

- Please mute your microphones
- Please turn on your camera
- We will start at 9:32 am



Public Hearing

Reviews of essential works list, nexus, efficient design and benchmark costs for local infrastructure

10 December 2021

Agenda

- 01 Welcome
- 02 DPIE presentation
- 03 Session 1: EWL, nexus and efficient design
- 04 Questions and answers
- Break
- 05 Session 2: Benchmark costs
- 06 Questions and answers
- 07 Closing remarks



Welcome and Acknowledgement of Country

Carmel Donnelly
IPART Chair

Where we are up to



DPIE Presentation



Infrastructure contributions reforms on exhibition

Infrastructure Contributions Reform

IPART's review of essential works list

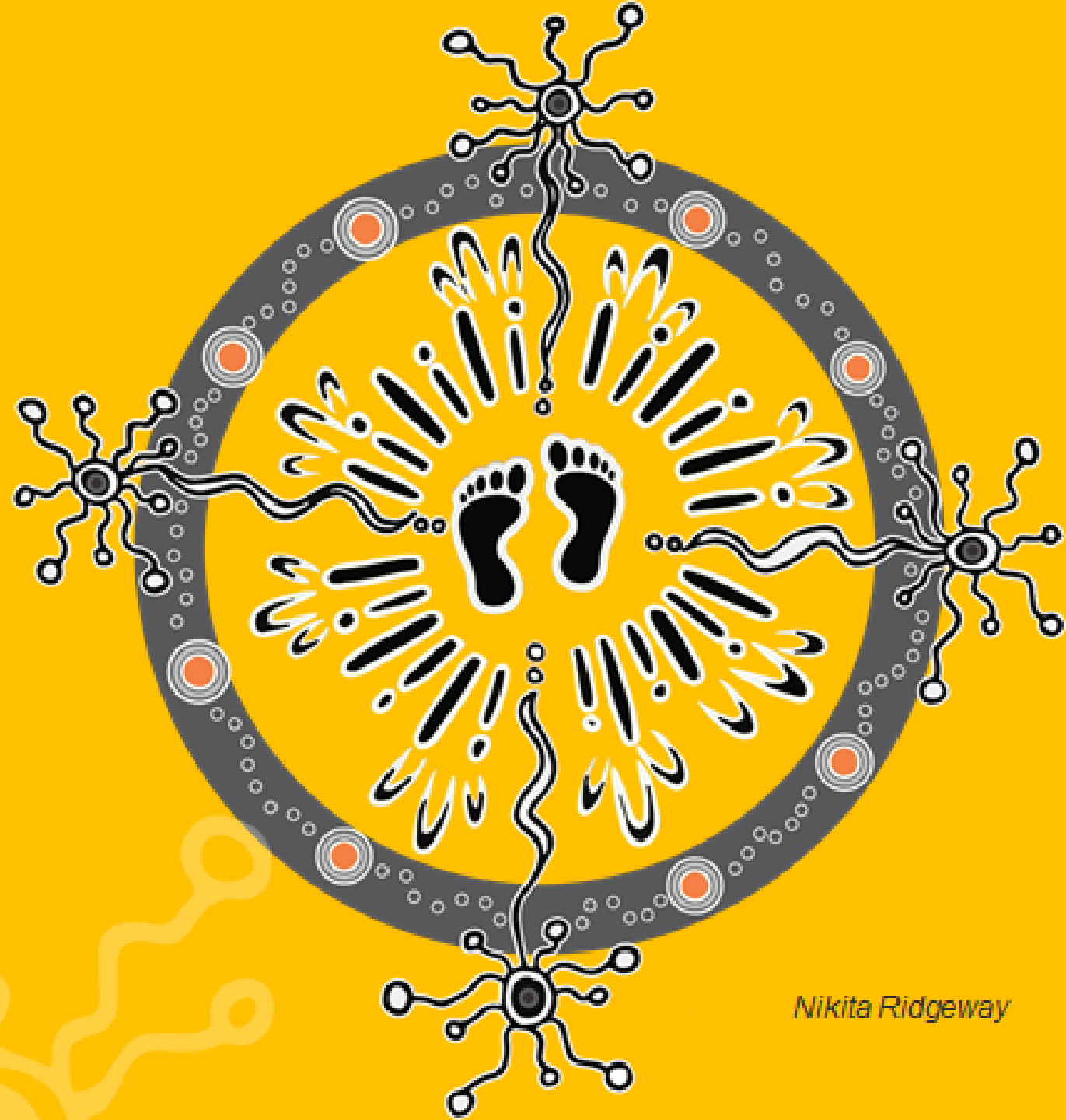


Planning,
Industry &
Environment

Acknowledgement of Country

We acknowledge that today we meet on many Aboriginal lands

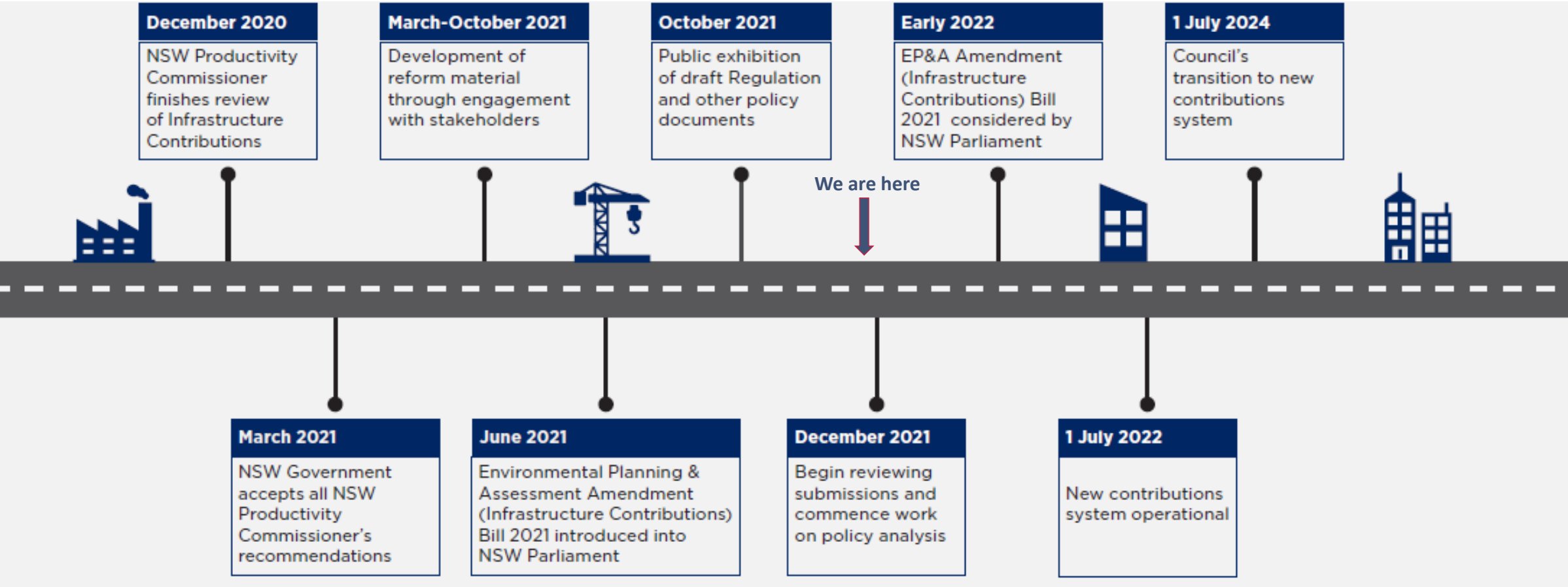
We acknowledge the traditional custodians of the lands and we show our respect for elders past, present and emerging through thoughtful and collaborative approaches to our work



Context and Timeline

Infrastructure contributions are key to helping councils and the NSW Government deliver local, regional, and State infrastructure, including roads, traffic management, stormwater management, footpaths, cycleways, social and community infrastructure, and public open space.

In March 2021, the NSW government confirmed it had accepted all 29 recommendations from the Productivity Commissions Review of Infrastructure Contributions in NSW. The department is now working to deliver a reformed infrastructure contribution system.





- The Minister and LGNSW have agreed on improvements to the reforms to address issues raised by NSW councils.
 - Amendments to the draft Bill have been tabled in Parliament to lock in the commitment for 3 years.
 - Cannot amend or revoke the Ministerial Direction - the current s7.11 thresholds for the essential works list and IPART review.
- The review of the essential works list and benchmark costs will be completed before any policy settings.



No changes for 3 years ✓

- We will keep the current essential works list settings unchanged for 3 years



No change to thresholds ✓

- Section 7.11 plans exceeding the monetary thresholds - \$20,000 per lot or dwelling, or \$30,000 per lot or dwelling in identified greenfield areas:
 - only contain infrastructure on the essential works list
 - only levy a higher rate after review by IPART and DPIE advice

From **28 October – 31 November 2021** during the exhibition, we have engaged and worked with stakeholders:

- **7 webinars with councils and 4 briefings with peak bodies**, reaching a total of 696 stakeholders.
- **22 formal stakeholder meetings**
- **196 interactions** with stakeholders occurred through meetings and roundtables
- **32518 stakeholders updated** through Newsletters, Outlooks and Bulletins (tailored communications for different stakeholder groups)

We received a number of questions about the IPART Review of the Essential Works List

If the current essential works list is to remain unchanged for 3 years, do new plans after 1 July 2024 need to be prepared in accordance with the current essential works list?



Will the essential works list apply to council plans which are below the threshold?



IPART is reviewing essential works list, will this include libraries and community centres or have they been excluded from the review? Will submissions be considered re requesting libraries and community centres be included as essential works.



Can you please confirm that the 7.11 Essential Works List applies to all plans post the July 2024 deadline?



What has changed?

Productivity Commissioner's recommendations

- The essential works list apply to all section 7.11 contribution plans
- IPART reviews of contribution plans more focussed - 'by exception'

Three year deferral

- Essential works list: No change to current application
 - Section 7.11 plans exceeding the monetary thresholds - \$20,000 per lot or dwelling, or \$30,000 per lot or dwelling in identified greenfield areas
 - Only contain infrastructure on the essential works list
 - Section 7.11 plans that are below the thresholds can contain infrastructure that is not on the essential works list.
- IPART reviews: No change to current reviews
 - Section 7.11 plans exceeding the monetary thresholds - \$20,000 per lot or dwelling, or \$30,000 per lot or dwelling in identified greenfield areas
 - Only levy a higher rate after review by IPART and DPIE advice
 - IPART does not review section 7.11 plans that are below the thresholds

What does this mean for Councils?

IPART reviews

- IPART review the essential works list
- IPART prepared benchmark costs

Three year deferral

- IPART are providing their final report to the Minister 18 February 2022
 - The Department will consider the final report
 - No change to the essential works list until after the deferred period
- IPART are providing their final report to the Minister 18 February 2022
 - The Department will consider the final report
 - The benchmark costs may assist councils prepare section 7.11 contributions plans. We may consider an opt-in approach

Timeframe

- 1 July 2022
- 1 July 2024
- 1 July 2025

Three year deferral

- Any new or amended contributions plan (that has not be exhibited prior to 1 July) must be made in the reformed system – digital tool
 - The current essential works list and thresholds apply
- All contribution plans must be moved into the reformed system – digital tool
 - The current essential works list and thresholds apply
- End of three year deferral. Earliest date for changes to:
 - The essential works list content, thresholds, IPART reviews

Exhibition closes 10 December 2021



INFRASTRUCTURE CONTRIBUTIONS
Certain / Transparent / Simple / Efficient / Consistent

There will be **two stages of feedback** and advice that can be submitted:

1. **Technical submissions** must be made during the exhibition period, which closes on 10 December 2021.
2. **Council endorsed submissions** due one week after the first meeting of the new Councils in early 2022 (approximately early March 2022).

Infrastructure Contribution Reform Website:

<https://www.planning.nsw.gov.au/Policy-and-Legislation/Infrastructure/Infrastructure-Funding/Improving-the-infrastructure-contributions-system>

Planning Portal - Local Contributions:

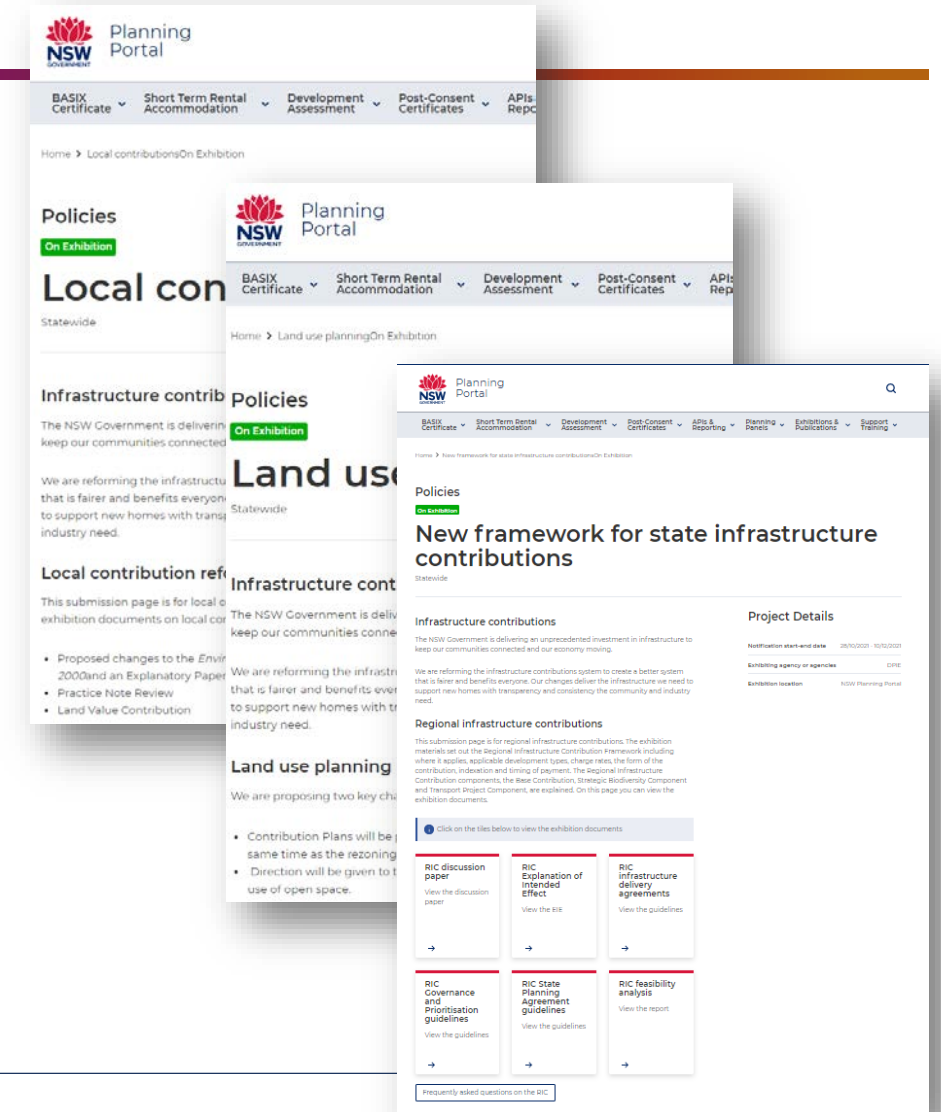
<https://www.planningportal.nsw.gov.au/local-contributions>

Planning Portal - Regional Contributions:

<https://www.planningportal.nsw.gov.au/state-infrastructure-contributions>

Planning Portal - Land Use Planning:

<https://www.planningportal.nsw.gov.au/land-use-planning>



What were we asked to do?

Review the EWL

The revised EWL will apply to all contributions plans

Advise on application of the principle of nexus

Advise on principles of efficient design

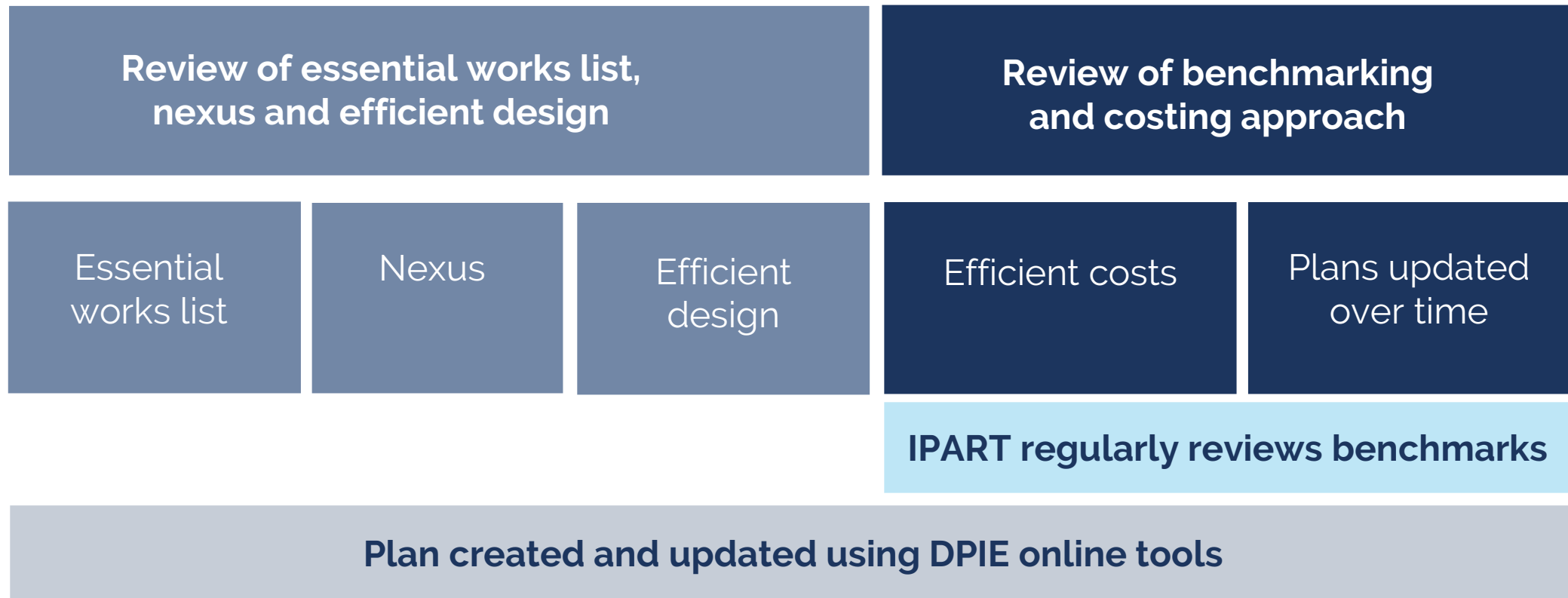
Develop and maintain standardised benchmark costs

We are proposing a principles-based approach to determining the efficient, development-contingent infrastructure to be included in all section 7.11 contributions plans

Our terms of reference require us to consider the findings of the NSW Productivity Commission and NSW Government policies:

- principles-based approach
- simplicity, certainty, efficiency, transparency & consistency
- no expansion of the EWL

Overview of proposed framework



Session 1



Review of the essential works list, nexus and efficient design

Essential Works List

- Land and/or facilities for open space
 - Land or **strata space** for community facilities
 - Land and/or facilities for transport
 - Land and/or facilities for stormwater management
 - Costs of plan preparation and administration
 - **Borrowing costs to forward fund infrastructure**
-

Nexus

Relationship between expected types of development and the infrastructure required to meet the needs of that development



Nexus – overarching principles, approach and evidence

Development
increases demand
Facilities needed to
address demand
Consider existing
facilities

Open space

Demonstrate land and embellishment meets needs of the anticipated population
Consider statutory policies
Supported by technical studies and/or councils' own policies, given development context

Transport
and
stormwater

Demonstrate new or upgraded infrastructure is required
Generally identified as part of broader planning process
Supported by technical studies
Deviations reasonable with sufficient evidence or explanation

Efficient design

Ensuring infrastructure is efficient is a central part of any precinct planning process



Efficient design – overarching principles



Base level performance

Infrastructure provides a minimum or base level of performance determined by relevant government regulations, industry standards and community needs (including resilience to climate change)



Value for money

Infrastructure is the most cost-effective option for delivering the base level of performance – not necessarily the option with the lowest up-front cost

Efficient design - Base level performance



Community needs

Identify the outcome that the infrastructure needs to deliver and differentiate this from the means by which the need is met



Design standards and other technical specifications

Meet but not exceed legislative requirements, technical standards, and specifications that inform the performance outcome, design or scope of infrastructure items



Resilient to climate change

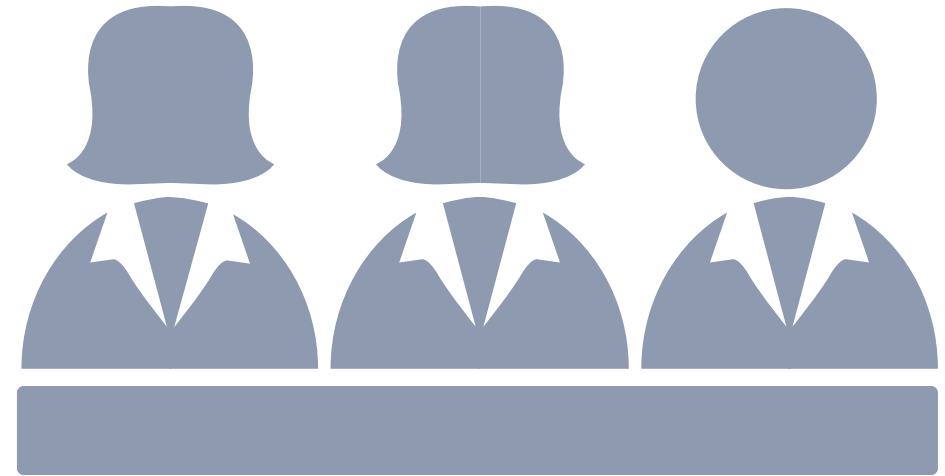
Provide land and works that are resilient to climate change, such as bridges, or flood access roads that are future proof

Efficient design - Value for money

We consider that councils should

- assess a reasonable number of options for meeting performance outcomes
- adopt the operating and capital cost mix that minimises costs over the infrastructure's lifecycle
- consider whether it would be more cost effective to upgrade or improve to existing infrastructure
- consider options for innovation such as dual and shared use of open space and community facilities

Questions



Session 2



Review of benchmark costs for local infrastructure

Our terms of reference asked us to develop



Standardised benchmarks

for development contingent, base level infrastructure, plan preparation and administration



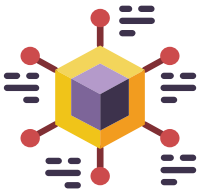
Standardised allowances

for inclusions such as contingency, project management and design



Alternative costing approaches

for councils to use to estimate base level infrastructure costs not derived from the benchmarks




Differential cost

to reflect geographical issues or development typologies for the same types of infrastructure

Standardised benchmarks

We have developed standardised benchmarks for items on the essential works list (infrastructure items, plan management and borrowing costs)



Infrastructure items for benchmarking



22 Open space items

Open space embellishment:

- Amenities
- Carparks
- Landscaping
- Lighting
- Picnic and playground facilities
- Seating
- Sports courts/fields



18 Transport items

Vehicle and pedestrian transport:

- road and intersection items
- crossings
- pedestrian items
- Bus shelter
- Street lighting



13 Stormwater items

Urban stormwater management:

- Drainage network (pipes, pits)
- Conveyance (channels, culverts)
- Flow and quality control (basins, filters, raingardens)



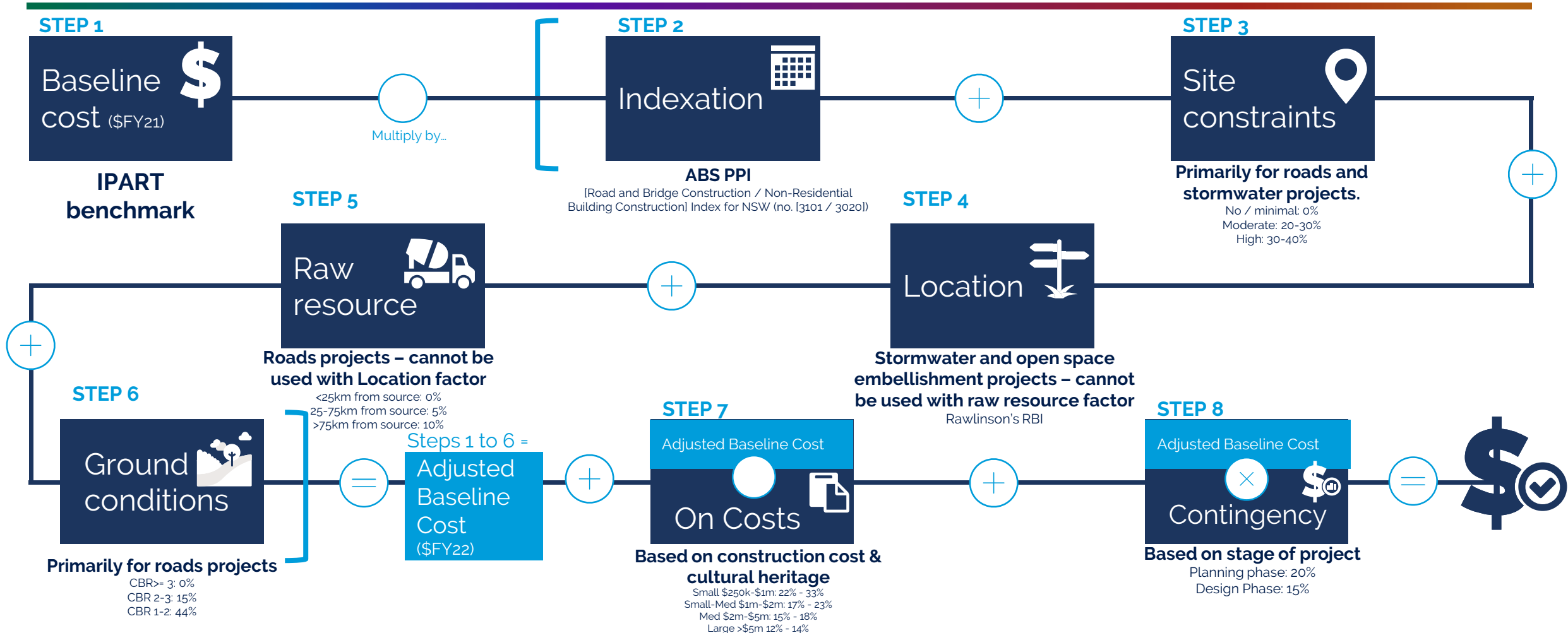
Typical scopes

(describe base level inclusions, risks, standards)

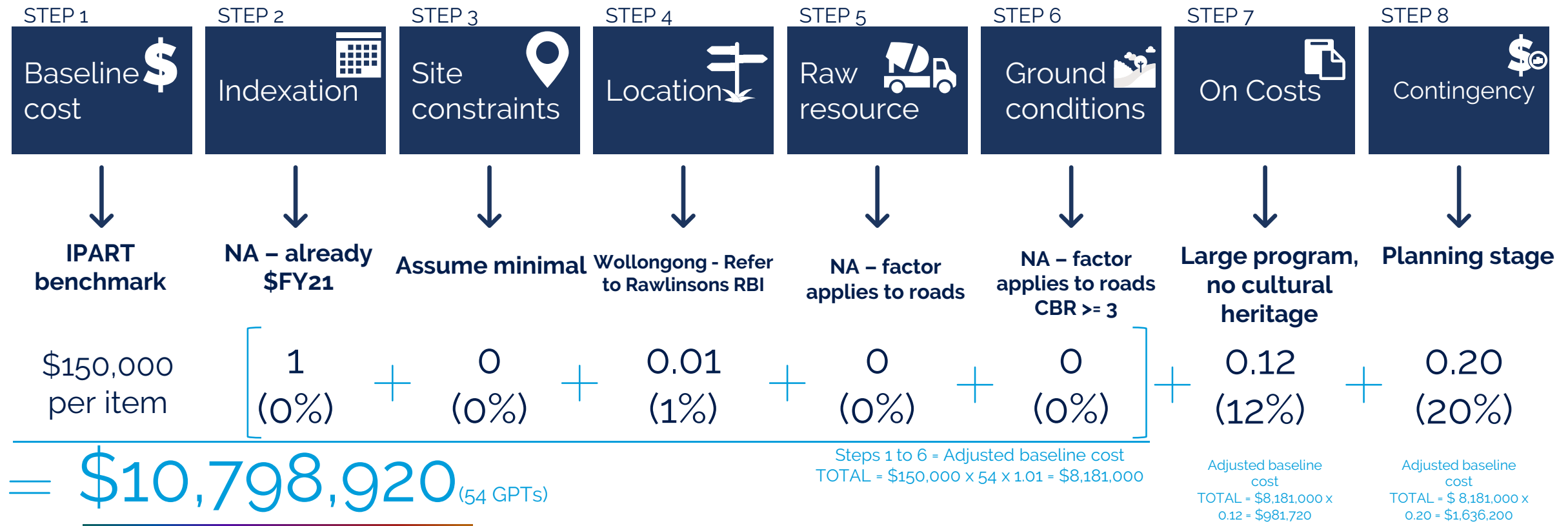


Base costs

Infrastructure benchmarking methodology at a glance



1. A worked example: calculating benchmark costs for Gross Pollutant Traps



Test driving the benchmark method against real CPs

Figure 5.3 Location of existing GPTs in sub-catchment areas



Source: Wollongong City Council, Information Request 1 – GPTs, 29 October 2019.



New Benchmark Approach:
\$10,978,920 (\$FY21)

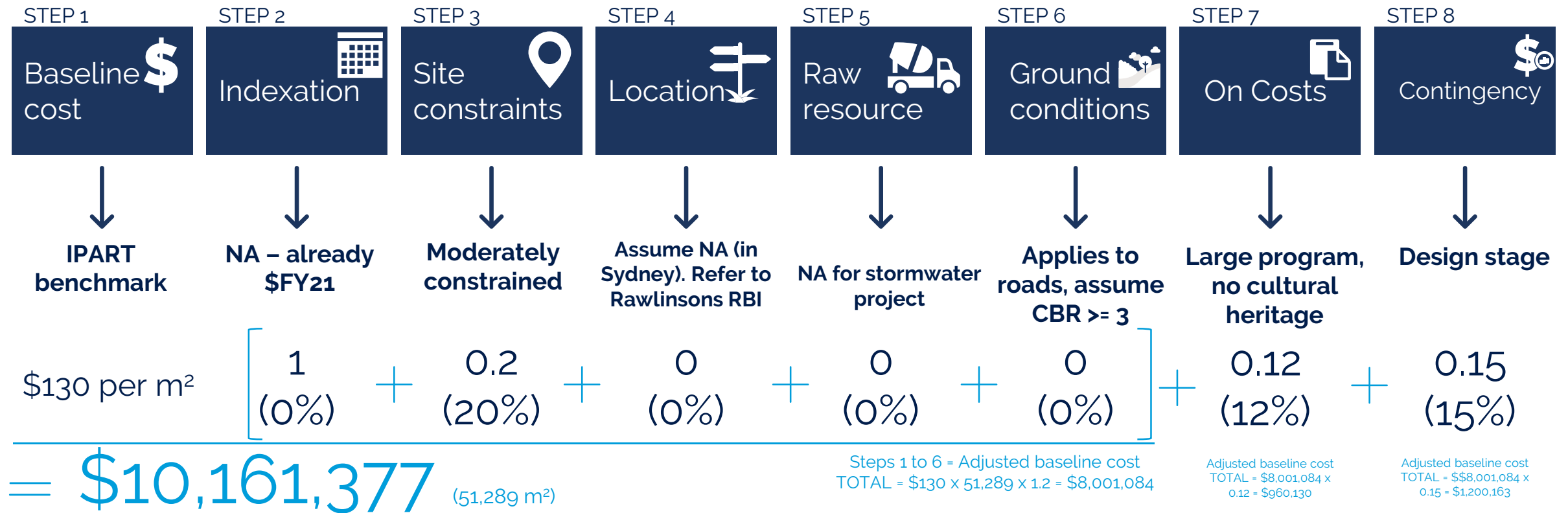


IPART May 2020 draft report approved
Cost of 54 GPTs in West Dapto (CP20):
\$8,935,852 total (\$FY21)

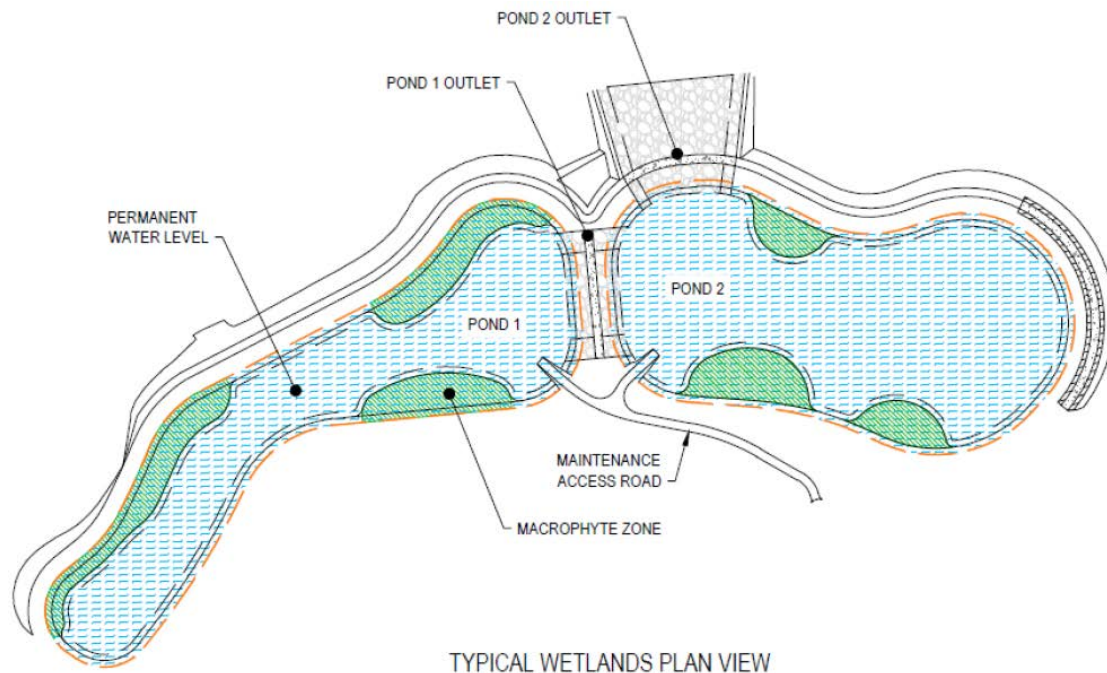
17% lower than new benchmark incl. 30% contingency

- Benchmark used reflects largest outlet size – difficult to match up the right benchmark size with the CP item due to differences in measurement
- The unit of measurement of GPT sizes in the draft Cardno report is different to that in the 2014 IPART benchmark report.

2. A worked example: calculating benchmark costs for Wetland Basins



Test driving the benchmark method against real CPs



New Benchmark Approach:
\$10,161,377 (\$FY21)



Cost of wetland basins at North Kellyville (CP13):
\$10,367,724 total (\$FY21)
2% more than new benchmark

- IPART's CP13 report refers to these as 'Wetland basins'. We have therefore compared these against 'Wetland Basins' in the Cardno benchmarking report. Our analysis shows very little difference (-2%) between the benchmark rates and the costs in CP13.
- However, the Cardno report also has separate benchmark costs for permanent detention basins (\$200/m²) and bio-retention basins (\$220/m²) - amongst other benchmark costs for similar stormwater infrastructure. If, in reality, these infrastructure items were closer in spec to the actual works for CP13, then the Cardno benchmark rate would be between 34% and 40% higher than the costs in CP13.

Benchmark costs for plan administration

1.5%

**of the total value
of works**

to be funded by
local infrastructure
contributions.

This should cover the total costs of plan preparation, management, and administration.

It should not include design and construction project management

Benchmark borrowing costs

Nominal risk-free rate

estimated using 10-year Commonwealth bonds yields

Debt margin

estimated using spread between 10-year Cth and NSW TCorp bond yields plus mid-point of spread between 10-year NSW TCorp and A rated non-financial corporate bond yields

IPART will update benchmark costs over time



Annually update the benchmarks

Escalation of base costs according to the relevant PPI issued by ABS




Review benchmarks every 4 years

Ensure benchmark items reflect communities' needs and the typical scopes and costings reflect current practice, industry standards.

The review of benchmarks should refine the scopes and costings over time by considering feedback from actual projects.

Alternative costing approaches

Benchmarks may not be appropriate in all circumstances. As an alternative costs can be estimated using a site-specific costing approach consistent with certain principles.



Principles for using a costing approach

01 Councils should use benchmarks unless benchmarks do not accurately estimate the developments' efficient costs of base level infrastructure.

02 Where a costing approach is used, the scope and performance outcomes of the infrastructure item should generally be the same as the benchmarked item

03 Councils should take a symmetric and proportionate approach to replacing benchmarks with alternative costings

Governance arrangements when using a costing approach


Councils should explain

- Why the costing method improves **accuracy** over benchmarks
- how the performance outcomes achieve **base level** infrastructure
- **differences** between council's estimate and the benchmark
- How **efficiency** is achieved



Councils should review contributions plans

We propose that contributions plans should be regularly reviewed to ensure contributions keep pace with costs of delivery.



Councils should update contributions plans

High value contributions be reviewed more frequently than low value plans.

Benchmark costs

Councils relying more on benchmark cost estimates in the early years of a contributions plan.

Updated Benchmarks

Contributions plans being updated to incorporate updates to benchmarks at appropriate intervals.

Benchmarks gradually replaced

These estimates being gradually replaced with more accurate site-specific estimates or actual costs at 4 yearly review.

Principles for reviewing plans and updating costs



Updated costs should only reflect the efficient cost of meeting required performance outcomes



If used, actual costs should reflect optimal design and best practice



Councils should provide proportionate explanation for any increases to their costs as a result of plan reviews



Council should update for material increases and decreases in costs



Any contingency allowance for an infrastructure item should be adjusted to reflect the stage of project planning



Development should pay no more than its share of efficient costs

Material changes following a review

01

How the performance outcomes and scope of infrastructure underpinning the specific estimates or actual costs relate to benchmarks, and the reasons for any differences

02

How the components of their cost estimates and actual costs relate to the components of benchmark costs originally used

03

How they have accounted for risk or uncertainty in their specific cost estimates, given their stage of infrastructure planning/ delivery

04

The process followed to generate the specific cost estimates and how they have ensured they are efficient

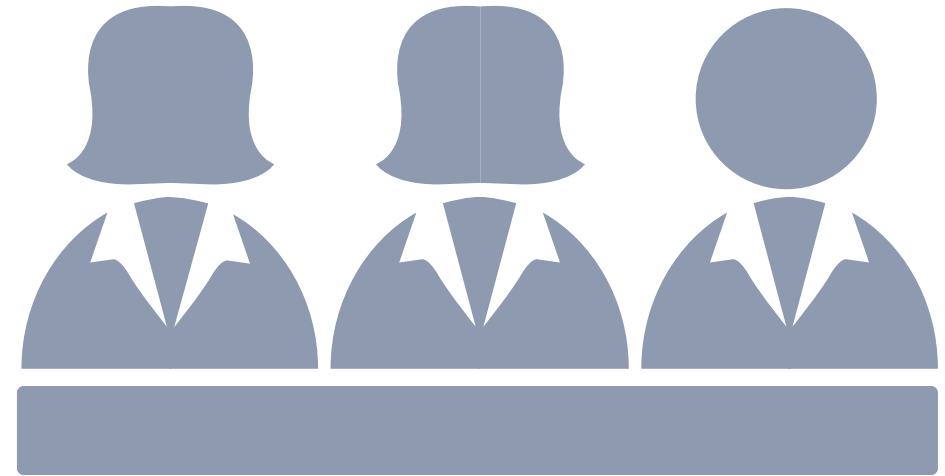
05

The process followed to ensure their actual costs are efficient

06

Whether the council has specific estimates or actual costs for any infrastructure items in a contributions plan that they have not replaced benchmarks with and the reasons why

Questions





Have your say

You can provide feedback to our Draft Report by making a submission through our website.

Submissions close on 14 December 2021

Contact Ineke Ogilvy, Ineke_Ogilvy@ipart.nsw.gov.au