

14th December 2021

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

Online submission

Review of benchmark costs for local infrastructure

To whom it may concern

I write in relation to the *Review of benchmark costs for local infrastructure* placed on public exhibition by the Independent Pricing and Regulatory Tribunal NSW (IPART), for comment until 10th December 2021.

Changes to the Essential Works List – community facilities

The Urban Taskforce strongly supports the original Terms of Reference for the review undertaken by IPART. The Terms of Reference for IPART's review stated that "the essential works list must not expand beyond the current parameters and community facilities works must not be included."

We welcome the IPART recommendation to exclude works for community facilities from the Essential Works List (EWL). We note that the proposed exclusion is in line with the recommendations contained in the NSW Productivity Commission's review of the infrastructure contribution system.

However, the Urban Taskforce notes the unfortunate compromise of the Terms of Reference unilaterally negotiated by the Minister for Planning and Public Spaces Rob Stokes and Local Government NSW and announced on 24 November 2021. According to this agreement, modifications will be made to the local infrastructure charges to allow councils that currently fund community infrastructure from developer contributions to continue to do so.

The Urban Taskforce opposes the Government's decision to implement no changes on how 7.11 plans are applied and the Essential Works List for the next 3 years.

The Urban Taskforce recommends IPART's recommendation for the Essential Works List to be changed to prevent further funding of community facilities through local contributions is included in the final report of the *Review of benchmark costs for local infrastructure*.

The Urban Taskforce recommends that IPART forms an official position in support of changes to the Essential Works List to prevent further funding of community facilities through local contributions and that this position of IPART is sent to the NSW Government.

Contingency allowance for infrastructure projects

One major concern for the Urban Taskforce and its members is the proposed contingency allowance. We note that the currently exhibited package proposes a 20% contingency allowance which will be applied at a project level rather than for specific infrastructure items. The Urban Taskforce asserts that this is nothing short of a 20% additional taxation for local infrastructure contributions paid by the developers.

An embedded 20% increase in the budget for every infrastructure project will inevitably lead to poor project and resource management. The Urban Taskforce acknowledges that contingencies are important to manage uncertainties, prevent significant delays or manage other risks to projects. However, the proposed contingency provisions must be redrafted with a view to incentivise meticulous project planning and 'best practice' project management to minimise additional costs to the original project estimate. Any increase should be justified and reasonable.

The contingency provisions should therefore consider that not all of the 20% additional budget will be spent. This necessitates adding further provisions for refunding developers that have contributed to specific infrastructure projects.

Developers with multiple projects in the same Local Government Area may benefit from receiving credits that can be used to offset local infrastructure contributions for other sites. However, as not every contributor will have multiple projects, there must be a clear mechanism for refunding excess contributions.

The Urban Taskforce recommends that the contingency allowance of 20% at a project level be changed to:

- **an allowance of up to 20%, subject to a reasonable and justified project plan**
- **the contingency budget is not treated as extra project funds but incentives are introduced for proper project management**
- **at the end of the infrastructure project, any unspent contingency budget is returned to contributors, proportional to their contributions.**

Use of standardised benchmarked costs

The Urban Taskforce asserts that the benchmark costs, as set by IPART, could assist councils in charging fairer costs for local infrastructure works. Increased use of the standardised benchmarked costs will provide a level of certainty to developers and landowners for the local contributions they are expected to pay.

However, the Urban Taskforce notes that councils still have the option not to use the benchmarked costs and, instead, use site-specific costing approach by using actual or historical costs for items on the EWL. This can lead to drastically different costs developers and landowners pay in various Local Government Areas.

The Urban Taskforce recommends that IPART should regularly publish a comparison chart of infrastructure fees and other charges applied to the new households (free standing, town house or multi storey apartment development)

between different Council areas in Greater Sydney and also publish a comparison table with other major capital cities (Melbourne and Brisbane).

The Urban Taskforce would welcome the opportunity to expand on the matters raised and to provide a development industry perspective on the reforms as proposed.

Urban Taskforce joins LGNSW in expressing our sincere disappointment at the base adjustment to the rate peg proposed by IPART at a rate of just 0.7%.

While we note that this will now be adjusted for population growth (an initiative that came from the NSW Productivity Commission and now IPART), the costs of delivery of local infrastructure and local services was on the rise well before 2020.

The 0.7% base adjustment to Council rate caps is inadequate and the Urban Taskforce fears that this will result in increased fees and charges being pushed onto the development community (and thus the new home-buyers). New home buyers are least able to afford these extra costs.

I trust that our submission will be taken into consideration as IPART finalises its Report.

Yours sincerely



Tom Forrest
Chief Executive Officer