

10 December 2021

Independent Pricing and Regulatory Tribunal
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Review of the essential works list, nexus and efficient infrastructure design

Thank you for opportunity to provide a submission to IPART's *Review of the essential works list, nexus and efficient infrastructure design*.

Stockland is Australia's largest diversified property group with over \$8 billion invested across NSW within our workplace and logistics, residential, retail, and retirement portfolios.

We have reviewed IPART's *Review of the essential works list, nexus, efficient design and benchmark costs for local infrastructure* and provide specific and practical feedback regarding the proposed changes in the context of our experience with the existing land release, precinct planning and contributions planning process in NSW.

Please note that we have not undertaken a detailed review of IPART's *Typical scopes and benchmark costs of local infrastructure* at this time, due to the significant amount of technical detail in this document and across the entire suite of exhibition material.

Key points for IPART's consideration

Stockland acknowledge the in-principle merit of implementing a more rigorous process regarding the design and specification of infrastructure to deliver cost-effective outcomes, which will ensure contributions plans represent better value-for-money. However, we have identified several potential issues where further clarification and consideration is required.

Lifecycle costs

The consideration of lifecycle costs in determining the most cost-effective options could result in higher up-front cost of infrastructure (which will increase the cost of the contributions plan) with the benefit of reduced maintenance across the life of the asset. This approach is inconsistent with historic contributions planning practice.

Value-for-money v base level

There is potential for the objectives of 'value for money' and 'base level' to be confused. The goal of having value-for-money infrastructure in each contributions plan may not always be consistent with IPART's goal that only 'base-level infrastructure' is included. Minimising the lifecycle cost of infrastructure will often mean up-front capital costs that are paid by the developer through infrastructure contributions are higher. Choosing a higher capital cost option will be perceived by developers as exceeding base-level requirements. To reduce the risk of confusion, IPART should provide examples where infrastructure does and does not meet both value-for-money and base-level requirements.

Assessment criteria for reasonable life cycle costs

There is a lack of clarity and certainty around the assessment criteria for what constitutes reasonable lifecycle cost. Guidance is required to inform how these costs are prepared by councils and how IPART will review these costs if a plan is subject to an IPART review (noting that the IPART 'by exception' principle has not been clarified within the current exhibition package and won't be prepared until July 2022).

We need to better understand, for example, whether the purchase and embellishment of open space (which in urban settings can be very expensive) constitutes better 'value for money' because it exists in perpetuity thus having an enduring benefit, compared to providing facilities with extra carrying capacity in existing open space.

Definitions for key terms in Essential Works List

The key terms included in the proposed Essential Works List (EWL) should be defined to assist stakeholders in understanding how to implement the EWL. As an example, in the absence of clear definitions, there could be ambiguity between "community facilities" and "recreation facilities" which are provided on open space land. The description of "base level embellishment" has also been removed from the EWL which makes it unclear whether facilities such as indoor recreation facilities could be included in "open space".

The proposed EWL is designed to vary according to the characteristics of the area to which the plan applies (e.g. rates of provision, community requirements and expectations, level of embellishment). This will ultimately require councils to demonstrate what is essential infrastructure, raising the question of who will be the arbiter of individual council decisions regarding what is included in plans (again, noting the absence of detailed information available on IPART's proposed "by exception" review process and any related criteria or thresholds).

The relevance of the concept of EWL

IPART has not questioned whether the EWL remains a relevant concept, in light of the Productivity Commissioner's recommendation that infrastructure included in s7.11 plans must be "development contingent". It is confusing and unnecessary to have both an EWL and development contingent test for works schedules. A more useful and clearer approach would be for the EWL to be discontinued and IPART (in collaboration with DPIE) to provide advice and clear guidance on what is NOT development contingent infrastructure in different development contexts.

The need for clear responsibilities

It is difficult to make a clear judgement on IPART's essential works, efficient design and benchmark costs processes when it is not clear who will be responsible for checking that the process is being properly followed (for example, whether this responsibility will lie with DPIE, IPART, and or an accredited professional).

This issue of responsibility is important because it is likely to lengthen the time taken to prepare contributions plans, and under the NSW Government's new contributions regime (in which contributions planning will be undertaken concurrent with planning proposals) the plans will need to be prepared much more quickly than has historically been the case.

Assessing the cumulative impacts of policy changes

The cumulative impacts of the DPIE and IPART reforms to the contributions system will place significant pressure on local council resources. As local councils are already stretched in meeting current requirements, careful consideration is required how each of the reforms will be resourced, including:

- implementing land value contributions
- the concurrent preparation of planning proposals and contributions plans, and completion of contributions plans at the same time as rezoning
- implementing efficient infrastructure design

- assessments of value for money infrastructure
- more rigorous works schedule preparation and the design and specifications of works
- additional administration and reporting requirements, including regular 4-year plan reviews.

Stockland’s experience is that, in all but the largest councils, resourcing of the preparation of contribution plans is inadequate – often due to a lack of appropriately skilled and experienced staff. Attention must be given to resourcing the implementation of these policies so that the efficiencies that have been promised can be delivered.

Conclusion

We would welcome the opportunity to work closely with IPART to ensure the reforms to the contribution system can deliver a better result for the government, industry and the community.

Please feel free to contact me or organise a meeting to discuss any of the comments or recommendations above. [REDACTED] National Planning Manager NSW [REDACTED] [REDACTED]) is the contact for your office.

Sincerely,

[REDACTED]

[REDACTED]
General Manager – NSW Development & Design
Stockland