



14 December 2021

Independent Pricing and Regulatory Tribunal
PO Box K35 Haymarket Post Shop
SYDNEY NSW 1240

Dear Sir/Madam

Submission to: IPART's Review of the essential works list, nexus, efficient design and benchmark cost for local infrastructure

Thank you for the opportunity to provide a submission on the review of the essential works list, nexus, efficient design and benchmark cost for local infrastructure.

Council staff have reviewed the exhibited documents and provide the following feedback on the list of issues for stakeholder comment:

Do you think our proposed principles-based approach to the EWL, as part of our broader framework incorporating efficient design and delivery and benchmark costs, provide enough certainty? Have we got the balance right between flexibility and certainty?

Council is generally supportive of the principle-based approach to the Essential Work list (EWL), although would like further clarification on how the principles-based system will work. The Terms of Reference excluded community facilities, however, DPIE have since released additional information regarding community facilities and further clarification is required on how they will be included in the EWL.

Community facilities are an essential developer contingent cost; the explanation that community facilities are population driven and not development contingent is flawed as new development, particularly in greenfield areas is population driven and therefore community facilities should not be seen as "general costs" but as a development contingent cost and included in the EWL.

Community facilities play an important role in creating liveable, connected and sustainable communities. They are multipurpose in design and provide space to accommodate libraries, community services and offer flexible spaces which are well used by the community.

Further clarification is also sought on whether the EWL will also apply to s7.12 contributions.



Is the proposed evidence to establish nexus for infrastructure in a contributions plan appropriate and reasonable? Is there any other guidance on nexus for local infrastructure that should be included in an updated practice note to assist councils, developers and other stakeholders in preparing and assessing contributions plans?

Council staff are supportive (in principle) of the proposed evidence required to establish nexus within contributions plans. The requirement for the information relied on to establish nexus being publicly available and exhibited will increase transparency and the effectiveness of the system. The proposed approach of varying nexus requirements based on the infrastructure category is also supported.

The requirements for technical information are substantial for example SEPP requirements for open space, site/infrastructure specific technical studies, Council's own policies and standards and relevant benchmarks which may include population-based benchmarks. Technical studies establishing nexus is critical, however, there needs to be clear guidelines for what is required for each infrastructure type, with open space only having to meet one set of standards for level of provision, rather than needing to meet each point.

Council staff are not supportive of the NSW Productivity Commission recommendation that will support the utilisation of land identified for stormwater management and passive recreation. The co-location of passive recreation facilities within stormwater management areas will have a significant increase in maintenance liabilities for councils. While it is recognised that in some instance the shared use of space may have merit, it should be regarded as the exception and not the norm.

What further guidance on base level, efficient local infrastructure should be included in an updated practice note to assist councils, developers and other stakeholders in preparing and assessing contributions plans? How definitively should the guidance in an updated practice note specify the standards expected of infrastructure (e.g. legislation and other industry standards)?

An updated Practice Note should allow flexibility for specific design changes that consider the topography of the land, the geographical location and the ability to source materials locally, while still being consistent with industry standards in relation to design.

Council staff are generally supportive of the draft decision to incorporate efficient design and delivery into precinct and infrastructure planning. It should be noted, however, that the level of justification required to demonstrate that a range of options and the decision-making process will increase demand on council resources and specialist studies. The imposition of a 1.5% cap on the administration levy is viewed as a significant barrier to achieving the required standards.

The inclusion of a framework that supports a whole life-cycle assessment of the costs of infrastructure, not just the up-front capital cost is welcomed and strongly supported. This will ensure that council's long term financial position is not undermined by providing infrastructure that is not fit for purpose, with high maintenance liabilities. Council staff are strongly supportive of the inclusion of consideration of climate change adaptation in developing local contribution plans.

Are there other items that we should consider benchmarking?

Council staff have reviewed the benchmark costs, the following items should also be considered for inclusion:

- Traffic safety/traffic facility infrastructure for example speed cushions, speed humps, raised intersections, modified T-intersection, cul-de-sacs and slow points.
- Safety barrier fences and pedestrian barrier fences
- Item 1.25 – Pedestrians should be updated to include other pedestrian treatments such as mid-block traffic signals and raised pedestrian crossings.
- Pedestrian facilities should also include an allowance for floodlighting
- The costs for various traffic signal layouts (1.09-1.12) only account for the cost of the traffic signal hardware. Road construction costs are an exclusion and referred to in 1.01 – 1.06. This doesn't appear to account for the fact that the road construction at a signalised location will have a larger footprint, than the approach roads.
- Retaining structures should be included as they are a significant essential cost in many of our local road projects
- play spaces of local and neighbourhood scales, subject to efficient design and nexus requirements.
- Community facilities, including multipurpose spaces and libraries
- Unstructured informal sport such as wheeled sports (skateboarding, BMX, scooter, rollerblading)

The definition of base level facilities needs to be clarified, not only for community facilities but also for open space and recreation projects.

Do you agree with our approach to use adjustment factors so that the benchmarks are applicable to a broader range of projects?

The current adjustment factors are too limiting – there either needs to be additional factors that can be triggered or a large range to address the scope of variability. The adjustment factors should be expanded to address each risk factor as noted in the scoping tables

What other factors increase the complexity of a project that could be used as an adjustment factor?

In relation to the construction of roads, the following could be included as an adjustment factor:

- relocation of existing utilities
- driveway adjustments
- contaminated materials
- surplus material disposal

We seek stakeholder views on alternative benchmarks for open space. Is there value in a per person benchmark? How would it work?

Council staff support in principle the proposed alternative benchmark for open space based on a per person benchmark. The flexibility in benchmarks would provide an alternative for medium and high-density areas and also in areas where it is difficult to acquire sufficient land for open space.

The benchmark should consider a hybrid model where some open space infrastructure is determined via traditional benchmarking and the residual is achieved through the alternative mechanism.

Does 1.5% of the total value of works excluding land broadly reflect the actual cost councils face to administer a contributions plan? If not, what percentage would better reflect the actual cost councils face?

The proposed contribution reforms will have a significant resourcing and system implications for councils. This includes:

- Increased reporting requirements
- Increased frequency of plan reviews including annual updates for actual costs incurred
- Variations in indexation methodologies
- Increase requirements to demonstrate nexus
- Multicriteria option analysis for the selection of infrastructure
- Value for money and lifecycle assessments of proposed works

The full cost of staff salaries, full cost of consultant's studies required to provide technical data, and the full cost of administration costs of the acquisition of land should be included. If these are in excess of the 1.5%, there should be the ability to recoup those through the plan.

We seek views on our proposed approach to annual escalations and 4 yearly reviews of benchmarks, including the choice of index and timeframe.

Council staff support the 4 year review of benchmark costs which should align with Council's delivery program, choice of index and timeframe for indexation, although the annual escalations could be difficult to administer.

The changes to indexation may also incur additional costs by Council, where software is unable to cope with different forms of indexation and is required to be updated.

We seek views on an appropriate feedback or data collection mechanism to obtain reliable and consistent project information to refine the benchmarks over time.

Data (in template format) could be submitted through the Planning Portal or IPART could survey Councils. IPART could also collect information when conducting plan reviews.

Are the proposed principles and information requirements for councils using an alternative costing approach adequate? Should councils be required to provide any further information to justify deviations from the standard benchmark costs?

Council staff agree that in the absence of detailed design costs, benchmark costs should be used. This alleviates the need to engage quantity surveyors, however the benchmark for the provision of open space will require further consultation, once the SEPP (and benchmarks) are finalised.

Councils should have the flexibility to update plans with site-specific estimates or actual costs where these costs are known and are consistent with the proposed principles to minimise costs.

Are the proposed principles for reviewing plans and updating costs adequate? Are there any principles that should be removed from or added to this list?

Clarification is sought on whether the nexus requirements will apply to s7.12 as well as s7.11 and if it is proposed for all new plans to be reviewed by IPART or only those above the cap.

Are the proposed information requirements for councils enough? Are there any other pieces of information that should be added to this list?

Further templates are required for reporting requirements, consultation and training on the digital tools should also be undertaken.

Do you support our approach for a threshold to determine which plans must be reviewed?

The caps require review and at a minimum should be indexed, to account for escalation in infrastructure costs. The process for the inclusion of a new URA to be included in the \$30,000 cap also needs to be streamlined and should be completed upon finalisation of the LEP Amendment.

Do you support our proposal for a fixed 4 yearly review of contributions plans?

Council staff are generally supportive of the fixed four yearly review of contribution plans. However, it should be noted that the benefits from updating plans in the later stage of their expected life is limited.

Councils should be exempt from undertaking a comprehensive review of plans once a certain percent of the plans has been completed, noting that annual updates will be required to update actual costs incurred.

Does the annual update and four-yearly review provide an appropriate balance between cost reflectivity and certainty?

The proposed framework for the review of local contribution plans and benchmarks are generally acceptable to Council staff. However, clarification is sought on the process for annual updates to plans and if they will require re-exhibition?

Benchmark Costs

1. Are there other items that we should benchmark?

Council staff have reviewed the benchmark costs, the following items should also be considered for inclusion:

- Traffic safety/traffic facility infrastructure for example speed cushions, speed humps, raised intersections, modified T-intersection, cul-de-sacs and slow points.
- Safety barrier fences and pedestrian barrier fences
- Item 1.25 – Pedestrians should be updated to include other pedestrian treatments such as mid-block traffic signals and raised pedestrian crossings.
- Pedestrian facilities should also include an allowance for floodlighting
- The costs for various traffic signal layouts (1.09-1.12) only account for the cost of the traffic signal hardware. Road construction costs are an exclusion and referred to in 1.01 – 1.06. This doesn't appear to account for the fact that the road construction at a signalised location will have a larger footprint, than the approach roads.
- Retaining structures should be included as they are significant essential cost in many of our local road projects
- play spaces of local and neighbourhood scales, subject to efficient design and nexus requirements.
- Community facilities, including multipurpose spaces and libraries
- Unstructured informal sport such as wheeled sports (skateboarding, BMX, scooter, rollerblading areas)

The definition of base level facilities and embellishment needs to be clarified, not only for community facilities but also for open space and recreation projects.

2. Are the inclusions, exclusions and typical scopes appropriate and clear?

The cost provided are generally for greenfield sites and exclude some essential elements. The benchmark costs need scalability to be consistent with regional Design Specifications for example, an Industrial Road on the Central Coast must have a minimum width of 22-23m whereas the base cost for 1.05 Industrial Road category allows for a 17m road width.

The 'above minimum standard' exclusions need detailed review e.g. signage and linemarking, safety barriers, guide posts *are essential* in road construction and should be part of the base cost. Further clarification is required on why these elements have not been included.

The stormwater drainage pipe appears to be based on average depth (it is above standard depth) – this will vary from region to region and may leave some areas at a disadvantage. An average depth approach may also result in significant funding gaps where, due to topography or other constraints, a project requires predominantly deep drainage construction. Relocation and/or upgrade of public utility services should be an inclusion, not just a "Key identified risk" as it applies to all 'new' road and drainage upgrade projects. This cost is usually significant in planning/investigation and both design and construction phases.

The following should also be standard inclusions:

- Detail survey, Plan of Survey Information (POSI), construction set out and work-as-executed survey work should be an inclusion as the cumulative cost can be substantial and applies to all road and drainage upgrade projects
- Property acquisition or easement acquisition costs will often apply to road and drainage upgrade projects and can be significant
- Soil and water management costs in the construction phase
- Earth-retaining structures
- Flood studies
- Project management costs (add 10-15% to contract costs for externally sourced designs).

3. Do the base costs reflect efficient costs?

The base costs for transport infrastructure significantly under-represent any constrained site and any brownfield redevelopment site.

Council staff used the model to test recent local projects, including applying the adjustment factors over the base rate to see if they return real values. The base rate consistently under-delivers (our construction rates range from \$4,500 to \$9,500 per lineal metre for a collector road subject to site conditions and constraints). The sample and sensitivity testing would indicate a base rate 80% higher would deliver a realistic rate for example, a 'difficult / constrained' new collector road would come out at approx. \$9,500/m which is consistent with recent Central Coast Council projects in such locations.

Base costs need to be updated to include pavement construction under kerb and 150-300mm behind back of kerb, potentially an extra 1.56-1.86m (780-930 each side) of pavement. Based on a comparison of recent projects and asset revaluation rates - the stormwater pipe base rates would appear to be our by a factor of 2. Our rates are 1.9 to 2.1 times the Cardno base rates.

4. Do the sub items and adjustments appropriately deal with project variability?

The current adjustment factors are too limiting; an alternative system could be put into place that triggers additional factors due to the scale or scope of a project. The adjustment factors should be expanded to address each risk factor as noted in the scoping tables. The listed risks are not all represented in the current adjustment factors, for example, relocation of existing utilities, driveway adjustments, contaminated materials and surplus material disposal.

The following also need to be considered:

- Similar to the raw materials item, an adjustment factor should be considered for waste disposal – this varies significantly depending on which region you are in.
- Environmental Constraints for example, working adjacent to an EEC, acid sulphate soils and where State Government environmental agency approvals are required.
- Nightworks e.g. CBD, state / regional road, access issues
- Working within a rail corridor.
- Property acquisition

5. Do the project allowances for on-costs and contingency reflect efficient practice?

The oncost allowances look realistic for a project that is in the planning / initiation phase – i.e. 12-22% subject to project value and complexity. Many of these projects will be at a conceptual planning stage (modelling supported by a concept QS estimate). Typically the contingency applied at this stage is higher, the TfNSW contingency model is an example of how the contingency is applied.

Summary

The above outlines Central Coast Council's staff response to the Stakeholder questions within the exhibited draft reports. Although Council staff are generally supportive of the principles-based approach to the essential works list and benchmark costs, the system needs to be broadened to include the following:

- Community facilities including libraries to be included in the essential works list.
- Skateparks and non formal wheeled sports to be included in the essential works list as base infrastructure. Council should be able to provide the social facilities that are relevant for each community or precinct. Community and sporting trends have changed and will continue to change, and the essential works list needs to provide flexibility to cater for evolving sports and trends and not only cater for structured sports such as rugby league and soccer.
- Full cost recovery of plan administration and the cost of studies. The proposed contribution reforms will have a significant resourcing and system implications for councils. If the 1.5% is to be implemented, this should only relate to plan administration with the cost of technical studies to justify the cost of infrastructure to be included in the work schedule.
- Additional sub items and adjustments to deal with project variability, this will allow projects to be costed using the benchmarks.
- Further clarification is also sought on if the proposed changes apply to section 7.12 contributions.

If you require any further information, please do not hesitate to contact me on

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Yours faithfully

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