable and affordable alternative to people and businesses seeking to escape the crushing congestion of Sydney, Australia's largest city. This trend has accelerated in the past two years and presents a major opportunity to shape a more diverse and resilient Australian economy.

However, this trend is not without its growing pains. While Sydney has lost population to the regions during the pandemic, this acceleration has put additional stress on the availability and affordability of regional housing and pressures on the approvals process, as well as exacerbated labour and supply shortages.

Similarly, while ongoing investment in regional infrastructure and renewable energy projects are very welcome and helping to build resilience and drive economic growth in the regions, they are also adding to regional supply constraints and community concerns about managing growth.

This submission seeks to address some of these issues and to make recommendations to ensure that growth is managed appropriately so our member cities continue to play a role in enhancing the liveability and prosperity of the state.

## 2022-2023 Pre-Budget Submission Framework

This pre-budget submission seeks to address the twin objectives of RCNSW – to create regional cities that are:

1. Strong service centres that build regional resilience; and
2. A liveable and affordable alternative to Sydney.

The submission highlights the priorities of the RCNSW membership across our key policy areas:

- Population planning;
- Housing;
- Improved connectivity (digital and transport related);
- Economic activation;
- Renewable Energy in the Regions;
- Council capability and capacity building;
- Local Government financial sustainability; and
- Resilience.

RCNSW members acknowledge the significant, on-going commitment to regional NSW across a range of initiatives. We seek funding for new initiatives developed by RCNSW to support the growth and activation of our members and other regional cities and to address issues arising from increased population growth; and continued funding for current government initiatives where funding has been exhausted or remains yet to be released.

## Who are Regional Cities New South Wales?

The RCNSW membership consists of regional cities from around the state:

- Tamworth Regional Council
- Albury City Council
- Queanbeyan-Palerang Council
- Port Macquarie-Hastings Council
- Coffs Harbour City Council
- Griffith City Council
- Maitland City Council
- Bathurst Regional Council
- Wagga Wagga City Council
- Orange City Council
- Armidale Regional Council
- Dubbo Regional Council
- Lismore City Council
- Goulburn Mulwaree Council
- Tweed Shire Council, and
- Broken Hill City Council

## Impact of Regional Cities in New South Wales

The impact of regional cities in NSW has been growing. In addition to their role as regional hubs, the collective impact of RCNSW members is as follows:

- Combined population of **1 million people, which is just over 12 percent** of the state's population. The combined population will grow by 150,000 people by 2030;
- Generate **\$44 billion in gross regional product** annually;
- Have almost **420,000 jobs and more than 75,000 active businesses**. The average **unemployment rate across the cities is 5.4 percent** (NSW average of 4.8 percent); and
- **Healthcare and social assistance, retail trade, education and training as well as accommodation and food services account for nearly 50 percent** of all local jobs in these cities.

## Policy Platform

It is the position of RCNSW that while the member cities should be strengthened as regional hubs, the cities also have the potential to play a critical and therefore greater role in the future prosperity and resilience of NSW. As a result of COVID-19 restrictions which promoted a broadscale push to working from home, our members saw an influx of growth due to each city's high levels of affordability and liveability that contribute to better standards of work life balance.

Our member cities have aspirations to grow and attract a larger share of the State's population and economic activity – providing relief to a congested public and freight transport systems, while also providing a liveable alternative to an overcrowded and unaffordable Sydney.

## Budget Proposals of Regional Cities New South Wales

### Population Planning

RCNSW members have long advocated for a strategic approach to population planning that delivers a sustainable, productive and liveable NSW, where the benefits of growth are shared more equally across the state.

RCNSW cities are strongly committed to attracting increased population and economic activity and recommend an aspirational target of 60/40 share of growth (population growth) between the Metropolitan basin (Sydney, Wollongong and Newcastle) and regional NSW.

Central to this is RCNSW's position that regional population growth must be underpinned by continued investment in enabling infrastructure and services in order to maintain the local amenity and character that make our cities growth destinations. This includes utilities, transport, communications and housing infrastructure and health, education and community services, as well as social infrastructure such as arts and culture.

While RCNSW members have always envisaged a strategic approach to managing growth, the last two years has transformed expectations about the pace and nature of regional population growth.

The impact of Covid-19, the suspension of international migration to Australia, and the technological developments to enable more working from home, have challenged population growth forecasts across every state and region.

Capital city residents are moving to regional cities to escape urban congestion and the escalating cost of housing. Young people and professionals are choosing to remain in the regions rather than move to the capital cities. These trends are being accelerated by the opportunity and the capacity to work from home and access services thanks to bandwidth and other technological advances in the Covid context.

As confirmed by the Regional Australia Institute as part of their Regional Movers Index report and published in the Sydney Morning Herald on 3 August 2021, "Sydneyiders are abandoning the city in favour of cheaper housing and lockdown-free life in the state's regions as the coronavirus pandemic up-ends migration around the country". According to the report, since the start of the pandemic, a net 24,500 people have left Sydney for other parts of NSW.

RCNSW acknowledges this dramatic shift in regional population growth and recognises the challenges of managing it, particularly in terms of the immediate impact on housing and transport infrastructure as well as education and health services.

RCNSW supports plans by the Australian and New South Wales Governments to further encourage regional population growth, but reiterates the need for a strategic approach underpinned by investment in supporting infrastructure and services.

#### **RCNSW Recommendation:**

- RCNSW recommends the creation of a New South Wales population plan aimed at ensuring there is a greater share of population growth occurring in regional cities.

- RCNSW supports an aspirational target of 60/40 share of growth (population growth) between the Metropolitan basin (Sydney, Wollongong and Newcastle) and regional NSW.
- Development of a New South Wales population plan should be done in conjunction with Australian Government plans for a national population policy, and inform DPIE regional plans.
- Accelerate the development of the regional plans by DPIE, to reflect contemporary infrastructure investment and strategies of Government.

## Housing

RCNSW members are experiencing challenges in managing unanticipated, pandemic-driven population growth, particularly in terms of the immediate impact on regional housing markets and the issues of supply, affordability and diversity.

Our members have been exposed to recent bushfire and flooding events, adding to the demand and competition for skills for housing and infrastructure rebuilds, much of this demand and that created through the 'COVID exodus' has seen the rental vacancy rates across regional NSW sit at less than 1 percent.

In this context, RCNSW welcomed the establishment of the Regional Housing Taskforce to examine the housing issue, particularly with regard to the Planning system.

The recent Report of the Regional Housing Taskforce noted the increased housing supply and affordability pressures in the regions:

*[O]ver the past year housing pressures have grown more acute across the regions, with rents growing at a faster rate than in Greater Sydney, low rental vacancy rates, and relatively high house price growth. This has had profound impacts on the availability of housing for very low- and low-income households and renters in particular, as well as for moderate-income households and those seeking to buy a home, challenging the conventional assumption that housing in the regions is ample and affordable.*

The lack of affordable and available housing is a barrier to achieving the economic development goals aspired to in Regional Economic Development Strategies (REDS). Adequate housing is a major barrier to essential service delivery in regional NSW and workforce sustainability. Indeed, shortage of accommodation for key workers (frontline public servants in health, education and police) has eroded services in regions.

RCNSW believes the factors behind the current regional housing shortage are complex and that Government must consider a range of policy issues and actions, not limited to the planning system, in order to meet the housing challenges facing regional NSW.

RCNSW therefore strongly endorses the conclusion reached by the Regional Housing Taskforce that this is more than a planning issue:

*Because housing outcomes are influenced by a broad range of economic and policy drivers, they cannot be meaningfully improved without a sustained whole-of-government response that addresses both market and non-market provision of housing.*



RCNSW also welcomes the Regional Housing Taskforce's conclusion that there "is a role for Government in taking a more active part in housing delivery in regional NSW, including through the expanded use of government lands and partnerships with the housing sector."

We further welcome the government's \$35 million Regional Housing Package which will drive construction in the regions and deliver critical health accommodation improvements.

We also welcome recent announcements of \$5m in fiscal stimulus to develop plans in targeted areas with current or predicted housing pressures and planned major regional activation projects (e.g. Special Activation Precincts (SAP), Regional Jobs Precincts (RJP), Renewable Energy Zones (REZ)). RCNSW seeks an opportunity to assist in those settings and phasing of work.

The recommendations of the Taskforce address many of the issues canvassed by RCNSW in its submission to the Taskforce.

RCNSW has a number of specific recommendations for consideration in the upcoming budget.

#### **RCNSW Recommendation:**

To address the shortage of available housing in regional NSW, RCNSW recommends the Government:

- Continue the Build to Rent (BTR) measure, providing a 50 percent land tax discount for new build to rent housing projects, until the current regional housing shortage is managed, to create a more stable housing pipeline that is less affected by market cycles, in particular in the social and affordable housing sectors.
- Prioritise the creation of Regional Housing Strategies based on Functional Economic Regions (FER)

To increase the availability of land for development in the immediate future and beyond, RCNSW recommends that the Government:

- Audit and create a database of regional crown and council land and buildings for suitability for affordable housing projects, with relevant Crown Land to be transferred to community housing providers or Councils for housing, or be made available on a long-term lease basis.
- Incentivise Temporary Supportive Housing (TSA) and BTR housing options in regional centres subject to activation precincts, mines, Snowy 2.0 and related multi-year infrastructure investments.

To assist in eliminating the backlog of Developer Applications (DAs) in regional councils and enable them to respond to the increasing numbers of DAs in a timely fashion, RCNSW recommends that the NSW State Government:

- As a matter of urgency, establish a program to provide skilled planning staff to local councils free of charge, to help manage the existing backlog of assessments, including policies to incentivise NSW agency professionals into local councils with portability of entitlements;
- Deploy the Planning Delivery Unit in regional NSW to support regional councils and industry to resolve planning barriers affecting new housing supply on zoned and serviced residential land, including biodiversity requirements, and support council development assessment capacity;

- Review and revise development application and post-construction compliance fees to enable full cost recovery by councils so they are able to engage appropriate skilled resources to assess, notify and check compliance. An indexation mechanism should also be provided to prevent bracket creep. (*This is discussed further in the section on Local Government Financial Sustainability*); and
- Consider a staffed concierge approach to streamline the process from online DA registration to lodgement and integration of the planning e-portal with proprietary software providers.

To address skills shortages in the development and construction industries which are delaying the building of new housing in regional NSW, RCNSW recommends that the NSW Government:

- As a matter of urgency, implement programs to build the skills and capacity of the regional development and construction industries. Local councils should participate in this effort and contribute towards programs that build the skills and capacity within the local government workforce; and
- Incentivise the take-up of cadets, apprentices and trainees by councils (as a development and infrastructure skills nursery) through financial sponsorship of training and wages.

To address the shortage of available and affordable housing, RCNSW recommends that the NSW Government:

- Allocate funding and work with Commonwealth and Local Governments, the Community Sector and the Construction industry to develop collaborative programs to deliver more social and affordable housing; and
- Accelerate the refresh of DPIE regional plans in targeted areas of housing stress and subject to major regional development projects (SAP, RJP, REZ etc).

## Economic Activation

As New South Wales emerges from the 2021 pandemic restrictions, regional cities are positioned to play a leading role in the state's economic recovery.

NSW regional cities contribute \$44 billion to the state economy every year, while supporting more than 420,000 jobs and 75,000 active businesses. They facilitate increased diversification in regional economies by combining primary and secondary industries with strong service-based sectors.

However, regional cities face challenges in managing economic growth, particularly given the pandemic driven population shift from metropolitan centers and unanticipated demands on regional housing, infrastructure and services.

It is essential that regional cities continue to be supported to attract new industries, create more jobs and manage population growth, while ensuring that they maintain the accessibility and lifestyle factors which make them attractive and thriving communities.

## Activation and Job Precincts

RCNSW strongly supports the Government's Special Activation Precincts (SAP) and Regional Job Precincts (RJP) programs and recognises each program's strategic role in attracting and growing regional industries including manufacturing, agtech, freight and logistics, while building capacity in regional health, education and transport services.

RCNSW acknowledges the precincts and associated investment will have a transformational impact on regional economies, facilitating fast-tracking of regional investment and leveraging a region's endowments to attract major employers and create a diverse range of local jobs.

RCNSW believes a precinct (either activation or job) that strengthens and diversifies regional economies should be available to all regional cities. The precincts should be (as they currently are) based on the region's endowments to optimise current growth opportunities and ensure the broader recovery of the regional economy does not create pockets of deficit across NSW.

RCNSW recommends the government expand the precincts program and partner with RCNSW members to identify and deliver these. RCNSW has also created a hub and spoke map that illustrates our thinking for this in Appendix A.

### RCNSW Recommendation:

- Expansion of the equivalent of regional jobs precincts (ie. masterplanned and concierged by Government) to include all RCNSW members based on their respective region's endowments.

## Improved Connectivity

Digital and Transport connectivity is a key enabler of continued population and economic growth in regional NSW.

Consistent and reliable access to air services, faster-rail, high-speed broadband and mobile phone coverage supports regional economies and their competitiveness, and promotes the liveability of regional cities.

Connecting regional cities to their surrounding regions, metropolitan capitals, international markets and to each other, provides private and public sectors with the tools required to be innovative and entrepreneurial, increase their productive output and importantly, create more local jobs.

### Digital Connectivity

Effective digital infrastructure including highspeed broadband and mobile phone coverage is fundamental for RCNSW member cities to increase their roles as service hubs, grow their populations, diversify their economies, facilitate entrepreneurship and support emergency and disaster response.

Advances in digital technology and the Covid-19 pandemic have made people more familiar and comfortable with digital platforms, using them for working from home, business, virtual meetings, education, on-line shopping and health services. They are connected locally, nationally and internationally in ways not even imagined a decade ago.

This is significant for regional cities because digital infrastructure is helping to free workers, businesses and industries from metropolitan location constraints. It means regionally based industries and businesses can extend their reach into national and international markets and people can make lifestyle choices about where they want to live and work.

Emergency and disaster response also requires a strong mobile network to ensure the safety of the community and to coordinate responses.

RCNSW appreciates the Government's \$100 million investment to upgrade digital network infrastructure through the *Gig State Project*.

We also acknowledge ongoing investment in the *Mobile Black Spot Program* on both the federal and state level and funding for the *Mobile Coverage Project* to deliver improved regional mobile coverage.

However, more needs to be done to eliminate the many mobile black spots that still exist throughout the state and to address on-going gaps and internet speed deficits that are roadblocks to disaster response, business investment and population growth.

RCNSW believes that Government should maintain efforts to provide digital and mobile phone capacity to the regions on a par with Sydney.

#### **RCNSW Recommendation:**

- Build resilience into the network to support an effective emergency and disaster response;
- A commitment to ongoing funding of the Mobile Phone Blackspot Program;
- Further funding of the Gig State Project;
- Identification of the locations for the next round of data centres to ensure the digital backbone can be developed as a matter of priority; and
- The creation of a Regional Smart Cities program to improve amenity by applying LoRaWAN connectivity to issues, such as traffic flow, parking monitoring, street lighting, movement and place, and the maintenance of local amenities including parks and sporting ovals and to enable access by local businesses to make them more competitive.

#### **Transport Connectivity: Rail, Road and Air**

High-quality, efficient and timely transport links – road, rail, and air - are key enablers of liveability, safety and economic growth in regional New South Wales.

The 2021 Infrastructure Australia Plan recognises the importance of transport connectivity for regional Australia and acknowledges its role in enabling regional centres to take population pressure off congested cities.

The Infrastructure Plan identifies rail, air and freight reforms aimed at improving the local accessibility of Smaller Cities and Regional Centres to support their economic diversification and sustainable population growth:

*Improving the local accessibility of Smaller Cities and Regional Centres will support their economic diversification and sustainable population growth, adding weight to the case for progressive faster rail improvements. Integrated into a 'hub-and spoke' network, regional*

*passenger transport services can do a better job of connecting rural and remote communities to essential services in larger centres.*

Improved freight links are another factor critical to economic growth in regional Australia to ensure food, produce and raw materials are able to move to markets efficiently by rail and on road. This is a growing task. In 2016 regional NSW produced an estimated 255 million tonnes of freight which was transported by rail and road, and this is expected to increase by 12 per cent to 286 million tonnes by 2036.

Regional NSW roads are the corridors connecting regional communities and economies. They provide gateways to national and international markets and create opportunities for employment, tourism and access to key services in neighbouring regional towns.

Safe and reliable roads are essential to supporting the quality of life in regional NSW, offering a viable alternative to metropolitan living. Regional roads maintain and provide regional city residents and people in the surrounding areas with access to important services like health, business and employment which are called on more in times of stress. The NSW movement and place framework is supported.

RCNSW recognises and welcomes the Government's commitment to an improved regional rail and road network through such programs as Fixing Country Roads, Fixing Local Roads, Fixing Country Bridges and Fixing Country Rail.

With increased population, economic activity and major infrastructure projects in the pipeline, there will be increased pressure on the regional road network as freight volumes grow, transport vehicles become larger and heavier and passenger traffic increases. This will increase the cost of repair and renewal on local councils that are constrained by the rate peg. This will have consequences for both economic competitiveness and passenger safety.

RCNSW therefore welcomes Government funding of \$250 million over three years for a new program to support the upgrades of regional roads transferred to the State, as part of the NSW Government's Regional Road Transfer and Road Classification Review.

Often located a short drive from their CBDs, airports in regional cities play an important role in connecting individuals, facilitating trade, providing employment and supporting tourism. They facilitate same day business travel to and from metropolitan/ capital cities and enable FIFO employment. They are also hubs for emergency and medical services.

However, the cost of upgrades and maintenance of these facilities must be addressed urgently. Issues to be addressed range from runway rehabilitation, widening and resealing of taxiways, provision of aprons and aircraft parking areas, to improved fuel area access, security fencing, installation of non-precision GPS approaches and upgrades to terminals.

RCNSW welcomes the use of the Restart NSW Growing Local Economies Fund to support works at Cessnock, Illawarra and the Coffs Harbour Enterprise Park.

#### **RCNSW Recommendations:**

- Use the Snowy Hydro Legacy Fund in regional NSW to establish a freight route network and undertake a feasibility study for east-west rail infrastructure investment.
- Use the Snowy Hydro Legacy Fund to undertake an assessment of regional city commuter rail connections to better connect regional cities to Sydney and Canberra.

- Establish an ongoing program to provide funding to support the ongoing maintenance and expansion of regional airports or dedicate ongoing funding from the Restart NSW Growing Local Economies Fund for this purpose.
- Accept the nominated transfer of regional roads by member councils, contracting the councils to undertake works on the regional roads with funding to upgrade capacity and safety of the roads to support the freight, commuter and tourism loads anticipated in in NSW freight plans and REDS.

Commit to ongoing funding of the following programs:

- Fixing Country Roads;
- Fixing Local Roads;
- Fixing Country Bridges;
- Fixing Country Rail; and
- Regional Road Transfer and Road Classification.

## Regional Growth Fund

The NSW Government's 20-Year Economic Vision for Regional NSW Policy identified the need to support cultural and recreational facilities in regional cities. The Regional Growth Fund was an excellent source of funding to assist regional cities to make these investments. Unfortunately, this fund has been exhausted and no additional sources of funding have been made available.

RCNSW calls on the State Government to allocate funds to allow regional cities to improve the liveability of their cities recovering from the bushfires and ensure that when new residents arrive, they will want to stay due to the high levels of liveability.

### **RCNSW Recommendation:**

- RCNSW recommends the re-establishment of liveability funds that can support the sporting and cultural aspirations of those living in regional NSW.

## Renewable Energy

RCNSW recognises that renewable energy, most notably solar and wind, is making an increasing contribution to the Australian and New South Wales' energy mix.

In October 2019, there were 17,700 MW of large-scale renewable energy projects with planning approval or progressing through the NSW planning system, representing \$24 billion in investment.

Whilst recognising the benefits of renewable energy on the climate and economy, RCNSW wants the NSW Government to ensure there are appropriate regulatory and planning processes in place and longer-term benefits to local communities as the footprint of the renewables industry grows in the regions.

RCNSW members are particularly concerned about four issues:

### End of life treatment and disposal of renewable and energy infrastructure

The rapid growth in photovoltaic solar panel installations has made end-of-life panel recycling an emerging but urgent issue. It is forecast that NSW will generate 3,000 - 10,000 tonnes per year of waste solar PV panels and battery storage systems by 2025, rising to 40,000 – 71,000 tonnes per year by 2035.

In the “Scoping study for photovoltaic panel and battery system reuse and recycling fund” report prepared for NSW Department of Planning, Industry and Environment, it was noted that the largest impact of end-of-life waste for solar panels will impact regional NSW significantly, particularly the LGAs of Bega, Broken Hill, Queanbeyan, Dubbo and Murrumbidgee. However, with the establishment of the five Renewable Energy Zones, this impact is expected to widen to almost all RCNSW member councils.

The challenges associated with end-of-life processes for solar panels are well documented but so too are community concerns regarding new developments – particularly where there is no requirement by installation owners to dispose of the expired panel waste appropriately. Under current planning regulations there is no mechanism for local government to require solar installation operators to appropriately dispose of any waste and if appropriate action is not taken, this is a challenge left to the community – via local government – to solve and fund.

RCNSW acknowledges the NSW government’s \$10 million commitment for a new recycling fund for solar panels and battery system. However, in response to the growth of the sector, RCNSW recommends that the NSW Government investigate legislative mechanisms to ensure solar installation operators are required to pay a bond to local government that could be returned when operations cease and the operation’s waste is appropriately disposed of by the operators.

#### RCNSW Recommendation:

- That a bond arrangement be put in place to provide a source of funding for Local Government to appropriately deal with the disposal of renewable and energy infrastructure and equipment at the end of their life, should the owner/operator fail to do so.

### Enshrine benefits for local communities

Given the rapid growth of large-scale renewable energy facilities in regional NSW and ongoing community concerns about their impact on the potential devaluation of property prices, the loss of prime agricultural lands, and adverse impacts on the social and economic capacity of the region, RCNSW believes the Government should act to ensure appropriate benefits are returned to regional communities.

According to the Clean Energy Council (CEC), it is increasingly common for financiers and all levels of government to require that renewable and energy developments actively show they have a social licence to operate in the local community, in order to gain long-term contracts, access support schemes or secure finance.

The CEC states that this activity encourages a fairer allocation of benefits among hosts, neighbours and the local community and helps to position communities to maximise the benefits of renewable energy developments. Benefit sharing is thus recognised as a strategic means to enhance social licence and maintain it over time.

#### RCNSW Recommendation:

- That a Renewable Energy Community Benefits Fund be introduced to return a deeper benefit back to local communities (these funds should be applied for through Local Government, not the State Government) and may be contemplated within a planning agreement.

#### Rating of renewable and energy installations

Under current rating categories (residential, business, farmland and mining) the nature and intensity of the use of gas, wind, solar and other renewable and energy installations on private land is not captured appropriately, nor is there an appropriate contribution to the rate burden.

RCNSW believes that gas, solar, wind and other renewable and energy installations are an industrial activity and that a separate category for this activity should be created to appropriately share the rate burden with community members.

*This issue is discussed in detail in the **Local Government Financial Sustainability** section.*

#### RCNSW Recommendation:

- That a new 'energy' rating category (or sub-category under Business) be introduced for renewable and energy installations in regional NSW; and the revenues generated by this category be in addition to the general rate yield and be applied to: water, wind, solar, waste to energy, coal seam gas (CSG) and hydrogen sites.

## Council Capability and Capacity Building

The current surge in development and infrastructure construction across the state has placed pressure on the capacity and capability of regional councils to approve applications or plan, design and deliver projects.

Combined with supply disruptors, the rebuilding of housing and infrastructure following natural disasters from 2019, and the migration into the regions following Covid, our member councils struggle to retain or afford the skills (staff, consultant) needed or procure the contractors required for those works. It is understood PWA and BIS Oxford Economics have recently surveyed the capacity of councils to deliver projects, and are likely to recommend a state-wide online portal to capture all LGA and grant funded projects at their varying stages of planning and delivery; as well as alternate delivery partner models.

RCNSW supports options to establish regional project management offices to optimise the scope, specialisation and sequencing of projects to aggregate them into a scale to attract staff and consultants to progress projects from options, business case, concepts, designs, through to approvals and delivery. Wagga Wagga Council has displayed initiative in establishing a Project Management Office (PMO) in Sydney near the SAP office.

Alternatively, delivery partners may join with councils or groups of councils to progress a collective of like projects on a regional basis to value-add to the process chain – in much the same way as Laing O'Rourke was engaged to deliver the bushfire clean up service.



In addition, Government financial sponsorship of cadets, apprentices and trainees training and wages can restore the traditional local government nurseries to combat the ageing workforce and loss of skills to the private and state sectors, subsequent to the housing and infrastructure stimulus period.

Other options to address Local Government staff shortages include forming ‘flying squads’ of qualified professional staff secured by, or from state agencies, to break through the bulk and blockages of delayed DAs in key regional areas and other applications that stall housing and infrastructure projects.

## Local Government Financial Sustainability

### Rate Pegging

The financial sustainability of NSW local councils is of major concern to RCNSW members. The existing NSW funding structure is seeing them continuing to fall behind in their capacity to deliver services and infrastructure.

Principally, the rate peg on council rates has limited councils’ capacity to raise the revenue they need. This was acknowledged by IPART in the final report of its Review of the rate peg to include population growth: “The amount councils currently receive in rates is usually not enough to cover the increased costs associated with population growth.”

Local Government NSW has observed, “The NSW Productivity Commission also confirmed that NSW has the lowest per capita rates as the result of rate pegging and estimated that NSW rates are around 30 percent below the national average with NSW councils having foregone \$15 billion over the past 20 years when compared to Victorian councils.”

Similarly, there are problems with councils’ other main revenue source, developer contributions, which currently fail to take account of the ongoing operating and maintenance costs of developments on councils.

Financial pressures on councils are particularly acute in regional NSW. The nature of regional LGAs means that their rate base is smaller and less capable of generating revenue needed compared with their metropolitan counterparts, while at the same time, the area covered by regional LGAs and the dispersed nature of their populations often demand the duplication of services and facilities and the provision of greater amounts of infrastructure.

### “Do then Pay” Disaster Recovery

In addition to the business as usual pressures there are also those that are increasingly created as a result of climate change. Local governments play a critical role in disaster recovery not only in supporting the community as disasters occur but also in the clean up and recovery phase. The ability to reinstate infrastructure and services is placing a cumulative pressure on council budgets.

The current model of state or federal government disaster recovery takes place via a “do then pay” model where Local Government is compensated for recovery efforts after the work is complete. It is well documented that the regularity of disaster events is increasing and as such a re-think on this model is required. RCNSW recommends that the state and federal government review the “do then pay” model with a “pay then do” model to ensure community assets and services can be adequately

catered for as the impacts of climate change take effect in regional cities across the state, and replacement is not delayed through approvals and cashflow barriers for councils.

## COVID-19 Recovery

Existing financial pressures from growth in regional tourist numbers and the accommodation of transient major project workforces have been exacerbated by the pandemic driven population shift from metropolitan to regional New South Wales. While regional cities welcome growth and economic activity, they are under pressure to fund the provision and maintenance of infrastructure, facilities and services to cater for this additional population and activity.

RCNSW estimate that for each 1000 increase in population, it requires an additional 7.5 FTE to continue to provide current services that range from libraries and childcare to swimming pools. The current rating structure often means that these staff cannot be hired because neither the funding, nor the mechanisms to generate the funding are available.

In the present post-COVID context, both the Federal and State governments have brought forward projects that Local Councils anticipated as occurring ten years in the future. Again, this acceleration presents additional challenges simply because councils assume future revenue growth to fund the op-ex to pay for the ongoing maintenance of these projects.

RCNSW has opposed the discounting of the population rate peg by the proportional value of supplementary rate levies issued by a council in the previous year. In our view, revenues generated by supplementary levies is directed to the maintenance and renewal of new infrastructure and increased loads on existing infrastructure, whereas revenues from the population rate peg is directed towards the increased scope or reach of services to increased residential and itinerant population.

Further to IPART's rate peg review, RCNSW proposes a number of other measures to build a foundation for more fiscally sustainable regional local councils that can deliver the infrastructure and services needed by their residents.

### RCNSW Recommendation:

- Expand the scope of the next review by IPART, beyond that of the SRV process, to monitor changes to nett council revenues consequent to the population rate peg, discounted by supplementary levies and reduced development contributions;
- Consider a further factor in the rate peg, to include growth in depreciation as a proxy for increased cost of maintaining and renewing infrastructure assets; and
- Change from a "Do then Pay" to a "Pay then Do" model of disaster recovery payments to allow Councils to adapt to the impacts of climate change in regional cities.

## Reform of Developer Contributions

RCNSW believes any reform of developer contributions must take account of the ongoing operating and maintenance costs of the development, and not remove community facilities and carparking from the essential works list. It is noted a pause on the implementation of the reforms till 2024 will assist the settling in of the IPART population peg reforms and implementation and analysis of impact of contribution reforms on local council finances.

As IPART has noted:

*Developer contributions ... provide for base-level infrastructure to support development and to meet the infrastructure needs of the growing population. However, they do not provide for the operating and maintenance costs of this infrastructure or increases in the volume of services demanded by the additional population.*

#### **RCNSW Recommendation:**

- Review and revise development application fees to enable full cost recovery by councils so they are able to engage appropriate skilled resources to assess, notify and check compliance. An indexation mechanism should also be provided to prevent bracket creep;
- Review and revise development contributions as an appropriate co-contributor to rates and grants to fund the capital cost of new and upgraded assets, and renewal of existing assets, as scheduled in respective asset management plans;
- Retain community facilities in the essential works list for each LGA; and
- Prefer a 1-3 percent s7.12 development contribution system for ease of administration and transparency for commercial and residential developments respectively.

#### **Rating of renewable and energy installations**

Under current rating categories (residential, business, farmland and mining) the nature and intensity of the use of gas, wind, solar and other renewable and energy installations on private land is not captured appropriately, nor is there an appropriate contribution to the rate burden.

In addition, under the current regulations, the term of renewable and energy installation development is not appropriately recognised. There is an assumption that these installations are permanent developments and should therefore be rateable as an unimproved parcel of land. In reality solar installations, like wind installations and other renewable and energy infrastructure, have a limited period of existence.

The disregarding of developments on the land for rating purposes is, in principle, the basis of the unimproved capital valuation of land, whereas mining, exploration, gas and wind and solar installations are capital undertakings. These are fundamentally business uses on farming or residential category properties, attracting a different load on infrastructure and demand on services than contemplated in the rates category.

RCNSW maintains the rating structure should ensure the capacity to capture the transformation of land use, such as the building of a renewable energy installation on farmland.

#### **RCNSW Recommendation:**

- That a new 'energy' rating category (or sub-category under Business) be introduced for renewable and energy installations in regional NSW; and the revenues generated by this category be in addition to the general rate yield and be applied to: water, wind, solar, waste to energy, coal seam gas (CSG) and hydrogen sites.

## Review the application of the Emergency Services Levy

RCNSW believes the current structure of funding and asset management for emergency services in New South Wales requires reform.

The current model of funding for emergency services draws on multiple sources, provides no certainty or transparency and places an inequitable and growing burden on local councils. The Government has previously recognised the problems of the current system and attempted to remedy it with a broad-based property levy, which was withdrawn before implementation.

RCNSW's preference would see reformulation of the funding formula away from an insurance-based system and away from council contributions, to a Property-based Emergency Services Levy (PBESL).

NSW remains the only mainland state which does not have a property-based levy to pay for emergency services; Queensland transitioned in 1985, South Australia in 1999, WA in 2003 and Victoria in 2013 (following the 2009 bushfires).

The introduction of a single, state-wide, property-based levy to fund emergency services would provide greater fairness and transparency, along with a simpler and more responsive revenue mechanism to meet increasing costs.

In addition, while responsibility for many emergency services historically rested with local councils, the operation of these services and control of emergency services assets now lies with a range of State Government agencies.

Despite this, those assets are still 'owned', and substantially maintained, replaced and funded by local councils. This leaves local councils with a significant financial burden for assets over which they have no control.

It is noted a Bill remains for debate in Parliament to introduce a new annual emergency services charge by rate category on annual rate notices – equivalent to the current annual emergency services levy on councils - for disbursement to Government.

### **RCNSW Recommendation:**

- The levy currently charged by Government to local councils should instead be recovered by an annual tax issued by Revenue NSW based on LGA cohorts (metro, coastal, regional, rural) that differentiates the demand on those emergency services, and by the category of rate (residential, business, farmland and mining).
- Transfer emergency services assets from local government to the NSW government, relieving maintenance and depreciation expenses for councils.
- No emergency services charge to local councils.
- No increased maintenance responsibility as consequence of transfer of crown land assets to councils.

## Review the Data Sources

RCNSW believes there needs to be an accurate assessment of councils' service and infrastructure expenditure to illustrate expenditure change compared to population and asset growth. Councils prepare schedules or returns with their annual financial statements disclosing actual asset and service costs and revenues, as well as estimates to maintain and renew existing infrastructure assets.

### RCNSW Recommendation:

- Audit schedule 1 (nett cost of services) and schedule 7 (Asset maintenance, repair, renewal and depreciation costs) to improve knowledge and increase confidence about expenditure growth compared to population and asset growth.

## Building Resilience

RCNSW is not immune from the risk management issues arising from climate change. As we face more hot days and higher average temperatures, longer and harsher fire seasons, and less rainfall, councils will have to manage risks to their assets and services.

Councils will need to plan to adapt and integrate these plans and actions across all their functions, embedding adaptive measures into council operations and processes (including the integration of climate change and risk plans within a council's Resourcing Strategy under the IPR framework). From refurbishing council buildings to greener condition and more renewable energy compliant, and helping planners and engineers understand and apply climate data in their decisions about land-use and infrastructure, to modifying emergency management measures and health services, Local Government faces a new layer of issues and expenses in addition to current activities.

Local Government will require training, guidance and support to meet these new service and infrastructure demands. RCNSW proposes to develop a policy position to bring to government so that all levels of government can work in partnership to adapt to the impact of climate change in the most effective and efficient manner.

### For More Information

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## Summary of Recommendations

Category	Number	Recommendation
<b>Population Planning</b>	1	RCNSW recommends the creation of a New South Wales population plan aimed at ensuring there is a greater share of population growth occurring in regional cities.
	2	RCNSW supports an aspirational target of 60/40 share of growth (population growth) between the Metropolitan basin (Sydney, Wollongong and Newcastle) and regional NSW.
	3	Development of a New South Wales population plan should be done in conjunction with Australian Government plans for a national population policy.
	4	Accelerate the development of regional plans by DPIE, to reflect contemporary infrastructure investment and strategies of Government.
<b>Housing</b>	5	Continue the Build to Rent measure, providing a 50 percent land tax discount for new build to rent housing projects, until the current regional housing shortage is managed, to create a more stable housing pipeline that is less affected by market cycles, in particular in the social and affordable housing sectors.
	6	Prioritise the creation of the Regional Housing Strategy based on Functional Economic Regions (FERS).
	7	Audit and create a database of regional crown and council land and buildings for suitability for affordable housing projects, with relevant Crown Land to be transferred to community housing providers or Councils for housing, or be made available on a long-term lease basis.
	8	Incentivise TSA and BTR housing options in regional centres subject to activation precincts, mines, Snowy 2.0 and related multi-year infrastructure investments.
	9	As a matter of urgency, establish a program to provide skilled planning staff to local councils free of charge, to help manage the existing backlog of assessments, including policies to deploy NSW agency professionals with portability of entitlements.
	10	Deploy the Planning Delivery Unit in regional NSW to support regional councils and industry to resolve planning barriers affecting new housing supply on zoned and serviced residential land, including biodiversity requirements, and support council

<b>Category</b>	<b>Number</b>	<b>Recommendation</b>
		development assessment capacity.
	11	Review and revise development application fees to enable full cost recovery by councils so they are able to engage appropriate skilled resources to assess, notify and check compliance. An indexation mechanism should also be provided to prevent bracket creep. <i>(This is discussed further in the section on Local Government Financial Sustainability).</i>
	12	Consider a concierge approach to streamline the process from online DA registration to lodgement and integration of planning e-portal with proprietary software providers.
	13	As a matter of urgency, implement programs to build the skills and capacity of the regional development and construction industries. Local councils should participate in this effort and contribute towards programs that build the skills and capacity within the local government workforce.
	14	Incentivise the take-up of cadets, apprentices and trainees by councils (as a development and infrastructure skills nursery) through financial sponsorship of training and wages.
	15	Allocate funding and work with Commonwealth and Local Governments, the Community Sector and the Construction industry to develop collaborative programs to deliver more social and affordable housing.
	16	Accelerate refresh of DPIE regional plans in targeted areas of housing stress and subject to major regional development projects (SAP, RJP, REZ etc).
<b>Activation and Job Precincts</b>	17	Expansion of the equivalent of regional jobs precincts (ie. masterplanned and concierged by Government) to include all RCNSW members based on their respective region's endowments.
<b>Digital Connectivity</b>	18	Build resilience into the network to support an effective emergency and disaster response.
	19	A commitment to on-going funding of the mobile phone blackspot program.
	20	Further funding of the Gig State Project.

<b>Category</b>	<b>Number</b>	<b>Recommendation</b>
	21	Identification of the locations for the next round of data centres to ensure the digital backbone can be developed as a matter of priority.
	22	The creation of a Regional Smart Cities program to improve amenity by applying LoRaWAN connectivity to issues, such as traffic flow, parking monitoring street lighting and the maintenance of local amenities including parks and sporting ovals and to enable access by local businesses to make them more competitive.
<b>Transport Connectivity</b>	23	Use the Snowy Hydro Legacy Fund in regional NSW to establish a freight route and undertake a feasibility study for east-west rail infrastructure investment.
	24	Use the Snowy Hydro Legacy Fund to undertake an assessment of regional city commuter rail connections to better connect regional cities to Sydney.
	25	Establish an ongoing program to provide funding to support the ongoing maintenance and expansion of regional airports or dedicate ongoing funding from the Restart NSW Growing Local Economies Fund for this purpose.
	26	Accept the nominated transfer of regional roads by member councils, contracting the councils to undertake works on the regional roads with funding to upgrade capacity and safety of the roads to support the freight, commuter and tourism loads anticipated in in NSW freight plans and REDS.
	27	Commit to ongoing funding of the following programs: <ul style="list-style-type: none"> <li>• Fixing Country Roads;</li> <li>• Fixing Local Roads;</li> <li>• Fixing Country Bridges;</li> <li>• Fixing Country Rail; and</li> <li>• Regional Road Transfer and Road Classification.</li> </ul>
<b>Regional Growth Fund</b>	28	RCNSW recommends the re-establishment of liveability funds that can support the sporting and cultural aspirations of those living in regional NSW.



<b>Category</b>	<b>Number</b>	<b>Recommendation</b>
<b>Renewable Energy</b>	29	That a bond arrangement be put in place to provide a source of funding for Local Government to appropriately deal with the disposal of renewable and energy infrastructure and equipment at the end of their life, should the owner/operator fail to do so.
	30	That a Renewable Energy Community Benefits Fund be introduced to return a deeper benefit back to local communities (these funds should be applied for through Local Government, not the State Government) and may be contemplated within a planning agreement.
	31	That a new 'energy' rating category (or sub-category under Business) be introduced for renewable and energy installations in regional NSW; and the revenues generated by this category be in addition to the general rate yield and be applied to: water, wind, solar, waste to energy, coal seam gas (CSG) and hydrogen sites.
<b>Local Government Financial Sustainability</b>	32	Expand the scope of next review by IPART, beyond that of the SRV process, to monitor changes to nett council revenues consequent to the population rate peg, discounted by supplementary levies and reduced contribution.
	33	Consider a further factor in the rate peg, to include growth in depreciation as a proxy for increased cost of maintaining and renewing infrastructure assets.
	34	Change from a "Do then Pay" to a "Pay then Do" model of infrastructure grants payments to allow Councils to deliver projects more quickly and retain a greater value of the funding.
<b>Reform of Developer Contributions</b>	35	Review and revise development application fees to enable full cost recovery by councils so they are able to engage appropriate skilled resources to assess, notify and check compliance. An indexation mechanism should also be provided to prevent bracket creep.
	36	Review and revise development contributions as an appropriate co-contributor to rates and grants to fund the capital cost of new and upgraded assets, and renewal of existing assets, as scheduled in respective asset management plans.
	37	Retain community facilities in the essential works list for each LGA.
	38	Prefer a 1-3percent s7.12 development contribution for ease of administration and transparency for commercial and residential developments respectively.

<b>Category</b>	<b>Number</b>	<b>Recommendation</b>
<b>Emergency Services Levy</b>	39	The levy currently charged by Government to local councils should instead be recovered by an annual tax issued by Revenue NSW based on LGA cohorts (metro, coastal, regional, rural) that differentiates the demand on those emergency services, and by the category of rate (residential, business, farmland and mining).
	40	Transfer emergency services assets from local government to the NSW government, relieving hazard reduction and depreciation expenses for councils.
	41	No emergency services charge to local councils.
	42	No increased maintenance responsibility as consequence of transfer of crown land assets to councils.
<b>Data</b>	43	Audit schedule 1 (nett cost of services) and schedule 7 (Asset maintenance, repair, renewal and depreciation costs) to improve knowledge and increase confidence about expenditure growth compared to population and asset growth.

Appendix (A) RCNSW Hub and Spokes Map

