SYDNEY METROPOLITAN STRATEGY

Issues

This paper explores the broad financial and other impacts of the NSW Government’s recently released Metropolitan Strategy. The Strategy is formed from a number of documents, running to over 500 pages, and these are summarised as an appendix. Despite the long awaited launch of the Strategy, much fine detail is still awaited and therefore the proposals in this paper can only be tentative.

Key issues are:

- What is the financial governance framework of the Metropolitan Strategy?
- Will additional financial burdens be placed on councils to implement the Strategy?
- How will the impact of the Strategy vary between different local authorities?
- Is there going to be real change or will the Strategy remain largely unimplemented?
- Will local authority autonomy be weakened at the expense of greater State control?

Background

The growth of Australia’s major cities into extensive urban conurbations such as the metropolis around Sydney, Newcastle and Wollongong has underlined the need for regional planning to harness synergies arising from neighbourhood interdependency and to restrain the costs of suburban sprawl. To implement these strategies successfully a wide variety of agencies including Sydney Water and Landcom need to be involved. Whilst State Governments provide overall strategic direction, coordinate major infrastructure projects and identify funding sources, local government has a fundamental role to play in the metropolitan strategy, as they are the planning consent body for all local development.

In April 2004 the State Government announced its major planning initiative of the decade, a new Sydney Metropolitan Strategy to manage and direct population growth and economic development over a 25 year period in an area bounded on the North by Port Stephens, the West by Penrith and the South by Kiama. Leaders from the State and local Government, business and the community gathered at the Sydney Futures Forum in May to discuss options for housing, the economy, the environment, transport and infrastructure funding. In June 2004 a Local Government Forum considered the impacts of the key planning issues in different regions. Whilst the final report was promised early in 2005, only minor policy documents emerged relating to reforms to the planning system, water supply and demand, new parklands for Western Sydney and the growth centres policy.

The November 2005 launch of a Lower Hunter Regional Strategy was followed a month later by the main document, ‘City of cities - a plan for Sydney’s future’, which covers the central zone of the region. ‘City of cities’ proposes strategies for accommodating a population increase from 4.2 to 5.3 million people over a 25-year period and the consequent requirement for 640,000 new homes and 500,000 additional jobs. Three quarters of the houses will be in existing suburbs, or brownfield sites, with the remainder on new land, or greenfield sites. The Metropolitan Strategy establishes in the Sydney region a hierarchy of five regional cities, 22 strategic centres and nine sub-regions which each comprise a number of councils. It will
not be until 2006 or 2007 that all the details are decided and plans issued for regional areas away from central Sydney such as the Illawarra. There is still no properly costed finance plan, no transport plan and no timetable for when the infrastructure, housing and jobs will be delivered. Planning resources will be limited, as will the availability of private and public sector funding, and therefore the State Government still needs to make difficult decisions as to which will be the priority growth areas for the next 10 years.

Comment

The key issues raised at the outset are addressed below:

- **What is the financial governance framework of the Metropolitan Strategy?**

  The combined cost of major regional infrastructure in the North West and South West growth centres over the next 30 years is estimated to be $7.8 billion. There will be a further expenditure of $7 billion in existing renewal and expansion areas. Seventy five percent of the cost will be funded by developer contributions. The balance will be contributed by the NSW Government through use of public-private partnerships or land value capture. None of the public money has yet been agreed in the NSW Government budget. Nor have the details of value capture been outlined. Value capture involves taxing properties whose values rise as a direct result of new public infrastructure, such as a rail link.

  Developer contributions will be collected through Divisions 6 and 6A of the Environmental Planning and Assessment Act (1979) that allows recovery of the cost of regional capital works in growth centres. They will be imposed as a condition of consent on the subdivision based on the cost of regional infrastructure and the number and size of dwellings. Funds from development contributions are directly linked to infrastructure projects within the growth centres and cannot be used for other purposes.

  New local parks, community centres, libraries and sports fields will be needed for the residents of the greenfield growth centres as well as for brownfield areas such as the Parramatta Road corridor where higher density accommodation will be introduced. These facilities will be funded by Section 94 developer contributions paid to councils in accordance with approved development contribution plans.

  A Growth Centres Commission has been established to oversee the strategic development and funding of the North West and South West growth areas. The Commission’s Board members, appointed by the State Government, have extensive powers and will sign off on local authority plans for individual precincts. Two advisory committees will be established comprising elected councillors who will act as a link between the Commission and local interests.

  Local government will continue to be the consent authority for all development in the growth centres and will collect the regional developer infrastructure contribution on behalf of the Growth Centres Commission at the development consent stage. Councils will need to identify local infrastructure requirements in these areas such as neighbourhood parks, drainage and local roads and prepare local development contribution plans. The State Government and Growth Centres Commission will look to involve the private sector in the delivery of new regional infrastructure, including education and health facilities.
• Will additional financial burdens be placed on councils to implement the Strategy?

Although the cost of providing additional facilities in areas where new housing will be built will be partly covered by Section 94 contributions, it is not clear if local government will need or receive further funding from the State for any shortfall. Developer contributions may be more modest than expected as lower funding per dwelling could be negotiated by property companies from the State, or the housing may be priced out of the local market as the contribution is passed onto the consumer in the form of higher prices. The position for local government could be made worse as they will have to bear additional financial pressure to upgrade or maintain existing infrastructure or facilities that are sub-standard or inadequate to cater for the new community. There is already a backlog of capital works to upgrade council infrastructure, and this is likely to increase.

The Metropolitan Strategy requires all councils to prepare new Local Environmental Plans within two to five years, which conform to what has been agreed for the immediate sub-region. The State Government will supply statistical data on housing, land supply and employment via the Metropolitan and Employment Land Development Program and issue a standardised Local Environmental Plan template with common development standards. The Minister of Planning may refer contentious or complex plans to an Independent Hearing and Assessment Panel comprised of experts and community members, with these individuals appointed by the Minister.

Councils will need to allocate additional human resources for this task, for negotiating on the details of sub-regional strategy, for the on going monitoring of targets set by the Strategy and for strategic reviews every five years. The Strategy is a highly complex set of inter-related documents and despite promises that the planning process would be ‘streamlined’ it appears that its complexity has increased not decreased, especially with the addition of sub-regional coordination. Qualified planning staff are in short supply and in a competitive market salaries are rising. The State Government will fund a component of the council’s extra planning responsibilities using a Planning Reform Fund, but costs will not be fully compensated so local government will be out of pocket.

• How will the impact of the Strategy vary between different local authorities?

The Metropolitan Strategy will have implications for the operational processes and financial sustainability of all councils, although the level of impact will vary. Councils covering the North West and South West new land release areas, regional cities such as Parramatta, Liverpool and Penrith and renewal corridors will experience greatest change. Other councils may be affected by events outside their borders such as the growth of a nearby employment centre.

Whilst all the items listed in the appendix will affect councils in terms of planning and management responsibilities, the main financial implications are from the Growth Centres, Lower Hunter and City of Cities documents. The funding for changes planned under the Sydney Water Plan comes from State Government or other water agencies whilst the Western Sydney Parklands report (which only affects Blacktown, Liverpool and Fairfield councils) suggests that park management and funding will be carried out by a newly established trust.
The pattern of changes that could flow from the Strategy is likely to be relatively uneven. It has been claimed by the Minister of Planning that 80% of existing areas will be unaffected by developments such as the growth of urban centres or higher density building around transit stops. This suggests that there will be considerable pressure, including potential public opposition, in the remaining 20%. In some areas such as the Parramatta Road corridor, the councils facing the biggest changes may not be those that are the best financed or of a large enough size to cope easily with much higher requirements for providing services and granting planning consents.

- Is there going to be real change or will the Strategy remain largely unimplemented?

Much of the fine detail of the new Metropolitan Strategy will not be determined until 2006 and 2007, in particular the identification of funding sources and the extent to which councils will need to contribute. However, even when a Strategy is agreed it is not certain that it will make as much impact on planning as an initial reading would suggest.

The Sydney region has experienced a series of metropolitan planning strategies since the ‘Cumberland Plan’ set in motion a farsighted plan for the Sydney basin in 1948. Due to pressure from developers for more land the plan was progressively weakened, the greenbelt diminished and it fell into disuse by the 1950s. The ‘Sydney Regional Outline Plan’, released in 1968, was an updated planning blueprint for the region but this too became overtaken by events such as new types of industrial activity and higher levels of immigration that had been forecast.

By 1988 ‘Sydney into its Third Century’ emphasised the road and rail networks as backbones but was long on vision and short on practicalities. In 1995 ‘Cities for the Twenty First Century’ strategy proposed a set of competitive hubs formed by clustering economic and residential areas and this underwent a modest update in the 1998 ‘Shaping Our Cities’ plan following political changes.

Different metropolitan plans are distinguished by the extent they explicitly address the finances of urban growth management, specifically their availability to fully fund construction of new infrastructure. The recently opened M7 was originally proposed in the Cumberland Plan, over a half century ago. Some of Sydney’s strategic plans have contributed positively to shape the Sydney regions whilst others have remained on the drawing board or been abandoned by an in-coming State Government. Population projections, which are the key driver of metropolitan planning, have generally not been accurate and are either exceeded or not reached. All Sydney plans have been abandoned before being implemented, some after only a few years after publication.

The current Metropolitan Strategy started off well with the involvement of planning experts and extensive consultation with local government, businesses and individuals. However, the strategy became politically sensitive late in 2004, its release date was delayed, State politicians changed following the resignation of Premier Carr, the Department of Planning, Infrastructure and Natural Resources was split up and the political mood became more risk averse. Although the Minister of Planning has indicated that the Metropolitan Strategy is still important, the general consensus is that the strategy may not be given as high a priority as was originally intended. With this uncertainty, local government will have difficulty in preparing future budgets and assessing how much impact the Strategy will have on them.
Will local authority autonomy be weakened at the expense of greater State control?

The Metropolitan Strategy positions the State and local government as working in partnership. However, many of the proposals transfer a degree of strategic decision-making, and to some extent implementation, to State level. The Minister for Planning now has greater control over schemes that are classed (by him) as being ‘major’, reducing the influence of councils over medium and large-scale property schemes within their boundaries.

Frank Sartor has used this power widely and has taken full control of most of the key areas affected by the Strategy including the 2, 450-hectare major employment hub in Western Sydney and the Parramatta Road and Airport urban consolidation growth corridors. Land release, infrastructure and planning for the North Western and South Western greenfield development sites will also be directly controlled by the State. There is to be no independent review of whether the targets set by the Strategy have been achieved, as a report will be prepared internally by the Department of Planning.

The Strategy introduces a new planning tier has in the form of the nine sub regions in the Sydney region which range in size from ‘Sydney City’ (one council: the City of Sydney) to as many as six councils. Sub-regional planning has been introduced to prevent duplication of service provision, manage situations where activities cross council borders and to encourage closer collaboration. It is at sub-regional level that the Metropolitan Strategy will be implemented and councils within these groupings are expected to coordinate planning, prioritise objectives and set targets for housing mix.

Cooperation between councils within the sub-region will be encouraged, potentially increasing the sharing of services. It would appear unlikely that cost savings from scale economies or outsourcing will be sufficient to cover the extra work involved with the Strategy. Although nothing has been announced, in the longer term the State may think of further reducing the number of councils, possibly moving to the sub-regional units.

Recommendations

The Metropolitan Strategy exists only in outline form and therefore it is difficult to ascertain its impact on councils. However, it is recommended the following options be pursued:

- Local authorities should individually and collectively engage with the State Government in developing the regional and sub-regional strategies during 2006-2007. These strategies must be aligned with the needs of local areas to ensure that targets for increased housing and employment are realistic. The process will be resource intensive, but essential.
- Local councils should make the implications of the Metropolitan Strategy, in particular its consequences for local neighbourhoods, rates bills or the quality of local services clear to the electorate and invite comments. Popular involvement may assist councils in their negotiations with the State Government over funding.
- The Minister of Planning should be pressed to release more details of the level of infrastructure expected in each council area, its timing and the mix of contributions from developers, councils and the State. Councils should ensure that local government is not burdened with extra costs without being given the capacity to fund them.
• Proposals for major infrastructure in new growth areas (greenfield and brownfield) should be carefully studied, possibly with the use of outside consultants. An underestimation of the total costs by the State would place pressure on councils to make up the shortfall. For example there may be greater strain on local roads, and improvements needed, when major new roads are constructed. There is likely to be a fixed sum allocated for infrastructure and well prepared councils may take a larger share.

• Careful demographic projections will be required to determine the age and employment profile of new residents such that service provision can be carefully targeted. This will be particularly important in new growth areas with a younger population needing more schools, and in dormitory suburbs where an ageing population will be the main issue.

• When details of the Metropolitan Strategy’s planning and finance targets are agreed, these should be incorporated into Councils’ annual and longer-term plans. Councils should, like the State, work on a 25 year planning horizon with five yearly reviews.

• Possible partnerships with neighbouring councils or the private sectors for the renewal of existing infrastructure and shared services should be accelerated. It would make sense if councils work closely with others in their designated sub-region, for example Botany Bay, Randwick, Waverley and Woollahra in the ‘East’ sub-region.

• Changes to the planning system have allowed a more flexible use of section 94 and developer contributions although it is too early to say how this will work in practice. Councils should consider taking advantage of these changes, possible in conjunction with neighbouring local authorities in the same sub-region.

Tony Gilmour
20th December 2005
## APPENDIX:
Documents and planning initiatives forming the Sydney Metropolitan Strategy

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<th>Item &amp; Date</th>
<th>Objectives</th>
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| **Planning reform (various initiatives)**  
**September 2004 onwards** | • Aims to improve strategic planning in Sydney’s growth areas  
• Proposes the simplification of planning controls and an improved development assessment process.  
• Suggests greater flexibility in the use of developer levies for local facilities and services. | • $5.5 million additional funding to allow councils to prepare Local Environmental Plans for 59 new projects (March 2005).  
• Outlines which schemes are classed as ‘major’ and therefore need Ministerial rather than local council approval (May 2005). Includes all over $50 million.  
• Standard format for Local Environmental Plans under discussion to improve conformity between different councils. |
| **‘Meeting the challenges - securing Sydney’s water future’**  
**October 2004** | • Establishes 25-year plan for water supply and use in Sydney.  
• Aims to reduce the amount of water required to meet Sydney’s needs.  
• Manages water required for river supply as well as health purposes.  
• Proposes to increase the yield of existing dams and provide a safety margin to allow for uncertainty. | • Suggests expenditure of up to $1.4 billion to meet the shortfall in water supply. Desalination plant subsequently approved.  
• Actions include increasing water supplies through infrastructure projects to boost existing water capacity, greater recycling and encouraging reduced water demand.  
• Attempts to share water equitably between people, businesses, farmers and the needs of the environment. |
| **‘Western Sydney parklands’**  
**December 2004** | • Aims to deliver 5,500 hectares of new parkland, transforming old farming paddocks to create accessible recreation areas  
• Proposes to regenerate natural bushland and other habitats for local wildlife in Western Sydney. | • Proposes a conservation area linking the existing core woodland with a 760-hectare biodiversity corridor.  
• Remainder of the Parklands to be divided into 50 areas in nine precincts that can support ecological values as well as provide recreation, natural and cultural heritage interpretation, tourism and commercial recreation opportunities.  
• State Government has allocated $45 million for infrastructure works.  
• A Trust to be established to manage the parklands in Western Sydney. |
| **‘Managing Sydney’s Growth Centres’**  
**December 2004** | • Aims to provide new land for 160,000 dwellings in Sydney’s North West and South West over the next 25 years.  
• Links housing growth to the provision of infrastructure provided by local councils.  
• Establishes a Growth Centres Commission to ensure new land releases are made available to the market without delay. | • Proposes $7.8 billion of infrastructure including roads, rail, bus networks, educational and health services, linked to the staged release of land for new homes.  
• Infrastructure to be paid for by the development industry with support from the State Government. No further details on how this work or who pays what.  
• New communities of 100,000 new dwellings in the Sydney’s South West and 60,000 in the North West.  
• Outlines regional developer contributions, Landscape and Rural Lifestyle Zones, the Historic Rural Properties and Landscape Heritage Curtilages, new planning controls for quality development, Public Private Partnerships and new arrangements for water and sewerage services. |
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| **‘Lower Hunter Regional Strategy’ November 2005** | • The 25-year strategy aims to secure the region’s economic future and cater for continued population growth and new housing needs.  
  • Designed to create long-term business certainty and help attract more employment opportunities and investment to the region.  
  • Aims to protect biodiversity through a Regional Conservation Plan.  
  • Follows a similar approach to the ‘City of cities’ plan (below) such as use of growth centres, but tailors proposals for needs of the region. | • Promotion of Newcastle as the key regional city with a hierarchy of urban centres including mixed-use regional and specialised employment centres.  
  • Creation of employment zones and major regional centres to cater for an additional 50,000 jobs over the next 25 years.  
  • Proposed 95,000 new dwellings to cater for 125,000 extra residents in seven major greenfield release sites and existing areas.  
  • Any future greenfield development proposals not identified in the Strategy to be subject to new Sustainability Criteria with infrastructure heavily funded by developer contributions. |
| **‘City of cities - a plan for Sydney’s future’ December 2005** | • The principal metropolitan plan for Sydney and region to 2031. Sets out the key principles to be adopted in other regional strategies and plans.  
  • Five aims have been identified and several quantitative targets sets:  
    - Enhance liveability;  
    - Strengthen competitiveness;  
    - Ensure fairness;  
    - Protect the environment;  
    - Improve governance;  
  • Population growth and economic development will be accommodated whilst protecting the environment and maintaining a good lifestyle.  
  • Establishes a balance between greenfield (25%) and brownfield (75%) housing growth areas.  
  • Implements many principles of ‘new urbanism’ such as locating jobs and leisure facilities close to housing. Development will be encouraged near fast transit stops and greenfield land use minimised.  
  • Outlines how State Government will work with councils and statutory bodies such as Sydney Water.  
  • Transport improvements are listed, including the previously announced new rail links to the North West and South East growth areas.  
  • Encourages implementation of the strategy by publishing annual reports and undertaking a review of the plan every five years. Reviews will be by the Department of Planning, not an independent body. | • Plan relates to the 43 local government areas in the Sydney region (bounded by Penrith, Hornsby, Sutherland and Campbelltown) plus the Central Coast. Lower Hunter proposals are outlined above. Plans for Illawarra and more detail on Central Coast due in 2006/7.  
  • The Sydney region together with the Central Coast, Lower Hunter and Illawarra form the Greater Metropolitan Region.  
  • Detailed planning of nine sub-regions in the Sydney region to be completed 2006/7 following a consultation process. The sub-regions cover between one and six local government areas.  
  • Sub-regional planning will involve coordination between councils on planning, funding, transport, open space networks and biodiversity.  
  • Proposed expansion of five regional cities (CBD, North Sydney, Parramatta, Liverpool and Penrith). 22 other strategic centres will be rejuvenated or developed.  
  • Population of the Sydney region projected to increase from 4.2 to 5.3 million people by 2031. Growth due to net migration (36%) and changes in birth/death rates and household size (64%).  
  • Requirement for 640,000 new homes. Targets have been set for the growth in dwellings per sub-region, ranging from 20,000 in the ‘East’ (Eastern Suburbs) to 155,000 in the ‘South West’ (Liverpool, Camden, Campbelltown, Wollondilly).  
  • Projected 500,000 new jobs. The ‘global economic corridor’ (Macquarie Park to the CBD then out to the airport) will be expanded, as new land provided for jobs in Western Sydney near the M7 and M4. |