



THE HILLS
Sydney's Garden Shire

THE HILLS SHIRE COUNCIL
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9 December 2021

Independent Pricing and Regulatory Tribunal
PO Box K35
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Our Ref: FP53

Dear Sir / Madam,

COMBINED SUBMISSION - REVIEW OF ESSENTIAL WORKS LIST & BENCHMARK COSTS

Thank you for the opportunity to provide comments on IPART's two concurrent exhibitions, being the review of the Essential Works List and updated benchmark costs for local infrastructure.

Please find attached a combined submission addressing each of IPART's questions for stakeholders and providing further comments for consideration.

Please note given that the exhibition is occurring during Council's caretaker period prior to the Council election in December 2021, the exhibition documents and submission have not been able to be reported to the elected Council. Accordingly, these comments are officer-level comments only and have not been considered or endorsed by the elected Council.

If you have any questions in relation to this matter please contact Brent Woodhams, Principal Coordinator Forward Planning on [REDACTED].

Yours faithfully

[REDACTED]

Nicholas Carlton
MANAGER - FORWARD PLANNING

Attachment 1: Council officer comments proposed changes to Essential Works List and Benchmarks

STAKEHOLDER QUESTIONS – IPART DRAFT REPORT

Essential Works List

1. 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, provides enough certainty? Have we got the balance right between flexibility and certainty?

Amendments which provide greater flexibility for Councils to fund essential infrastructure are supported. However, IPART's proposed 'principles-based' system still appears to require Councils to, first and foremost, demonstrate that a proposed infrastructure item complies with the Essential Works List. It is noted that the final form and content of the list would be outlined in an updated Practice Note which has not been exhibited for public comment. It is therefore difficult to make meaningful comment on the final form and content of the revised list. It is recommended that the updated Practice Note should be exhibited for public comment once prepared.

There is increased uncertainty around time required for preparation and implementation of contribution plans, as well as the amount of administration costs involved over the life of contribution plans given the amount of technical studies, options/detailed trade-off analyses, lifecycle costs impact, expected performance outcome report, staging/timing plan, value-for-money proofs and detailed justification for any cost variances which is required.

Whilst the intent of the benchmark costs is to assist Councils in the preparation of contribution plans through the use of standardised costs, it is apparent that actual costs for individual projects will ultimately vary over time, for reasons and circumstances which cannot possibly be individually reflected at the time of preparing initial cost estimates for a contributions plan. Given Councils are asked to explain even minor variations to initial costs or benchmark rates in substantial detail, Councils would likely need to front-load more studies and analyses at the start of a plan to minimise risks of cost increases over time and avoid challenges in explaining cost differences as roll-out of an infrastructure schedule progresses.

This will likely have an impact on the time and administrative costs associated with preparing a contribution plan. Given the separate Government reforms seek to tie the progress of rezonings and contributions plans (which is supported), unnecessary delays to the preparation of contributions plans will then in turn delay the progress of rezonings and the release of land for development. It is important that both Government and IPART carefully consider the appropriate balance between: 1 - forensic analysis and audit of contributions plan (which is heavily time and resource intensive and, in the experience of Hills Council, often results in minimal material impact on contribution rates); and 2 – fast and efficient plan preparation to provide certainty to stakeholders early and ensure rezonings can progress speedily.

The precinct planning and rezoning process is typically underpinned by extensive infrastructure analysis to identify the infrastructure required to support the incoming population. The provision of the new and augmented infrastructure identified as necessary through this process needs to take precedence over the Essential Works List. If an infrastructure item is identified as being necessary to support rezoning, and it needs to be provided by Council, the principle of nexus/user-pays should dictate that it be funded through a local Contributions Plan. The arbitrary exclusion of necessary infrastructure in an effort to reduce contribution rates is poor planning and leads to inadequate levels of service for the community. Infrastructure provision and funding should be considered and resolved as part of the holistic planning process for an area, not in the isolated assessment of a Contributions Plan. If the inclusion of funding for all necessary infrastructure in a Contributions Plan results in contribution rate that impacts on development feasibility, this may be an indication that the rezoning of the land may not be capable of being feasibly serviced and rezoning may not be in the public interest.

Open Space

- *Base Level Embellishment*

The proposal to remove the term 'base level' embellishment from the Essential Works List and to instead consider the level of embellishment as part of the assessment of cost efficiency and nexus is considered reasonable. A genuine principles-based system should provide Council with an opportunity to propose higher level of embellishment if it can be demonstrated that there is substantial cost efficiencies which would ultimately benefit the community and reduce lifecycle costs over the longer term.

The report should make it abundantly clear that Councils are able to levy for infrastructure at a higher level of embellishment, so long as it can be demonstrated that delivery of a higher level of embellishment will result in a more efficient and cost effective infrastructure solution. For example, Councils are currently unable to collect contributions towards indoor recreation facilities, despite the potential for these facilities to provide substantial capacity to service large populations and despite the potential overall cost savings such facilities could bring to a Contributions Plan. The equivalent recreation capacity delivered in the form of standard/'base level' facilities would have significantly higher land acquisition requirements and costs. The same efficiencies would also apply to synthetic playing fields in some circumstances.

It is further noted that when Council initially costs a facility, such as a playing field, Council does not always know what sport/code will be played at the facility. Whilst planning decisions are guided by Council's Recreation Strategy, the final determination on the use of the facility is ultimately subject to needs analysis including the status of demand and sport participation, which can change over time and allocations of facilities more generally within a locality. Different sports have different needs with respect to amenities, storage and facilities. Accordingly, there will need to be some capacity early in the life of a contribution plan to account for cost variation and changes to scope in order to ensure the facility is fit-for-purpose based on the specific future user, which might not be known at the time of preparing the relevant Contributions Plan.

Community Facilities

- *Inclusion of Strata Space*

Whilst the inclusion of additional funding options for community facilities is supported in-principle, strata space is generally not preferred by Council, due to ongoing management costs which ultimately have to be funded through general revenue. An amendment to the Essential Works List to enable funding for an apportioned amount for community facility capital costs on Council land would be more encouraging, support growth and have a lower ongoing funding burden for Council and the community.

- *Exclusion of Capital Costs*

Whilst it is acknowledged the Minister's Terms of Reference prohibit IPART from including capital costs for community facilities on the Essential Works List, the Terms of Reference also state that "*The objective is to ensure that new development pays the capital costs of efficiently designed local infrastructure needed to service the new population*". It would therefore appear that the Terms of Reference are at odds with the overall objectives of the reforms, as well as with the findings of the Productivity Commission and views and experiences of Councils.

Currently, the list includes the cost of acquiring land for libraries and community centres, however does not allow Council to collect contributions towards the capital cost of constructing the facility. This means that in the absence of a Council opting to fund this infrastructure through other sources of public funds (which is fundamentally contrary to the user-pays and nexus principles which underpin the contributions planning framework), significant areas of new residential development will be delivered without any adequate community facility infrastructure. This is not a reasonable

planning outcome and the impact of including funding for community facilities on contribution rates should be further considered. If contribution rates which reflect the true cost of providing the necessary infrastructure prove cost-prohibitive to development, it may be reasonable for Government to re-evaluate the appropriateness of rezoning an area, as opposed to rezoning land without adequate infrastructure provision (or to the detriment/expense of the existing community within an LGA).

It is noted that the 'Essential Works List' seeks to limit infrastructure to base level provision and place downward pressure on contribution rates and development costs, however the restrictive nature of the list should not be at the expense of providing adequate infrastructure outcomes that are required to support development. It would not be beyond IPART's role in this process to comment on this matter generally, irrespective of the specific terms of reference.

Borrowing Costs

- *Inclusion of Borrowing Costs*

The inclusion of borrowing costs within the Essential Works List is supported.

General – Cost Recovery

Under the proposed changes, Council will face even greater uncertainty as to whether its actual costs will be permitted to be used in the plan once incurred, even if they meet all requirements of base level and efficient design. Principle 6 states "*Future development should not pay to fund any under-recovery arising from the actual costs of providing infrastructure for earlier development being greater than initially forecast*".

Contribution Plans are often prepared with respect to areas that have an anticipated development period of 20-40 years and no Council, Government agency or developer, will have absolute certainty about the final actual costs of infrastructure at the time of preparing a contributions plan. While this Principle would not preclude an adjustment to reduce contribution rates to reflect actual costs which are *lower* than originally anticipated, it does not allow for any reconciliation or recovery of higher than anticipated actual costs through adjustment to increase a contribution rate. If strictly followed, this Principle would lead to a scenario where it has been pre-determined that periodical reviews of contribution plans can only ever result in a reduction to the contribution rate, irrespective of whether or not that is the technically correct and legitimate outcome of the review.

If actuals costs above original estimates cannot be recovered through a plan review and contribution rate adjustment as new information becomes available, then the risk and cost burden shifts to general rate payers, which contradicts the user-pay approach and nexus principles which underpin contributions planning. This principle would lead to a situation that is a substantially greater deviation from the user-pays approach in comparison to the alternate scenario which the principle is seemingly seeking to avoid, where future development within a development area (being the same development that generates the demand for the infrastructure) *may* need to bare marginal contribution rate increases over time if actual costs are higher.

For this reason, strong objection is raised to this principle. It is also noted that, pending the time taken to complete a plan review (including IPART assessment and Ministerial review), the requirement to regularly review contributions plans would have the effect of mitigating any potential spikes in contribution rates, as any changes to actual costs would be reflected more regularly and as a result, contribution rates would adjust more gradually over time.

This point is discussed further under question 14.

Nexus Criteria

2. 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?

The proposed requirements for establishing and demonstrating nexus are generally consistent with existing requirements which are considered reasonable. However, certainty is needed that the evidence base established through precinct planning is sufficient to justify the infrastructure proposed within a local contributions plan. Council's past experience is that evidence and justification provided by Government-led precinct planning has not been considered sufficient by IPART to justify certain infrastructure outcomes and Government identified infrastructure has been removed from the relevant contributions plan as a result of the IPART assessment process. If IPART is to continue to have the role of determining whether adequate nexus exists to fund specific local infrastructure items, then this should occur in a cohesive way as part of the planning and rezoning phase, rather than in an isolated review of a contributions plan whereby funding for items can be removed despite those items being identified and enshrined in the relevant planning documentation and framework. Alternatively (and preferably), IPART's role should simply relate to the efficient design and cost of infrastructure which the relevant planning processes have already identified as necessary to support development.

Efficient Design and Delivery Principles

3. 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)?

The Practice Note needs to enable sufficient flexibility and include criteria against which IPART will assess contributions plans which are seeking inclusion of works which have not traditionally be considered 'base level' embellishments. The draft report indicates that Councils would be expected to demonstrate that the infrastructure is the minimum required and may need to provide an options / cost assessment. These requirements should be reflected in the Practice Note.

It is imperative that the "base level" requirement in the context of efficient design and cost be given flexibility and assessed on a case-by-case basis. It would also be helpful for the Practice note to include a list of legislative and industry standards relevant in plan preparation.

Benchmarks and Other Costs

4. Are there other items that we should consider benchmarking?

Where IPART releases guidelines or benchmarks for Councils, it is essential that IPART then stand-by these, apply them consistently and enable Councils to utilise them as intended. The draft report recommends that Councils use the benchmark costs as a guide in developing cost estimates for the purposes of levying infrastructure contributions and puts the onus on Councils to justify any deviation from the benchmark costs.

However, it is noted that this is the second iteration of benchmark costs released by IPART. It has been Council's experience that despite relying on IPART's existing benchmark costs in preparing Contributions Plans, IPART has discouraged the use of these by Council and instead recommended that Council's fund and prepare cost estimates from Quantity Surveys simply to pass through the IPART review process. If finalised and in the absence of site specific cost estimates, Councils should be able to establish strategic cost estimates which utilise IPART's published benchmark rates, without further interrogation from IPART on the appropriateness of utilising these rates.

Additionally, once a Council has prepared a site specific cost estimate, it is not considered reasonable for Councils to continue to be held to the use of benchmarks when more relevant, appropriate and accurate cost estimate information is available (this is especially true in the context of IPART's proposed Principle 6, as discussed in Point 1 above).

In terms of additional items for benchmark costing, it is requested that the benchmark costs also include local infrastructure such as community centres, aquatic facilities, libraries and indoor recreation centres. Whilst these have not been included on the EWL, some provision should be made whereby they could be included where necessary, particularly in areas such as Box Hill and Gables whereby there is a large new incoming population and there will be a noticeable gap in infrastructure provision if not delivered. Including further benchmarking guidance on these items does not necessarily mean that such items are included on the EWL (although it is submitted that they should be), however it would assist Councils when assessing Voluntary Planning Agreements to ensure consistency.

The following specific comments are provided with respect to benchmark costs:

- **Park Furniture:** The proposed benchmark costs for park furniture lacks clarity compared to the 2014 version, as it was much easier to navigate given all items were individually listed (following the 'park furniture' title).
- **Tennis Courts:** Concern is raised that the new benchmark costs identifies two poles per court at 100 lux. The minimum lux for a tennis court is 250 lux. It is requested that four poles be included to provide uniformity of light spill in accordance with the required Australian Standard.
- **Netball / Basketball Courts:** Further consideration should be given to maintaining the old benchmark, which included 2 poles with 6 lights valued at \$62,550. Whereas the new benchmark has reduced this to 2 poles with 4 lights valued at \$45,500.
- **Playgrounds:** The new change that includes sofffall and fencing is generally supported in principle.
- **Buildings:** Concern is raised that the proposed costs (being \$2,500/m²) are substantially lower when compared to facilities that have been recently constructed or are currently under construction, such as Arnold Avenue Reserve and Balmoral Road Reserve. These facilities have attracted building costs in the order of \$3,500/m² - \$3,700/m².
- **Sports fields:** The proposed benchmarks only appear to cover some basic inclusions, not inclusive of drainage and irrigation costs. The proposed benchmark costs with respect to sports fields are considered to be inadequate. The benchmarks should have consideration for earthwork costs as this is often a major factor driving up costs and it can vary significantly from site to site. Benchmark costs should also include irrigation (sprinklers) as a base delivery item.
- **Car Parking:** Concern is raised that the proposed car parking benchmark cost (being \$700,000 for 100 parking spots) is substantially lower than costs experienced within The Hills Shire. By way of example, a recent car park at Kellyville Park for approximately 200 parking spots cost approximately \$2 million. The proposed parking at Anthony Skarratt Reserve is anticipated to cost fairly similar to Kellyville Park.
- **Cricket:** The proposed cost for cricket wickets (being 3 bays for \$79,500) is significantly lower than other examples within The Hills Shire. We have found that cost of delivering cricket wickets is approximately \$40,000 per bay.
- **Park / Security lighting:** Concern is raised that the new benchmark costs (being \$1,500) are less than half the old benchmark costs (being \$3,146) and will be inadequate to provide adequate lighting.
- **Culverts:** The benchmark costs should have consideration for subsoil drainage behind side walls and end of pipe gates/grills.
- **Combined Basin and Raingarden Facility:** The benchmark costs should have consideration for embankments, basin outlet structure (i.e. pipes and weirs), overflow or surcharge pits, scour protection measures, flow spreaders, batter landscaping and safety fencing and signage.

- **Bio-retention Basin:** The benchmark costs should have consideration for subsoil drainage, castellated kerbing, overflow or surcharge pits and flush/rodding points.
- **Stormwater Headwalls:** The benchmark costs should have consideration for subsoil drainage behind wing walls, end of pipe safety gates/grills, bedding material and safety fencing for fall heights greater than 1m.
- **Stormwater Channel Stabilisation:** The benchmark costs should have consideration for drop structures, end of pipe safety gates/grills and provisions for outfall pipes.
- **Gross Pollutant Trap (GPT):** The listed sizes for GPTs are considered to be limited and should be broadened to account for a wider range of scenarios.
- **Stormwater Pipe:** The listed pipe sizes are considered to be limited and should be broadened.
- **Stormwater Pits:** The listed pit sizes are considered to be limited and should be broadened.
- **Additional benchmark items:** It is recommended that benchmarks be provided for the following additional items:
 - Cycle paths;
 - Proprietary water quality treatment devices (i.e. filtration systems);
 - Rainwater harvesting tanks and irrigation systems;
 - In-ground/below ground detention systems;
 - Flood control structures (e.g. weirs, levees);
 - Dual lane roundabouts.
- **Road Profiles:** The road benchmarks in the report are based on particular road profiles. However, new roads planned within Council's release areas do not/will not necessarily align with the road profiles within the report, on which the costings are based. For example, the report identifies the carriageway width of Collector Roads and Sub-arterial Road as 12m and 13.4m respectively. Whereas in the Box Hill Precinct the carriageway widths for Collector Roads and Sub-arterial Roads are set at 12.6m and 14m respectively within the applicable planning framework. Clarification is required as to whether appropriate percentage adjustments can be made to the benchmark costings to account for situations where road profiles may be slightly larger than what is identified in the report, as this may be necessary in certain contexts on the basis of planning objectives or site specific factors.
- **Service Relocation:** Based on Council experience the cost of service relocation adds significantly to the overall cost of infrastructure projects, especially for road upgrades within established urban areas. The Benchmark Report does allow for a site constraint factor of 30-40% where the project is located within a highly constrained location. However, this will not be sufficient for certain infrastructure projects. For example, Council has recently prepared 100% concept and costing for the upgrade of a major road within a Sydney Metro Precinct where 50% of the final cost is solely attributed to service relocation. This has effectively doubled the overall cost of project. Council should be able to account for the full likely cost of relocating services as this is a fundamental component of completing the project. Concern is raised that utility agencies effectively charge whatever amount they choose without any real rationale or justification and Council has no option but to accept the costs that are provided (and subsequently reflect it in local contribution rates). If IPART's objective is to reduce local infrastructure costs, it is suggested that a review of service relocation costs charged by utility agencies and subsequent steps to regulate these appropriately may lead to substantial cost savings in infrastructure delivery. Utility agencies need to be more accountable as the costs they impose are ultimately passed onto the community/developers in the form of higher contribution rates.
- **Contamination:** It is noted that the Benchmark Report does not include a cost or allowance for contamination. Confirmation is sought as to whether Council will be able to add an additional cost to the Benchmark Cost in order to account for site remediation where a site does contain contamination. Alternatively, is it intended for Council to apply a percentage constraint allowance?
- **Aboriginal Heritage Impact Permit:** The report includes an on-cost percentage allowance for Cultural Heritage (where applicable). In instances where an AHIP is required, clarification is sought as to whether Council should apply an on-cost percentage to the

project (similar to cultural heritage), or whether a site specific costing should be added to the overall project to account for the AHIP.

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

The continued use of adjustment factors is supported to ensure that benchmark costs can be adequately tailored to specific and localised circumstances. However, as noted above, further consideration is required with respect to additional adjustment factors to address other site specific and localised factors (for example, slope/topography/earthworks, utility relocation, contamination and differing road profile widths).

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

Each project is challenged by unique site-specific factors that must be taken into consideration as part of the design and construction processes. It is prudent that the benchmarks incorporate adequate scope to adjust costs in response to specific and localised factors such as service relocation costs, slope/topography/earthworks, drainage, irrigation, planned road profile widths and car parking.

7. We seek stakeholder views on the approach to project allowances, including the rates and their application.

Clarification is required as to whether the on-cost includes both project management and design costs. The on-cost allowance for large projects should be at least 15% to match the on-cost allowance for medium projects. This would be consistent with Council's plans which have recently been reviewed by IPART.

Objection is raised to the proposed reduction to contingency allowances. It is recommended that the existing contingency allowance be retained as they are considered to be reasonable.

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

Determination of adequate provision of open space (quantum and quality) should not be a matter for assessment/consideration by IPART. Open space provision needs to be tailored to each local area, having regard to the unique demographics and lifestyle demands of each community and the demographic, spatial and social infrastructure analysis that appropriately occurs as part of the planning process. This is a planning matter and the provision of open space should reflect the technical studies underpinning the rezoning of an area, as well as the strategic policies of the Council where the contribution plan applies such as the benchmarks established within a Local Strategic Planning Statements or supporting Recreation Strategy. The role of the IPART assessment process should be to ensure that the infrastructure identified to service the population (as part of the precinct planning process) is appropriately costed and apportioned within the plan.

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

Preparing, implementing and administering the implementation of a Contributions Plan is an overly administrative intensive task, which is likely to become even more resource-intensive should the current suite of reforms proceed. It is prudent that a Plan can recover the costs to Council associated with properly administering and maintaining such plans. If based on a percentage of capital works, it is recommended that no less than 1.5% continue to be applied. However, even at 1.5% of capital works, this is unlikely to be sufficient for smaller plans given the fixed costs involved in plan reviews, technical studies and professional fees associated with land acquisitions.

Consideration should be given to a higher percentage in the context of Plans that have a lower capital works value.

Whilst the use of benchmark costs will result in some time / cost saving in plan preparation, the proposed changes will see increase in administration cost required due to the following:

- Higher consultant/specialist studies in justifying base level reasoning and efficient design, detailed cost analysis vs benchmarks;
- Increased plan review frequency, public exhibition administration, Council reporting cycles and associated liaison with IPART and Government;
- The draft report will require Councils to provide information to support “*how the components of their cost estimates and actual costs relate to the components of benchmark costs that were originally used (direct costs, share of overheads, contingencies)*”. Whilst this sounds reasonable in theory, in practice, it is not efficient or practical for a Council to track the individual costs of every component within a project. The amount and cost of staff resources involved may outweigh its benefits and would necessitate an increase in the administrative cost percentage amount;
- Increased documentation and analyses; and
- Increased reporting requirements as set out by Department.

Administration costs are quite complex with respect to land acquisitions and 1.5% is an under-estimation of these costs, particularly given some land acquisitions cost less than \$10,000. To reduce the financial burden on Councils, it is requested that the actual and estimated costs for valuation reports (prepared in association with each individual land acquisition) also be included within estimated land costs within a Contribution Plan. Whilst this will not solely rectify the issue, it will assist in minimising some of the financial burdens on Councils and the community.

10. What other types of information or data would provide a clear evidence base for the true costs of plan administration?

Council could potentially provide administrative data to provide a clear evidence base for the true costs of plan administration, if this would be of assistance to IPART. This could include a breakdown of people working on the Plan, or alternatively an indication of time spent working on the Plan. However, this would only be provided on a confidential basis and would be relatively high level.

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

No objection is raised to utilising ABS Producer Price Index to annually escalate base benchmark costs within a review cycle.

It is likely that the benchmark costs will need to be reviewed more regularly than every 4 years in the early years of a reformed contributions system, given Councils are required to explain variances between actuals and benchmarks for every item by component. Having benchmarks that are not reflective of true costs faced by Council creates an unnecessary administrative burden across the local government sector, especially if Councils are unable to reflect and recover actual costs where higher than the benchmark or original estimate. Once there is sufficient assurance that the benchmark costs include appropriate adjustment factors, allowances and contingencies that closely align with estimates provided by Councils, the proposed 4 yearly reviews would not be unreasonable.

As part of these reviews, the set of benchmark items should also be considered to ensure that it continues to reflect items on the essential works list, that are relevant to Councils requirements. This must also be balanced with acknowledgement of the contribution plan system parameters and requirements as they applied at the time of a Plan being prepared (for example, the EWL and

costing methodologies) and the recognition that applications of new rules and requirements to Plans which are well-progressed in their life-span is unlikely to be manageable.

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

Up-to-date project information and actual costs could be provided throughout the lifespan of a Contributions Plan, as part of the periodic review and IPART assessment process. IPART could maintain a centralised record of this information to verify whether the benchmark costs remain reflective of actual costs over time.

More importantly, it is requested that where actual costs are presented by Council, that these be given adequate weight and be viewed favourably for inclusion within Contributions Plans, in place of benchmark costs. There is no more accurate indication of the actual cost of infrastructure than the cost incurred by Council to deliver the final project and it is unreasonable that a Council be precluded from using actual cost data to inform contribution plan updates. By way of example, Council has provided evidence to IPART on the actual cost to acquire constrained land in the Box Hill Release Area and despite this data and evidence, in its latest review of Contributions Plan No. 15, IPART has recommended the application of a rate which is objectively incorrect within the context of actual acquisition evidence within the Precinct. Accordingly, despite substantial evidence of actual costs incurred for Council to acquire constrained land, the estimated rate for future acquisitions within Council's Plan is nearly 20% less than what will be required.

Tender documents for particular items should also be given weight when preparing contribution plans, as these ultimately reflect the most accurate market value and cost likely to be incurred by a Council in providing a specific item (which is a more legitimate indicator of cost than a high-level generalise benchmark rate).

13. *Are the proposed principles and information requirements for council's using an alternative costing approach adequate? Should councils be required to provide any further information to justify deviations from the standardised benchmarks costs?*

Councils should not be expected to provide onerous or excessive amounts of information, beyond information sufficient to demonstrate the applicable requirements for an individual project and to maintain transparency.

Given the onus is on Council to explain why and how an estimate is a more accurate reflection than a benchmark rate, Councils will require more certainty with respect to what is acceptable proof and support (e.g. technical study, % level of concept design). Clarification is requested as to whether Council's tender process would be sufficient proof for an 'efficient' process. Furthermore clarification is requested as to what evidence IPART will require in determining the efficiency of Council's internal on-costs.

As mentioned under question 4, service relocation costs can add substantially to the cost of infrastructure delivery. These costs are not adequately accounted for in the benchmarks. Accordingly, clarification is required as to whether Council can rely on consultant quotes and how many quotes is required to prove efficiency. These are risks to Council and require more certainty around what is acceptable support. These will also increase the administrative burden and costs associated with preparing and reviewing contributions plans.

14. *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?*

Strong objection is raised to Principle 6. The principle states that '*future development should not pay to fund any under-recovery arising from the actual costs of providing infrastructure for earlier development being greater than initially forecast*'. It further states that '*under recovery from the earlier stages of development should not be recovered from later stages of development*'. If the

actual cost of any item ends up being higher than the original projection, then future development will need to fund the difference, otherwise there will be a shortfall in the end of plan balance. If there is a cost saving in the delivery of a particular item, this saving would ultimately be accounted for as part of the review and the remaining development within the precinct would ultimately benefit from this cost saving. The draft report appears to suggest that Council should be responsible for funding the shortfall from alternative sources such as rate revenue, however that any savings would be passed onto developers in the form of reduced contribution rates (as opposed to replenishing and supplementing rate revenue). This would not be at all fair or reasonable, because the ratepayers within the remainder of the Shire should not be burdened by funding the shortfall in the cost of rolling out of local infrastructure within a growth Precinct. This would be inconsistent with the user pays principle.

This is further discussed in response to Question 1 above and this response should be considered in conjunction with these comments earlier within this submission.

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

Refer to Question 13 response.

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

This requirement is generally supported in principle, subject to the contingencies discussed in Question 18 below.

For most contribution plans the cost of acquiring land forms a significant part of the overall cost of the work schedule. Any precinct which utilises a Land Value Contribution methodology will have lower development contribution rates as the infrastructure costs are being shared between existing land owners and future developer. Within these plans the cost of land acquisition will not factor into the calculation of the final rates. As a result the rates within these plans will frequently be below the IPART review thresholds, despite including the same infrastructure and cost estimates as a plan which utilises the traditional methodology. Clarification is requested as to whether this has been considered when establishing the thresholds.

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

Yes - provided this does not preclude a Council reviewing the plan earlier, if required, or alternatively, after a marginally longer timeframe if this can be justified.

There would be significant value in enabling Councils to undertake a "desktop" update of a contributions plan (for example updating actual income and actual costs incurred or reflecting indexation rates based on current ABS data) as a fast-tracked process, where no substantial changes result to the plan. In such instances, there should be no requirement for IPART or Ministerial review of the proposed amendments. This would ensure that contribution rates continue to remain as accurate as possible over time and within each 4 yearly cycle. The larger periodical 4 yearly reviews would then be less likely to lead to material fluctuations to the rate. It is noted that the extent of time and resources involved for a Council to update a contributions plan and progress through the relevant review processes currently act as a significant barrier to plans being more frequently updated to reflect these factors.

Given the time and resource involved in each review of a Plan, it is best if Council can include as much relevant information as possible at each of the 4 yearly periodic plan reviews. Where Council has reasons to believe that relevant and significant information or data will become available within 12 months from when a periodic review is due, there should be a process in place for Council to apply for an extension. Examples of such information include traffic studies completed by State Government, technical reports, designs or tenders for major projects, progress of significant developments, or VPAs relating to land and infrastructure within the precinct. Furthermore, to ensure that 4 yearly reviews can occur efficiently, organisations such as IPART and the

Department that are involved in the review process should be provided with maximum timeframes for the completion of their respective elements of the process.

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

Undertaking frequent and streamlined reviews of plans is supported. However, in order for this to occur, the timeframe for IPART and Ministerial reviews needs to be significantly reduced and become less resource intensive. For example, it is suggested that Councils be permitted to update IPART reviewed Contribution Plans to reflect actual income, actual costs of completed projects and actual costs for completed land acquisitions, without being required to go through a lengthy IPART review/approval process. These updates would not change the scope of infrastructure being delivered, the yield projections or financial assumptions within the plan. Rather, the update will ensure that the in-force plans include the most up-to-date and accurate information without unnecessary delay. This would also ensure that contribution rate changes over time are both minimal and gradual. It is noted that this would not necessarily replace periodic whole of plan reviews which ultimately would need to be reviewed by IPART.

STAKEHOLDER QUESTIONS - BENCHMARKS INFORMATION PAPER

- Are there any other items that we should consider benchmarking?

Refer response to Question 4.

- Are the inclusions, exclusions and typical scopes appropriate and clear?

Refer response to Question 4.

- Do the base costs reflect efficient costs?

Refer response to Question 4.

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

Refer response to Question 4.

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

Refer response to Question 7.