

## FACT SHEET

# Developer charges for Gosford City Council and Wyong Shire Council

Based on the *Final Report and Determination*, from 1 July 2013

On 14 May 2013, IPART released its determination on various calculation parameters to be used by Gosford City Council and Wyong Shire Council when calculating their developer charges.

This fact sheet has been prepared to provide information relevant to each Council and how this determination will affect the prices developers will pay. The final report and determination is available on IPART's website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

### Background to the review

The Councils provide water, wastewater and stormwater drainage services to residents on the Central Coast of NSW. They also provide services to new developments and recover these costs in part by levying developer charges.

Our current determination for developer charges was made in 2000. It provides a methodology that regulated water agencies must use to calculate their own developer charges. Various calculation parameters must be used in making the calculations, but these were last set for the 2000 determination. We have decided to update these parameters for the Councils.

The new determination takes effect from 1 July 2013 and we have decided that the Councils must start to apply the new developer charges on or before 1 July, 2014.

### Discount rate parameters for pre-1996 assets, post 1996 assets and net revenues and costs

We have decided to maintain the discount rate at 0% real for Pre-1996 Assets.

We have decided to set a discount rate for Post 1996 Assets and Expected Net Revenues and Costs that will change in line with the WACC that is used for the most recent determination of the Councils' periodic charges. We determine periodic charges at regular intervals. This means that in future, the discount rates for developer charges will better reflect market conditions at the time of the calculation of the developer charges.

**Table 1 Decisions for discount rates**

Discount rate for:	Current	Decision
Pre-1996 Assets	0% real	0% real
Post-1996 Assets	7% real	The pre-tax value of the weighted average cost of capital (WACC) referred to in IPART's report for the Council's periodic charges prevailing on the day that the Council's revised developer charges start to apply.
Net revenues and costs	7% real	As for Post-1996 Assets

### Consumption per annum parameter for an average residential customer

We have decided to use the consumption figure for an average residential customer that we use in the most recent determination of periodic charges for the Councils. This approach will better reflect the current consumption value at the time when the Councils review their developer charges.

**Table 2 Consumption per annum for an average residential customer**

	Current	Decision
Gosford Council	207 kLs	The value for the consumption per annum for an average residential customer referred to in IPART's report for the Council's periodic charges prevailing on the day that the Council's revised developer charges start to apply.
Wyong Council	205 kLs	As above.

### Wyong Council's 85% cap parameter

Our initial determination in 1995 replaced individual developer charges regimes that the water agencies had been employing, with a single consistent regime. The change included an 85% cap on Wyong Council's developer charges to ensure a smooth transition to our new regime. This cap was retained for the 2000 determination.

We have decided to remove the 85% cap on Wyong Council's developer charges. We agree with Wyong Council that the cap is inconsistent with the other water agencies and that it will create a barrier to synchronising their charges with Gosford Council's when the Central Coast Water Corporation begins operation.

We consider that the issues that led to introduction of the cap in the 1995 Determination have largely dissipated.

## Likely changes

For this report, we asked the Councils to model the impacts of a combination of inputs used in calculating their developer charges.

Gosford Council estimates that its developer charges will increase by between 6% and 10% (an average of around 8%). For example, the Gosford Council Redevelopment DSP charge increases from about \$4,000/ET to about \$4,500/ET.

Modelling by Wyong Council indicates that developer charges will increase between 20% and 39% (an average of around 28%). For example, Wyong Council DSP1-North Wyong Industrial increases from around \$8,000 to around \$10,000 and DSP2-Killarney Urban increases from around \$5,000/ET to around \$6,500/ET. Removal of the 85% cap from Wyong Council's charges accounts for 18% of the increases in Wyong.

These are preliminary estimates, as the modelling was based on current values and not on the inputs to calculations parameters that will be adopted when the Councils calculate their developer charges for 1 July 2014. Consequently, the results may change when the reviews of DSPs are actually undertaken.