

Independent Pricing and Regulatory Tribunal  
New South Wales

# Assessment of Contributions Plan No.13 – North Kellyville Precinct

**The Hills Shire Council**

**Final Report  
Local Government**

**July 2020**

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# Contents

|   |           |
|---|-----------|
| <b>Committee Members</b>                                  | <b>iv</b> |
| <b>1 Executive summary</b>                                | <b>1</b>  |
| 1.1 Our key findings                                      | 1         |
| 1.2 Our recommendations                                   | 3         |
| 1.3 Structure of this report                              | 7         |
| <b>2 Context and approach for this assessment</b>         | <b>8</b>  |
| 2.1 Why has the council submitted CP13 (2018) to IPART?   | 8         |
| 2.2 What approach did we use for this assessment?         | 8         |
| 2.3 What happens next?                                    | 10        |
| <b>3 Overview of plan</b>                                 | <b>11</b> |
| 3.1 Status of CP13 (2018)                                 | 11        |
| 3.2 Land and development in the North Kellyville Precinct | 11        |
| 3.3 Cost of land and works in CP13 (2018)                 | 15        |
| 3.4 Contribution rates in CP13 (2018)                     | 15        |
| <b>4 Transport</b>  | <b>18</b> |
| 4.1 Overview of transport infrastructure                  | 20        |
| 4.2 Criterion 1: Essential works                          | 21        |
| 4.3 Criterion 2: Nexus                                    | 22        |
| 4.4 Criterion 3: Reasonable costs                         | 26        |
| 4.5 Criterion 5: Apportionment                            | 39        |
| <b>5 Stormwater management</b>                            | <b>41</b> |
| 5.1 Overview of stormwater management infrastructure      | 42        |
| 5.2 Criterion 1: Essential works                          | 44        |
| 5.3 Criterion 2: Nexus                                    | 44        |
| 5.4 Criterion 3: Reasonable costs                         | 45        |
| 5.5 Criterion 5: Apportionment                            | 47        |
| <b>6 Open space</b>                                       | <b>48</b> |
| 6.1 Overview of open space embellishment                  | 50        |
| 6.2 Criterion 1: Essential works                          | 51        |
| 6.3 Criterion 2: Nexus                                    | 53        |
| 6.4 Criterion 3: Reasonable costs                         | 56        |
| 6.5 Criterion 5: Apportionment                            | 62        |
| <b>7 Community services</b>                               | <b>63</b> |
| 7.1 Criterion 1: Essential works                          | 64        |
| 7.2 Criterion 2: Nexus                                    | 64        |
| 7.3 Criterion 5: Apportionment                            | 64        |
| <b>8 Plan administration</b>                              | <b>65</b> |
| 8.1 Criterion 1: Essential works                          | 65        |

---

|          |   |            |
|----------|---|------------|
| 8.2      | Criterion 2: Nexus  | 66         |
| 8.3      | Criterion 3: Reasonable costs   | 66         |
| 8.4      | Criterion 5: Apportionment  | 66         |
| <b>9</b> | <b>Cross category considerations</b>  | <b>67</b>  |
| 9.1      | Criterion 3: Reasonable cost – land   | 68         |
| 9.2      | Criterion 3: Reasonable cost (the council’s financial model)                  | 75         |
| 9.3      | Criterion 4: Timing of infrastructure delivery                                | 79         |
| 9.4      | Criterion 6: Consultation   | 80         |
| 9.5      | Criterion 7: Other matters  | 80         |
|          | <b>Appendices</b>   | <b>85</b>  |
| <b>A</b> | <b>Summary of recommendations</b>   | <b>86</b>  |
| <b>B</b> | <b>Terms of reference</b>   | <b>89</b>  |
| <b>C</b> | <b>Overview of contributions plans and their assessment</b>                   | <b>91</b>  |
| <b>D</b> | <b>Assessment against information requirements in the EP&amp;A Regulation</b> | <b>94</b>  |
| <b>E</b> | <b>CP13 (2010) – IPART recommendations and Ministerial advice</b>             | <b>97</b>  |
| <b>F</b> | <b>List of submissions</b>  | <b>100</b> |
| <b>G</b> | <b>Changes to recommendations from the Draft Report</b>                       | <b>101</b> |

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# 1 Executive summary

The Hills Shire Council (the council) revised its *Contributions Plan No.13 – North Kellyville Precinct* (CP13 (2018)) and submitted the draft to IPART for review.

This Final Report sets out our findings and recommendations to the Minister for Planning and Public Spaces (the Minister) on the amendments required to CP13 (2018) to ensure that the plan reflects the reasonable costs of providing the necessary local infrastructure to accommodate the development of the North Kellyville Precinct.

This Final Report follows a draft assessment completed in May 2019, and a Draft Report published in May 2020.<sup>1</sup> Through the assessment process, we have considered significant new information presented to us by the council in its response to our draft assessment, as well as information provided in submissions from the council and other stakeholders (one organisation and one individual) in response to our Draft Report.

Our recommendations reduce the total cost of land, works and administration in CP13 (2018) from \$271.56 million to \$266.16 million. This equates to a decrease in total costs of 2.0% relative to the plan submitted to us.

Our recommendations also reduce the contribution rates in the plan. For a typical dwelling,<sup>2</sup> our recommendations would reduce indicative contributions by \$19,309 (36.1%) to \$34,141. This is a significant decrease in contribution rates for the remainder of the life of this plan, reflecting the council's collection of contributions to date, and the increased population projections for the precinct (see Box 1.1 in section 1.2).

The council is required to make any changes requested by the Minister or his Nominee as a result of this assessment. Once this has been completed, the council will be able to levy the full, uncapped contributions amount in CP13 (2018) on development in the North Kellyville Precinct.

## 1.1 Our key findings

We have conducted this assessment in accordance with the guidance provided by the Department of Planning and Environment (DPE) in its Practice Note.<sup>3</sup> We found that most aspects of the plan meet the assessment criteria in the Practice Note, with the exception of

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<sup>1</sup> The plan was placed on hold on 11 June 2019 while the council prepared its response to our draft assessment, which we received on 24 December 2019. We reviewed the council's response and spoke to the council about the extent of the additional information provided and the implications for our process before resuming our assessment on 21 January 2020.

<sup>2</sup> The term 'dwelling' refers to all housing types in the precinct, ranging from houses and apartments to seniors housing and boarding houses. For CP13 (2018), the 'typical dwelling' is a house with 3.4 persons.

<sup>3</sup> See Department of Planning and Environment (DPE), *Local Infrastructure Contributions Practice Note*, January 2019 (Practice Note). We also assessed whether CP13 (2018) contains information required by the *Environmental Planning and Assessment Regulation 2000*.

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nexus for some transport works and the reasonable cost of some transport infrastructure, open space, strata space for community facilities and constrained land.

### **Transport works costs should be updated to reflect available site-specific estimates**

We found that the costing sources and allowances used for most transport works items are not reasonable. In its response to our draft assessment, the council provided updated site-specific estimates for many transport infrastructure items, which result in costs that are different from the plan submitted. We consider the site-specific estimates are generally reasonable. Our recommendations would reduce the cost of transport infrastructure in the plan by \$17.75 million (19.3%).

### **Open space embellishment costs should increase to reflect the council's revised estimates**

We found that the council's revised embellishment costs of two major sporting facilities (Samantha Riley Drive Reserve and the Stringer Road Sports Complex) are reasonable when compared with the costs of similar embellishment items in similar facilities, and on a per square metre basis. This means that the costs in the plan are insufficient to deliver these two facilities, and we recommend an increase in embellishment costs in the plan of \$17.14 million (81.6%) for these two facilities.

### **Land costs in the plan are generally reasonable, except for strata space for a library expansion and for constrained land**

We found that estimates of the cost of land in the plan are generally reasonable, except that the cost of strata space for the Rouse Hill Regional Centre library expansion should be revised to reflect recent valuation advice,<sup>4</sup> and the council should use a value of \$100 per square metre for all constrained land that it is yet to acquire in the North Kellyville Precinct.

### **The council should focus on increasing the rate at which it delivers local infrastructure, to meet the needs of the residents of North Kellyville**

We note the incompleteness of infrastructure in the plan given the stage of development in the precinct. The plan shows that the council has acquired 72% of the land in the plan (by area) and delivered 4.7% of works (by cost). Updated information from the council suggests that actual costs incurred to date now relate to 83% of land area and 7.0% of works. At this stage of development, we would normally anticipate:

- ▼ A greater proportion of actual works costs in the plan, reflecting the delivery of more infrastructure
- ▼ Remaining cost estimates based on detailed designs and site-specific costing information.

Including the new information provided by the council, 81.1% of works costs in the plan are still based on concept designs, early-stage estimates, costs of similar items and benchmark costs. These estimates also include allowances for project management, design and contingency, which are a significant component of total costs in the plan. These costs will be borne by a declining share of development, which highlights the importance of regular review and update of plans. Ideally, the council should focus on increasing the rate of delivery of

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<sup>4</sup> The apportionment of these costs should also reflect the shares of demand from the North Kellyville Precinct and the Balmoral Road Release Area, based on updated population estimates of each area.

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works in the plan to ensure infrastructure is available to meet the demand of the residents of North Kellyville.

## 1.2 Our recommendations

We have made 25 recommendations as a result of our assessment of CP13 (2018). While most recommendations affect the total cost of land, works and plan administration, others relate to rolling forward the base year of the plan to June 2018, and rolling forward the council's financial model and occupancy rates in the plan.

Our recommendations (and the page number on which they appear in the following chapters) are listed below.

### Transport

- 1 Update the plan to include an additional roundabout adjoining Samantha Riley Drive Reserve. This would increase the cost of transport works in the plan by \$435,000. 22
- 2 Update transport works costs to reflect the costs of completed works, including indexation to June 2018, by including the actual cost for a cycleway bridge [NKCC02]. 27
- 3 Reduce the cost of the town centre bypass road [NKNR04] by \$448,222, reflecting a lower unit rate of \$7,779/m for delivery of the remaining section of road. 27
- 4 Reduce the cost of sub-arterial road upgrades [NKNR01, NKNR02, NKNR03, NKNR05] by \$9,133,156 to reflect updated actual costs and more recent site-specific estimates, comprising:
  - A decrease of \$2,882,017 for Samantha Riley Drive
  - A decrease of \$5,439,806 for Hezlett Road
  - A decrease of \$357,666 for Withers Road
  - A decrease of \$453,667 for Glenhaven Road. 27
- 5 Increase the cost of the signalised intersection at Hezlett Road and Samantha Riley Drive [NKT01] by \$1,679,414 to \$2,369,932 to reflect the council's revised cost estimate. 27
- 6 Reduce the cost of the Northern Connection Road [NKB01 and NKB01A] by \$2,497,111, reflecting updated cost estimates prepared by the council's consultant, Opus, a lower contingency allowance and our recommendation on a revised apportionment of cost (Recommendation 13). 27
- 7 Remove costs for the Northern Connection Road upgrade from the plan if it is funded through a Special Infrastructure Contribution. 27
- 8 Reduce the cost of Withers Road Bridge [NKB02] by \$1,230,110, reflecting updated cost estimates prepared by the council's consultant, Calibre Consulting, and a lower contingency allowance. 27



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|----|--|----|
| 9  | Reduce the cost of a single-lane roundabout [NKR04] by \$21,500, reflecting the removal of allowances for project management and design.   | 27 |
| 10 | Reduce the cost of two-lane roundabouts [NKR01, NKR02 and NKR03] by \$5,117,788, reflecting revised quantities and unit rates, and lower allowances for project management, design and contingency.                            | 27 |
| 11 | Reduce the cost of cycleways by \$1,545,351 reflecting a lower unit rate of \$250 per linear metre.  | 28 |
| 12 | Index the cost estimates of works for bus shelters, an intersection and cycleway bridges that are not otherwise subject to a recommendation to the revised base period of the plan (\$Jun2018), increasing costs by \$171,518. | 28 |
| 13 | Apportion 33% of the costs of the North Connection Road [NKB01 and NKB01A] to the plan, based on the most up-to-date population forecasts for North Kellyville (CP13) and Box Hill (CP15).                                     | 40 |

### **Stormwater management**

- |    |  |    |
|----|--|----|
| 14 | Update stormwater management works costs to reflect actual costs and indexation to June 2018 for Basins 3, 4, 6 and 9 in Smalls Creek, reducing stormwater works costs in the plan by \$815,022.   | 45 |
| 15 | Index the costs of works items for ten other basins that are not otherwise subject to a recommendation [SWB011, SWB021, SWB051, SWB071, SWB081, SWB101, CWB011 to CWB041] to the revised base period of the plan (\$Jun2018), increasing costs in the plan by \$261,220. | 45 |

### **Open space**

- |    |  |    |
|----|--|----|
| 16 | Update the plan to include open space embellishment for which nexus is established, increasing the cost of open space embellishment by \$17,136,740 comprising: <ul style="list-style-type: none"> <li>– An increase of \$8,238,988 for Samantha Riley Drive Reserve</li> <li>– An increase of \$8,897,752 for the Stringer Road Sports Complex.</li> </ul>  | 57 |
| 17 | Correct calculation errors in open space costs, and update to \$Jun2018 by: <ul style="list-style-type: none"> <li>– Adjusting for a double counting error in the per square metre cost estimate used to cost six linear parks and four passive open space parks, and revising the cost of cycleways (a reduction of \$1,983,046)</li> <li>– Amending the cost estimate for basin park CWB01 to adjust for overestimated landscape costs (a reduction of \$1,469,927)</li> <li>– Including actual costs of embellishing basin parks 3, 4 and 9 in Smalls Creek [SWB030, SWB040, SWB090] (a reduction of \$116,070).</li> </ul> | 57 |
| 18 | Index the cost estimates of twelve open space embellishment items that are not otherwise subject to a recommendation to the revised base period of the plan (\$Jun2018), increasing costs in the plan by \$155,198.  | 57 |

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## Plan administration

- 19 Calculate the cost of plan administration for CP13 (2018) based on 1.5% of the adjusted cost of works. 66

## Cross category considerations

- 20 Increase the cost of land in the plan by \$181,343, by:
- Updating actual costs for land already acquired, which would increase costs by \$933,188
  - Reducing the cost of constrained land by \$751,846, reflecting a value of \$100 per square metre for all constrained land that the council is yet to acquire in the North Kellyville Precinct. 69
- 21 Reduce the estimated cost of acquiring strata space for the library expansion allocated to CP13 (2018) by \$931,713, reflecting:
- Application of updated valuation advice using a per square metre rate of \$5,750
  - Apportionment of 56.7% of land acquisition costs to North Kellyville based on the most up-to-date population estimates for the North Kellyville Precinct and the Balmoral Road Release Area. 69
- 22 Roll forward the base period in the model by one year to June 2018 and in doing so:
- Include an additional year of actual revenue and expenses, including any interest expense/revenue
  - Update the discount rate to our latest published discount rate, which is currently 3.6%
  - Update the cost escalation factors, as shown in Table 9.3. 75
- 23 Remove the residual amount associated with land acquisition and update the forecast timing of expenditure to take into account actual expenditure and any anticipated changes to the timing of infrastructure delivery. 75
- 24 Bring forward the development path for revenue receipts in the NPV model for CP13 (2018) to better reflect the development pattern in the precinct. 76
- 25 Amend the plan to update the occupancy rates for the precinct, and the indicative residential contributions. 81

The impact of our recommendations is presented in Table 1.1 and Table 1.2.<sup>5</sup> More detailed information on the recommended changes is presented in each of the infrastructure category chapters, and summarised in Appendix A.

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<sup>5</sup> We have recommended the base period of the plan be rolled forward to 30 June 2018, and so our recommendations are presented in \$Jun2018. The costs in the plan are presented in \$Jun2017 so our recommendations incorporate the impact of adjusting for inflation.

**Table 1.1 Summary of adjustments (\$Jun2018)**

|                             | Cost in plan<br>(\$Jun2017) | IPART-<br>recommended<br>adjustment <sup>a</sup> | IPART-assessed<br>reasonable cost |
|-----------------------------|-----------------------------|--|-----------------------------------|
| <b>Transport</b>            |                             |  |                                   |
| Land                        | 10,505,345                  | 42,504   | 10,547,849                        |
| Works                       | 91,824,573                  | -17,754,308                                      | 74,070,265                        |
| <b>Stormwater</b>           |                             |  |                                   |
| Land                        | 17,661,259                  | -286,359   | 17,374,900                        |
| Works                       | 10,359,408                  | -533,802   | 9,805,606                         |
| <b>Open space</b>           |                             |  |                                   |
| Land                        | 97,667,317                  | 425,197  | 98,092,514                        |
| Works                       | 37,703,203                  | 13,722,894                                       | 51,426,097                        |
| <b>Community facilities</b> |                             |  |                                   |
| Land                        | 3,744,494                   | -931,713   | 2,812,781                         |
| <b>Plan administration</b>  | 2,098,308                   | -68,778  | 2,029,530                         |
| <b>Total</b>                | <b>271,563,907</b>          | <b>-5,404,364</b>                                | <b>266,159,542</b>                |

<sup>a</sup> Adjustments include updating indexation to June 2018.

**Source:** CP13 Works Schedules and IPART analysis.

**Table 1.2 Contributions by dwelling type (\$Jun2018)**

|  | Occupancy<br>rate per<br>dwelling <sup>a</sup> | Contribution<br>(\$Jun2017) | IPART-<br>adjusted<br>contribution <sup>b</sup> | Difference<br>(\$) | Difference<br>(%) |
|--|--|-----------------------------|---|--------------------|-------------------|
| Dwelling houses                        | 3.4  | 53,450                      | 34,141  | -19,309            | -36.1%            |
| Integrated housing                     | 3.0  | 47,162                      | 30,574  | -16,588            | -35.2%            |
| Senior Housing/Boarding<br>House Rooms | 1.2  | 18,865                      | 12,230  | -6,635             | -35.2%            |
| 1 bedroom - multi unit housing         | 1.5  | 23,581                      | 14,879  | -8,701             | -36.9%            |
| 2 bedroom - multi unit housing         | 2.1  | 33,013                      | 21,198  | -11,815            | -35.8%            |
| 3 bedroom - multi unit housing         | 2.6  | 40,873                      | 26,395  | -14,478            | -35.4%            |
| 4 bedroom - multi unit housing         | 3.5  | 55,022                      | 35,160  | -19,862            | -36.1%            |

<sup>a</sup> Occupancy rates were updated by the council on 1 March 2019.

<sup>b</sup> These indicative contributions are based on our cost adjustments to the council's net present value model.

**Source:** CP13 Works Schedules and IPART analysis.

### Box 1.1 Changes in contribution rates as a result of our assessment

Our recommendations would reduce costs in the plan by 2.0%. We estimate that this would reduce the contribution for a typical dwelling by 36.1%, to \$34,141, as shown in Table 1.2.

This is a large fall in contribution rates relative to the fall in our proposed total reasonable cost of land and works in the plan. There are two key reasons for this occurring:

- ▼ First, the council has already collected most of the contributions in CP13 based on the version of the plan adopted by it in 2011, which included higher estimated costs on a per person basis. Due to the council's collection of contributions to date, the remaining development needs to pay proportionally less for the council to recover the revised IPART-assessed reasonable cost of infrastructure in the plan.
- ▼ Second, changes to planning assumptions, such as increases in the total number of dwellings in the precinct, also mean that earlier tranches of development paid more per dwelling than later development, where remaining costs are spread over a greater than originally forecast number of expected dwellings.

The above effects highlight the importance of regular updates of a plan. More frequent review (at least every five years) can prevent significant changes to either the costs and/or contributions at later stages of development.

We note that as contributions in CP13 were capped until 30 June 2020, the value of contributions above the cap was paid by the State Government through the Local Infrastructure Growth Scheme (LIGS), and was not borne by local developers.

Submissions received on our Draft Report, from one organisation and one individual, supported a reduction in indicative contribution rates relative to the current contribution rates.

## 1.3 Structure of this report

The following chapters provide our analysis of CP13 (2018) against the criteria in the *Local Infrastructure Contributions Practice Note* (Practice Note), and explain the recommendations we have made to the council for making adjustments to the plan.

- ▼ Chapter 2 outlines the context for our assessment of contributions plans
- ▼ Chapter 3 provides an overview of CP13 (2018)
- ▼ Chapter 4 presents our analysis of transport infrastructure
- ▼ Chapter 5 presents our analysis of stormwater infrastructure
- ▼ Chapter 6 presents our analysis of open space embellishment
- ▼ Chapter 7 presents our analysis of community services land
- ▼ Chapter 8 presents our analysis of plan administration
- ▼ Chapter 9 presents our analysis of cross category issues, including the cost of land, the council's financial model, timing of infrastructure delivery (Criterion 4), consultation (Criterion 6) and other matters (Criterion 7).

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## 2 Context and approach for this assessment

The Hills Shire Council submitted CP13 (2018) to IPART for assessment in October 2018. To provide context for our assessment, this chapter outlines:

- ▼ Why the council submitted CP13 (2018) for assessment
- ▼ Our approach for the assessment
- ▼ What will happen next.

Appendix C provides an overview of contributions plans in NSW, IPART's role in reviewing these plans, the aim of our assessment, and the assessment criteria set out in the Practice Note issued by DPIE.

### 2.1 Why has the council submitted CP13 (2018) to IPART?

The council has submitted CP13 (2018) to IPART for assessment to consider the updates to the plan since it was last assessed in 2011. The council's revised contributions plan includes additional infrastructure items and costs relative to the earlier version of the plan, to support an increased population.

Up to 30 June 2020, the council's currently adopted contributions plan allowed it to levy up to a cap of \$45,000 per lot or dwelling, with the value of contributions above the cap paid by the State Government through LIGS.

A new Ministerial Direction, dated 18 June 2020, introduced an interim cap of \$50,000 per lot or dwelling for development consents granted in The Hills local government area between 1 July and 31 December 2020.<sup>6</sup> The council's current IPART-reviewed plan allows it to charge developers up to this cap for CP13.

This Final Report has been provided to the Minister. The Minister (or his Nominee) will advise the council on the necessary changes to its plan. Once the council has made these changes and adopted the plan, it will be an IPART-reviewed contributions plan, and the council will be eligible to levy the full uncapped contribution amount in CP13 (2018).

### 2.2 What approach did we use for this assessment?

In assessing CP13 (2018) we considered:

- ▼ The criteria set out in the Practice Note<sup>7</sup>
- ▼ The Minister's advice to the council about the recommendations from our 2011 assessment of CP13 (2010)
- ▼ Changes to the precinct since our previous assessment, including to the projected population

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<sup>6</sup> *Environmental Planning and Assessment (Local Infrastructure Contributions) Amendment Direction 2020.*

<sup>7</sup> See Appendix C.

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- ▼ Information from the council and other stakeholders.

### **2.2.1 We considered the Minister's advice on the recommendations from our 2011 assessment of CP13 (2010)**

We completed an assessment of CP13 (2010) in October 2011, which enabled the council to apply for funding from the State Government to meet the gap between the contributions cap and the IPART-assessed cost of infrastructure in the plan. The Minister advised the council about required amendments to CP13,<sup>8</sup> but at that time, the council was not required to formally amend CP13 in response to the Minister's request before being eligible for gap funding.<sup>9</sup>

The draft version of CP13 (2018) submitted to IPART for assessment is the first revision of CP13 since it came into force in 2010. In assessing CP13 (2018), we have considered how the council has amended the plan to reflect the Minister's advice in 2011.

### **2.2.2 We considered changes to the precinct since our previous assessment**

There have been changes to the North Kellyville Precinct since our previous assessment of the plan, including changes to the projected population, from 15,563 people in CP13 (2010) to 20,593 people in CP13 (2018). These changes are outlined further in Chapter 3. We considered the impact of these changes on the precinct in our assessment of the local infrastructure in CP13 (2018).

The Works Schedule for CP13 (2018) shows that the council has acquired 72% of land in the plan (by area) and completed 4.7% of works in the plan (by cost). Our assessment of CP13 (2018) has therefore considered the reasonableness of the costs for completed land acquisitions and works as well as the council's estimates for land that it is yet to acquire and works that have not been completed.

### **2.2.3 We consulted with the council and other stakeholders**

During our assessment we met with council officers who provided an overview of the plan and guided us on a site visit of the precinct. We also:

- ▼ Made requests for information from the council (and received this information)
- ▼ Sought information on aspects of the plan from DPIE.

Further, when placing the council's completed application on our website, we invited public submissions related to the assessment criteria. The council also placed a notice on its website advising stakeholders about this submission period. We did not receive any submissions.

We provided the council and DPIE officers the opportunity to comment on our draft assessment in May 2019. The council provided a response to our draft assessment on 24 December 2019. The response included information responding to our draft

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<sup>8</sup> See Appendix E.

<sup>9</sup> The Department of Planning used IPART's recommendations to determine an "IPART endorsed" contribution rate for the purpose of calculating the council's gap funding.

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recommendations as well as new design and costing information that was unrelated to our draft recommendations. We made further requests for information from the council in relation to the revised cost estimates it proposed in response to our draft assessment.

We published a Draft Report in May 2020 and invited submissions from interested stakeholders. We received three submissions (including one from the council, which responded to each of our draft recommendations, one from an organisation, and one from an individual) and have considered all feedback in preparing this Final Report. Stakeholder submissions to our Draft Report are listed in Appendix F, and the two non-confidential submissions are published on our [website](#).

## **2.3 What happens next?**

The Minister, or his Nominee, will consider our assessment and, if appropriate, request the council to amend its contributions plan. Once the council has made the requested amendments, the plan becomes an IPART-reviewed plan and the council may levy contributions in accordance with the adopted plan.

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## 3 Overview of plan

CP13 (2018) applies to development in the North Kellyville Precinct in North West Sydney. The precinct's zoning for urban development occurred in 2008.

### 3.1 Status of CP13 (2018)

The currently-adopted CP13 came into force in July 2010 (CP13 (2010)). IPART completed an assessment of this plan in October 2011 to enable the council to apply for gap funding from the NSW Government. The Minister made recommendations for changes to CP13 (2010) but, at that time, the council was not required to formally amend CP13 in response to the Minister's advice on IPART's assessment.<sup>10</sup>

The council prepared a revised version of CP13 and placed the draft plan on exhibition between 1 May 2018 and 1 June 2018. The council submitted the finalised draft (CP13 (2018)) to IPART for assessment. We commenced our assessment of the plan on 13 November 2018.

We completed our draft assessment of CP13 (2018) in May 2019 and provided the draft assessment to the council and DPIE for comment. On 11 June 2019, we placed our assessment of CP13 (2018) on hold while the council prepared its response to our draft assessment. We received the council's response on 24 December 2019. We reviewed the council's response and spoke to the council about the extent of the additional information provided and the implications for our process before resuming our assessment on 21 January 2020.

We published a Draft Report on 15 May 2020 to enable public consultation on the new information provided by the council. After considering feedback on the Draft Report, we published this Final Report on 21 July 2020.

### 3.2 Land and development in the North Kellyville Precinct

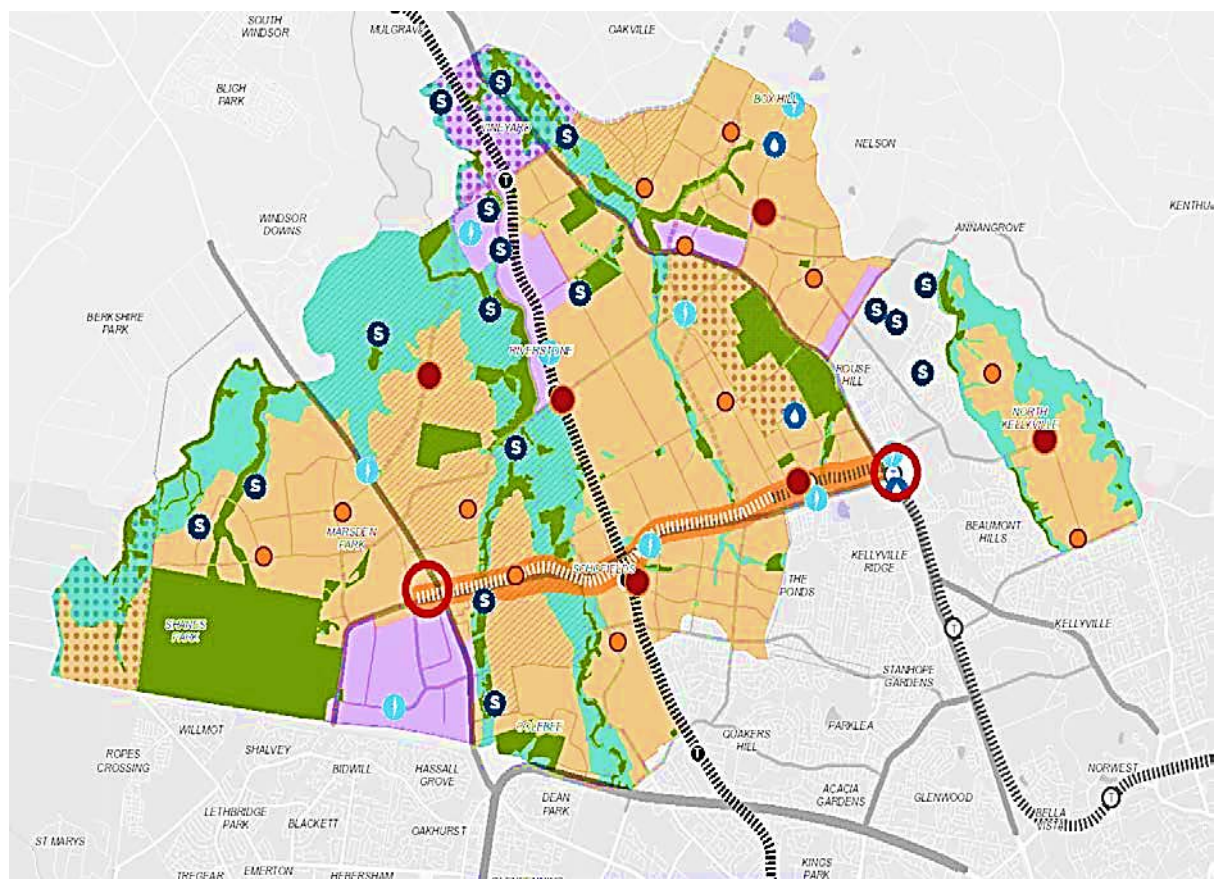
As shown in Figure 3.1, the North Kellyville Precinct is one of the precincts in the North West Growth Area. It is the eastern-most precinct, and is separated from the remaining precincts by the suburbs of Rouse Hill and Beaumont Hills. It is bounded by Smalls Creek to the west, Cattai Creek to the east and north and Samantha Riley Drive to the south.

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<sup>10</sup> The Department of Planning used IPART's recommendations to determine an "IPART endorsed" contribution rate for the purpose of calculating the council's gap funding.



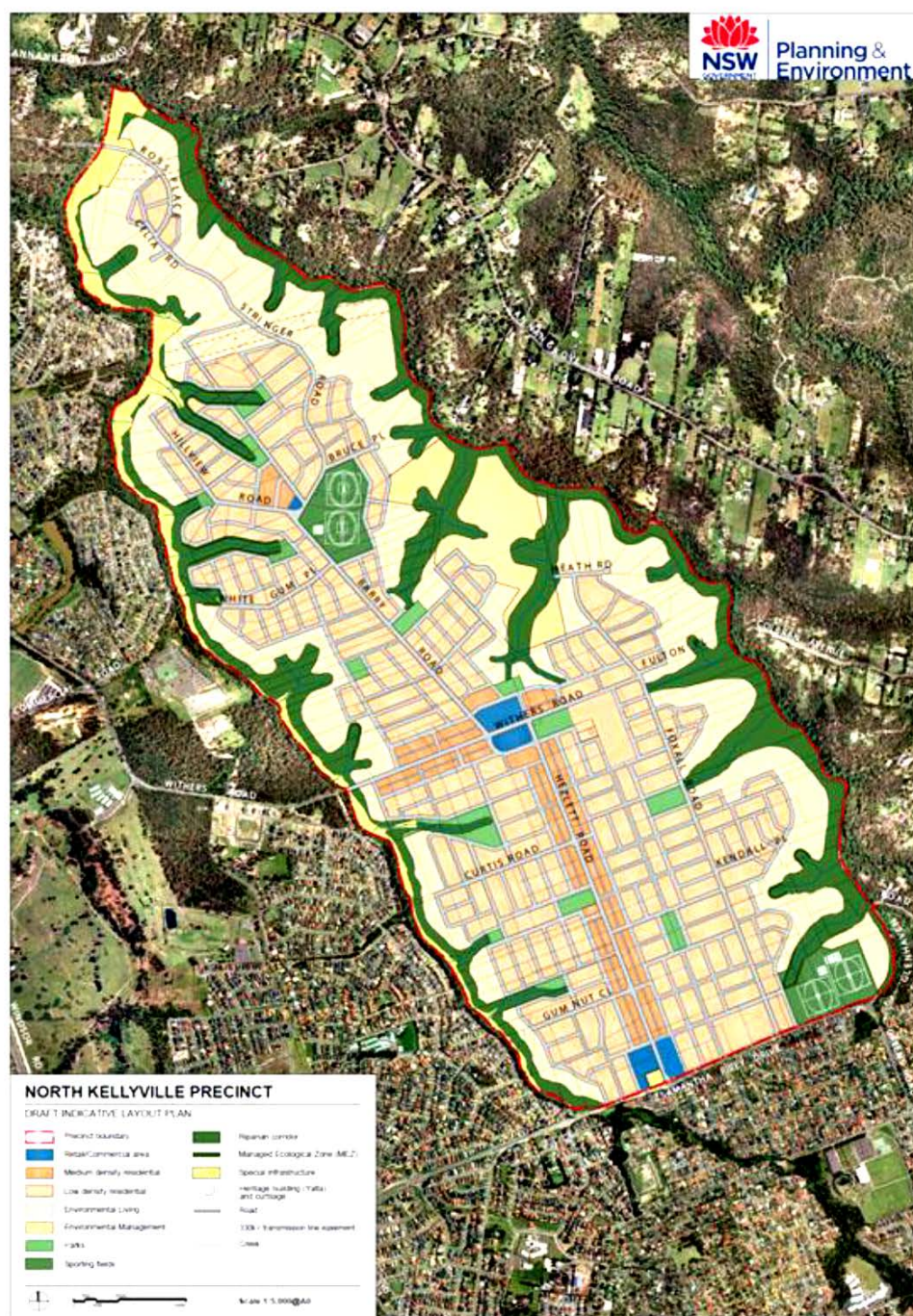
**Figure 3.1 North West Growth Area and location of North Kellyville Precinct**



**Source:** DPE, North West Priority Growth Area, Land Use and Infrastructure Implementation Plan, <https://www.planning.nsw.gov.au/Plans-for-your-area/Priority-Growth-Areas-and-Precincts/North-West-Growth-Area/~media/93D18F10B9964D6088DEAEDE943951E0.ashx>.

Figure 3.2 is the North Kellyville Indicative Layout Plan (ILP), showing the broad level development outcomes for the precinct, and the boundary of the precinct to which CP13 (2018) applies. There is no change to the catchment boundary between CP13 (2010) and CP13 (2018).

**Figure 3.2 North Kellyville Precinct Indicative Layout Plan**



**Source:** North Kellyville Development Control Plan, March 2018, p 41.

Development in the North Kellyville Precinct will primarily be residential, accommodating an anticipated population of 20,593 people in approximately 7,250 dwellings.<sup>11</sup> Medium density development is located along the main transport corridors and adjacent to the non-residential development.

<sup>11</sup> CP13 (2018), Table 2.



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Non-residential development in North Kellyville comprises:

- ▼ Two smaller areas zoned B1 Neighbourhood Centre, which will accommodate retail/commercial development – the Stringer Road Neighbourhood Centre in the north and the Hezlett Road Neighbourhood Centre at the southern boundary
- ▼ The North Kellyville Town Centre, zoned B2 Local Centre, which will be the focus for the precinct's residents with a mix of retail, commercial, community, educational, recreational and residential uses, and is in the middle of the precinct.<sup>12</sup>

CP13 (2018) provides for contributions to be levied only on residential development (see section 3.4).

The council expects that development will occur over approximately 15 years (2010 to 2024). Since 2010, approximately 70% of the originally anticipated residential development has occurred. Taking into account the revised yield and population projections in the amended draft plan, approximately 52% of the revised anticipated residential development has occurred.<sup>13</sup>

### **3.2.1 Changes to population projections**

Since we assessed CP13 (2010), the council's estimates of the residential population to be accommodated in North Kellyville Precinct have been revised. The revised estimates account for:

- ▼ Higher development yields arising from the NSW Government's Housing Diversity initiatives within the Growth Centre Precincts (in particular, application of minimum density targets without an associated maximum density limitation)
- ▼ Higher dwelling occupancy rates based on the 2016 Census.

The anticipated residential population in the plan's catchment area has increased from 15,563 people in CP13 (2010) to 20,593 people in CP13 (2018). The current projections are in Table 3.1. Noting inconsistencies in occupancy rates, the council provided a revised Table 2 for CP13 (2018),<sup>14</sup> on which Table 3.1 is based.

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<sup>12</sup> North Kellyville Development Control Plan, March 2018, pp 42-43 and information from The Hills Shire Council, 20 December 2018, p 2.

<sup>13</sup> The Hills Shire Council, CP13 Application Form, p 3.

<sup>14</sup> Information from The Hills Shire Council, 1 March 2019.

**Table 3.1 North Kellyville Precinct – Residential yield, population and development potential**

| Dwelling type                                   | Total dwellings | Occupancy rate   | Population    |
|---|-----------------|------------------|---------------|
| Dwelling houses                                 | 4,600           | 3.4              | 15,410        |
| Integrated housing                              | 845             | 3.0              | 2,535         |
| Multi-unit housing (Residential flat buildings) | 1,334           | 2.0 <sup>a</sup> | 2,668         |
| Multi-unit housing (All other)                  | 125             | 2.7 <sup>a</sup> | 337           |
| Seniors   | 339             | 1.2              | 407           |
| <b>Total</b>                                    |                 |                  | <b>21,357</b> |
| <b>Existing</b>                                 |                 |                  | <b>765</b>    |
| <b>Net total (new development)</b>              |                 |                  | <b>20,593</b> |

<sup>a</sup> Average rate calculated based on an anticipated mix of bedrooms across all Multi unit housing development of each type. Contributions payable for individual developments will be calculated having regard to the specific mix of dwellings proposed within each individual development.

**Note:** Numbers may not add due to rounding.

**Source:** Information from The Hills Shire Council 1 March 2019, revising CP13 (2018) Table 2, section 3.1.2.

### 3.3 Cost of land and works in CP13 (2018)

The total cost of land, works and administration in CP13 (2018) is \$271.56 million (\$Jun2017), comprising:

- ▼ \$129.58 million for the acquisition of land for local infrastructure
- ▼ \$139.89 million for local infrastructure works
- ▼ \$2.10 million for plan preparation and administration.

### 3.4 Contribution rates in CP13 (2018)

The council uses a net present value (NPV) approach to calculate the contribution rates in CP13 (2018). Contributions are calculated on a per person basis. Table 3.2 sets out the base contributions rates for each infrastructure category and plan administration.

**Table 3.2 Contribution rates in CP13 (2018) (\$Jun2017)**

| Infrastructure category | Residential per person |
|-------------------------|------------------------|
| Transport               | \$5,892                |
| Stormwater management   | \$1,636                |
| Open space              | \$7,837                |
| Community services      | \$240                  |
| Plan administration     | \$115                  |
| <b>Total</b>            | <b>\$15,721</b>        |

**Source:** CP13 (2018) Table Contributions by category (2017/18), p 5 and IPART calculations.

The plan contains provisions to index the contribution rates by 2.5% each year.

CP13 (2018) does not levy contributions on non-residential development. The council considers the negligible amount of non-residential floor space achievable within the precinct will not give rise to additional demand for local infrastructure.<sup>15</sup>

Non-residential development in the Town Centre was levied under the council's *Section 7.12 Contributions Plan*. Traffic infrastructure surrounding the Town Centre has been included within this *Section 7.12 Contributions Plan*.<sup>16</sup> However, contributions for residential and mixed use development in the B2 zone containing a residential component will be levied per dwelling in accordance with CP13 (2018) (see section 3.4.2).<sup>17</sup>

### 3.4.1 Indicative residential contributions

Indicative contributions for residential development are based on the council's assumed household occupancy rates for various sized lots. Where a proposed development will have multiple dwellings on a single allotment, the contribution amount is determined by the number of bedrooms in each dwelling which are to be constructed on that lot. Table 3.3 sets out the indicative contributions for the different sized lot and dwellings. The rates in the table differ slightly from those in the published version of the draft plan as the council advised us of changes to the residential yield, population and development potential data, which are used to calculate the indicative residential contributions.<sup>18</sup>

**Table 3.3 Indicative residential contributions per lot and dwelling sizes (\$Jun2017)**

| Type of residential development | Number of dwellings | Indicative contribution per dwelling |
|---------------------------------|---------------------|--------------------------------------|
| Dwelling houses                 | 4,600               | 53,450                               |
| Integrated housing              | 845                 | 47,162                               |
| Senior housing <sup>a</sup>     | 339                 | 18,865                               |
| Multi-unit housing <sup>b</sup> |                     |                                      |
| 4 bedroom                       | 125                 | 55,022                               |
| 3 bedroom                       | 267                 | 40,873                               |
| 2 bedroom                       | 734                 | 33,013                               |
| 1 bedroom                       | 333                 | 23,581                               |

<sup>a</sup> Housing built under *State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004*. This rate also applies to Boarding house rooms.

<sup>b</sup> Multi-unit housing includes attached dwellings, multi-dwelling houses and residential flat buildings, including those in mixed use developments.

**Source:** CP13 (2018) Table Contributions by Dwelling Type, p 2, and Information from The Hills Shire Council, 1 March 2019 revising Table 2 Residential yield, population and development potential, p 17.

<sup>15</sup> Information from The Hills Shire Council, 20 December 2018.

<sup>16</sup> For example, the Woolworths development within the Town Centre, which is the only example of commercial-only development within the precinct, was levied under the s 7.12 contributions plan.

<sup>17</sup> CP13 (2018) Table 6: Contribution Rate Schedule, and THSC, Application Form, p 8.

<sup>18</sup> Information from The Hills Shire Council, 1 March 2019.

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### **3.4.2 Credits and exemptions**

Contributions are levied on any residential development that will increase the population over and above that which existed on 19 December 2008 (approximately 765 people), and which will create a demand for the provision of local infrastructure. A credit will be made available for any existing lot with an approved dwelling that existed on or before that date, but not to existing vacant parcels.<sup>19</sup>

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<sup>19</sup> CP13 (2018), section 2.16 and Table 2.

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## 4 Transport

The total cost of transport infrastructure in CP13 (2018) is \$102.33 million (37.7% of total costs), comprising:

- ▼ \$10.51 million for land (8.1% of the total cost of *land*)
- ▼ \$91.82 million for works (65.6% of the total cost of *works*).

Our assessment of the plan's provisions for transport infrastructure is:

- ▼ **Criterion 1: Essential works** – The land and works for transport are consistent with the essential works list.
- ▼ **Criterion 2: Nexus** – Nexus is established for the transport land and works in the plan. Nexus is also established for some of the additional transport works proposed by the council.
- ▼ **Criterion 3: Reasonable costs (works)** - Transport costs are reasonable for bus shelters. The cost of other transport items should be updated, including for actual costs, site-specific cost estimates and tender prices provided by the council.
- ▼ **Criterion 5: Apportionment** - The council's approach to apportioning transport costs to residential development is reasonable. We have recommended a change to the apportionment of costs for the Northern Connection Road between CP13 and neighbouring contributions plans.

Our assessment of land for transport against **Criterion 3 (Reasonable cost)** is in Chapter 9.

Based on our findings, we recommend adjustments to the plan that we estimate would reduce the cost of transport works by \$17.75 million (19.3%). Our findings and recommendations are summarised in Table 4.1.

**Table 4.1 IPART-recommended adjustments for transport infrastructure (\$Jun2018)**

| Criterion                              | Finding  | Recommendation   | Land              | Works             |
|--|--|--|-------------------|-------------------|
| <b>Total costs in plan (\$Jun2017)</b> |  |  | <b>10,505,345</b> | <b>91,824,573</b> |
| <b>Essential works</b>                 | All land and works are on the essential works list   |  |                   |                   |
| <b>Nexus</b>                           | Nexus is established for the land and works in the plan  |  |                   |                   |
|  | Nexus is also established for one additional roundabout  | Include one roundabout   |                   | 435,000           |
| <b>Reasonable cost</b>                 | The following costs are not reasonable:  |  |                   |                   |
| Cycleway bridges                       | The cost estimate for a cycleway bridge should be updated for actual costs   | Update with actual costs   |                   | -47,002           |
| New road                               | Use of IPART benchmark costs is not reasonable   | Apply unit rate of \$7,779/m   |                   | -448,222          |
| Road upgrades                          | Revised costs based on actual costs, site-specific estimates and tender prices are mostly reasonable   | <ul style="list-style-type: none"> <li>▼ Update actual costs where applicable</li> <li>▼ Use site-specific estimates and tender prices where applicable</li> </ul>   |                   | -9,133,156        |
| Roundabouts (single-lane)              | Project Management (PM) and design allowances are double-counted for NKR04   | Remove PM and design allowances  |                   | -21,500           |
| Roundabouts (two-lane)                 | <ul style="list-style-type: none"> <li>▼ For two roundabouts, assumptions about quantities and unit rates and a 30% contingency allowance are not reasonable</li> <li>▼ The council's revised cost for one roundabout is reasonable</li> </ul> | <ul style="list-style-type: none"> <li>▼ For two roundabouts, revise costs based on Axxess advice, adjust PM and design allowances and apply 20% contingency allowance</li> <li>▼ Revise cost of one roundabout based on site-specific estimate</li> </ul> |                   | -5,117,788        |
| Signalised intersections               | Revised cost for Samantha Riley Drive/Hezlett Road intersection is mostly reasonable   | <ul style="list-style-type: none"> <li>▼ Revise cost based on site-specific estimate</li> <li>▼ Apply 20% contingency allowance</li> </ul>   |                   | 1,679,414         |
| Bridges                                | Northern Connection Road: <ul style="list-style-type: none"> <li>▼ A recent site-specific cost estimate is more reasonable</li> <li>▼ 30% contingency allowance is not reasonable</li> <li>▼ The bridge may be funded through a SIC</li> </ul> | <ul style="list-style-type: none"> <li>▼ Revise costs based on Opus estimates</li> <li>▼ Apply 20% contingency allowance</li> <li>▼ Remove costs if funded through a SIC (not costed)</li> </ul>   |                   | -2,497,111        |
|  | Revised cost for Withers Road Bridge is mostly reasonable  | <ul style="list-style-type: none"> <li>▼ Revise cost based on consultant estimate</li> <li>▼ Apply a 20% contingency allowance</li> </ul>  |                   | -1,230,110        |



|  |   |   |  |
|--|---|---|--|
| Cycleways                                      | ▼ Use of IPART benchmark cost is not reasonable                                       | ▼ Apply unit rate of \$250 per linear metre<br>▼ Include PM and design allowances and 30% contingency allowance | -1,545,351   |
|  | Transport works not subject to a recommendation should be updated for indexation      | Update costs for bus shelters, cycleway bridges and an intersection   | 171,518  |
| Land <sup>a</sup>                              | Some estimated costs should be updated with actual expenditure                        | Update estimated costs with actual expenditure incurred   | 60,774   |
|  | Application of different rates for constrained land based on zoning is not reasonable | Adjust cost of constrained land that is yet to be acquired, reflecting a value of \$100/m <sup>2</sup>          | -18,270  |
| <b>Apportionment</b>                           | Approach is mostly reasonable   |   |  |
|  | Use the latest available data to apportion costs for NKB01 between CP13 and CP15      | Apportion 33% of the road/bridge upgrade cost to CP13   | Reflected in bridges recommendation - Northern Connection Road |
| <b>Total IPART-recommended cost adjustment</b> |   |   | <b>42,504 -17,754,308</b>                                      |
| <b>Total IPART-assessed reasonable cost</b>    |   |   | <b>10,547,849 74,070,265</b>                                   |

<sup>a</sup> Our assessment of the reasonable cost of land is in Chapter 9.

Source: CP13 (2018) Works Schedule and IPART analysis.

## 4.1 Overview of transport infrastructure

CP13 (2018) includes land and works for roads and other transport infrastructure.

In response to our draft assessment, the council proposed the following additional transport works:

- ▼ Two roundabouts adjoining Samantha Riley Drive Reserve and the Stringer Road Sports Complex respectively.
- ▼ 1,369 linear metres of cycleway.

The council also proposed changing the scope of two existing projects, including:

- ▼ Changing the treatment for the intersection of Hezlett Rd and Gum Nut Close from a two lane roundabout to a signalised intersection [NKR02].
- ▼ The upgrade of Samantha Riley Drive, by proposing an additional 300 linear metres be included in the plan.

The council also provided revised costs for:

- ▼ Sub-arterial road upgrades to:
  - Samantha Riley Drive [NKNR01]
  - Hezlett Road [NKNR02]
  - Withers Road [NKNR03]
  - Glenhaven Road [NKNR05]
- ▼ A two-lane roundabout at the intersection of Hezlett Road and Curtis Road [NKR03]
- ▼ Cycleways
- ▼ The signalised intersection of Hezlett Road and Samantha Riley Drive [NKT01]
- ▼ The bridge over Smalls Creek on Withers Road [NKB02].

Some of these revised costs are based on updated advice the council commissioned from consultants.

Table 4.2 compares the total cost for transport works in the plan that was publicly exhibited and submitted by the council for IPART's review with the council's response to our draft assessment. It shows that the council's total revised transport works costs are \$2.64 million lower than the transport works costs in the plan originally submitted by the council.

The council's revised costs already reflect a number of our recommendations which were included in a draft assessment that was forwarded to the council.

**Table 4.2 Comparison of transport works costs (\$Jun2018)**

|                             | CP13 (2018)<br>(\$Jun2017) | Council revised<br>costs | Difference (\$)   |
|-----------------------------|----------------------------|--------------------------|-------------------|
|                             | A                          | B                        | B-A               |
| Roads                       | 55,812,743                 | 57,076,100               | 1,263,357         |
| Roundabouts                 | 11,413,612                 | 7,801,958                | -3,611,654        |
| Signalised intersections    | 1,070,037                  | 2,965,267                | 1,895,230         |
| Bridges                     | 15,445,868                 | 13,952,259               | -1,493,608        |
| Bus shelters                | 218,064                    | 225,516                  | 7,452             |
| Cycleways                   | 3,000,521                  | 12,199,563               | -1,800,958        |
| Cycleway bridges/ crossings | 4,863,729                  | 4,967,824                | 104,095           |
| <b>Total</b>                | <b>91,824,573</b>          | <b>89,188,488</b>        | <b>-2,636,085</b> |

**Note:** Column A sums to the total cost of transport in the plan. It does not include the cost of cycleways in open space.

**Sources:** CP13 (2018) Works Schedule, Council revised Works Schedule; IPART analysis.

## 4.2 Criterion 1: Essential works

We found that all land and works for transport infrastructure are consistent with the essential works list in the Practice Note. The works items in CP13 (2018) are set out in Table 4.3.

**Table 4.3 Transport works in CP13 (2018)**

| Items on the essential works list |                                |
|-----------------------------------|--------------------------------|
| New roads and road upgrades       | Bridges                        |
| Signalised intersections          | Bus shelters                   |
| Roundabouts                       | Cycleways and cycleway bridges |

### 4.3 Criterion 2: Nexus

We found that there is nexus between the land and works for transport infrastructure in CP13 (2018) and development in the precinct. We found that nexus is also established for some of the additional transport works proposed by the council and recommend that the plan is updated to include these works.

#### Recommendation

- 1 Update the plan to include an additional roundabout adjoining Samantha Riley Drive Reserve. This would increase the cost of transport works in the plan by \$435,000.

#### 4.3.1 Nexus is established for transport works in the plan

In assessing nexus for transport works in CP13 (2018), we considered:

- ▼ The technical study commissioned by the Growth Centres Commission in 2008, which the council relied on to establish nexus for transport works in CP13 (2010) and CP13 (2018).
- ▼ The finding from our assessment of CP13 (2010) that nexus was established for all transport works in the plan.
- ▼ The inclusion of three additional cycleway bridges that were not included in CP13 (2010), despite being identified in the technical study.
- ▼ The inclusion of an additional roundabout and signalised intersection that were not identified in the technical study.
- ▼ The impact of a higher projected population in the precinct on the need for transport infrastructure.

We found that the supporting technical study listed in Table 4.4 establishes nexus for most transport land and works in the plan.

**Table 4.4 Technical study for transport infrastructure in CP13**

| Author                     | Title   | Date            |
|----------------------------|---|-----------------|
| Maunsell Australia Pty Ltd | <i>North Kellyville Precinct Planning, Traffic and Transport Assessment</i> | 18 January 2008 |

**Note:** The technical study was commissioned by the Growth Centres Commission.

CP13 (2018) assumes there will be a net increase in residential dwellings of 7,243, which is 2,743 (61%) more dwellings than the estimate used in the technical study which supported precinct planning. The council advised that it has undertaken extensive traffic modelling in

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the relevant locations to ensure that the intersection designs will meet the demands associated with the new residential yield.

Also, the council notes there are now 'zoned constraints' and approved developments at critical intersections that will limit the capacity of several intersections, which it has factored into all relevant design work and costings.<sup>20</sup> We found that the council has adequately considered the impact of a higher population in the precinct on the need for transport infrastructure and included additional infrastructure to meet this need.

We found that CP13 (2018) includes three cycleway bridges (at Curtis Road, Wellgate Avenue and Hillview Road) that were not included in CP13 (2010), despite being identified in the technical study. A recent report prepared by council officers explains:

The provision of three (3) new cycleway bridges over Smalls Creek will enable better connection between development within the North Kellyville precinct and the broader open space and recreation network including the existing cycleway along Smalls Creek and Kellyville Netball Complex...<sup>21</sup>

We asked the council to explain why these three cycleway bridges were not included in CP13 (2010) given they were recommended by the technical study. The council advised that the bridges were omitted by error and that inclusion of these items through the current amendments is supported by the existing transport study.<sup>22</sup> We consider nexus is established for the additional three cycleway bridges based on their inclusion in the technical study and the council's explanation related to providing an adequate level of service for an increased population.

The council has included two additional items that were not identified in the technical study:

- ▼ An additional roundabout [NKR05], which the council has included to accommodate increased traffic flow as a result of additional yield within the precinct beyond that envisaged at the time of rezoning and completion of intersection analysis.
- ▼ A signalised intersection [NKR02] at Hezlett Road and Gum Nut Close, which the council has included to maximise pedestrian safety and accessibility to a school. The council clarified that while a signalised intersection will be provided, CP13 will only fund the cost of a roundabout at this location. The development consent requires the school to fund the additional cost (ie, the difference) of the signalised intersection.<sup>23</sup>

We consider the council's explanations for inclusion of these additional items establishes nexus.

We note that the council provided a revised cost for the signalised intersection [NKR02] in response to our draft assessment.<sup>24</sup> This revised cost does not affect our assessment that nexus is established for the cost of a roundabout only at this location; it is relevant to the amount payable by the school.

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<sup>20</sup> Information from The Hills Shire Council, 1 March 2019.

<sup>21</sup> The Hills Shire Council, Report, Review of Contributions Plan 13 – North Kellyville Precinct (FP146), Item 3, 10 April 2018, p 53.

<sup>22</sup> Information from The Hills Shire Council, 1 March 2019.

<sup>23</sup> The Hills Shire Council, *Contributions Plan No 13 North Kellyville Precinct*, p 37 and Information from The Hills Shire Council, 20 December 2018. We note that the council provided revised costs for the signalised intersection at this location in its response to our draft assessment. This does not change our assessment that nexus is established for a roundabout.

<sup>24</sup> Information from The Hills Shire Council, 24 December 2019.

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#### **4.3.2 Nexus is established for some additional transport works proposed by the council**

We considered the additional transport works proposed by the council in its response to our draft assessment and found that nexus is established for some of these works.

##### **Nexus is established for one additional roundabout adjoining open space**

In response to our draft assessment, the council proposed additional roundabouts adjoining open space at the Samantha Riley Drive Reserve and Stringer Road Sports Complex. The council provided the following information to support the need for these roundabouts:

These roundabouts service the reserves but are located in the adjacent road carriageway and their purpose is to provide traffic control for the ovals when there is high traffic flow; potentially 200 vehicles moving in and out of the field. A Traffic and Parking Impact Assessment will be conducted as part of the approval which will make recommendations on vehicular and pedestrian movements as a result of the increased amenity the reserve brings. From previous experience we expect that a recommendation will be made to include roundabouts or similar traffic devices to allow safe egress and entry from the reserve.<sup>25</sup>

The council clarified that the proposed roundabout at the Stringer Road Sports Complex was additional to the Stringer Road roundabout already included in the plan:

With regard to the Stringer Road Sports Complex, while there is no certainty given that it is still in the design phase, it is anticipated that the layout of the playing fields will include the use of NKR04 as the entry point to the sports complex and a second roundabout will be needed in order to service entry to the facility.<sup>26</sup>

We consider that nexus is established for the roundabout adjoining Samantha Riley Drive Reserve but not for a second roundabout for entry into the Stringer Road Sports Complex.

##### **Roundabout at Samantha Riley Drive Reserve**

We note that the roundabout at Samantha Riley Drive Reserve is not supported by the concept plans or other sources such as the precincts Indicative Layout Plan (see Figure 4.1). However, in the absence of the Traffic and Parking Impact Assessment or other technical studies, we consider that the advice of the council officers regarding the need for this roundabout is acceptable in establishing nexus in this instance. The council's advice is based on its experience in delivering similar facilities, and we consider this is reasonable given:

- ▼ The purpose of the roundabout - to ensure vehicles can enter and exit the major sporting facility safely and quickly in peak periods – appears reasonable
- ▼ The proposed cost of the roundabout is low relative to the total transport costs in the plan.

The council's proposed estimated cost of the additional roundabout is \$300,000, plus allowances for design (7.5%), project management (7.5%) and contingency (30%). This cost is similar to comparable roundabouts in this plan and other plans we have recently assessed, including the council's CP17 for Castle Hill North, which has a similar roundabout at the same cost adjoining Holland Road Reserve. We consider the cost of the additional roundabout is

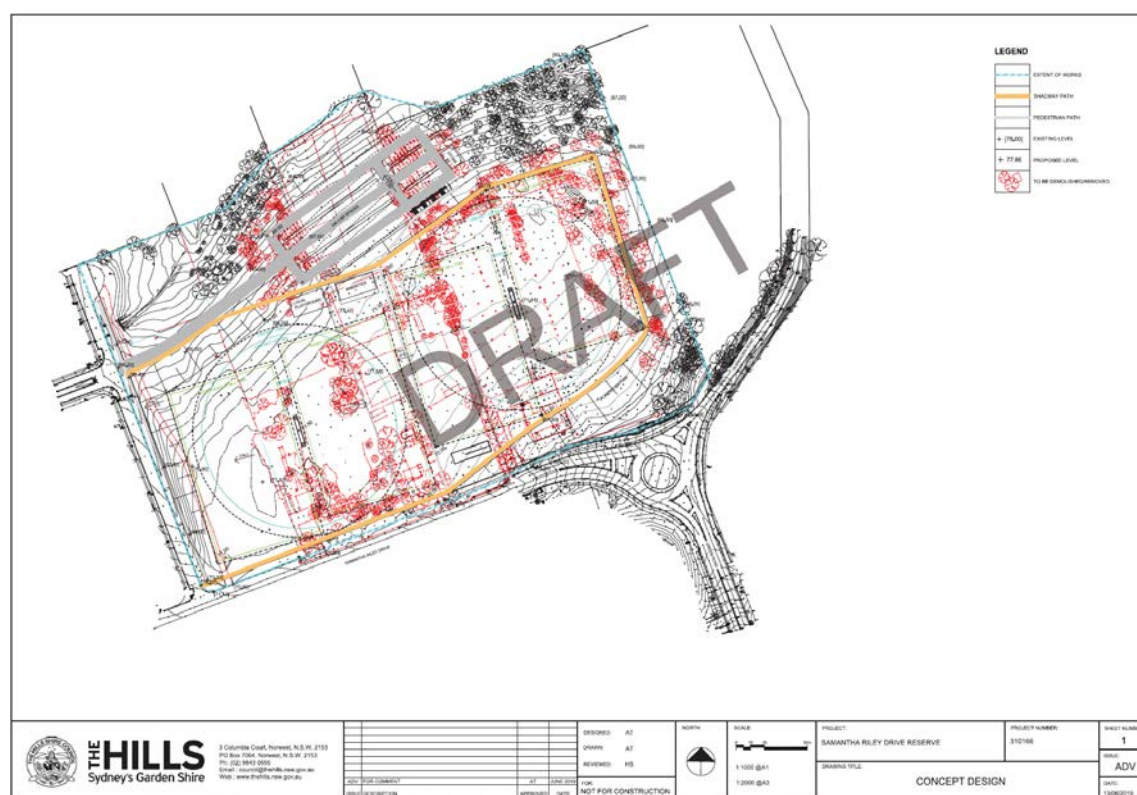
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<sup>25</sup> Information from The Hills Shire Council, 2 March 2020.

<sup>26</sup> Information from The Hills Shire Council, 15 April 2020.

reasonable and recommend that the additional roundabout is included in the plan. The council supports this recommendation.<sup>27</sup>

**Figure 4.1 Concept design for Samantha Riley Drive Reserve (2020)**



**Source:** Information from The Hills Shire Council, 27 March 2020.

### Roundabout at the Stringer Road Sports Complex

The plan includes a roundabout at Stringer Road and Barry Road that was designed as an entry roundabout to the sporting facility. We consider that the council has established nexus for this entry roundabout, but has not provided sufficient evidence to establish nexus for a second roundabout, given its proximity to the existing roundabout in the plan.

### Nexus is not established for the additional length of Samantha Riley Drive

CP13 (2018) includes the cost of upgrading 1,425 metres of Samantha Riley Drive.

The 2008 Maunsell Australia technical study<sup>28</sup> establishes nexus for the four-lane upgrade of Samantha Riley Drive between Smalls Creek and Green Rd, a length of 1,280 metres.

Despite the difference in road lengths, we consider that nexus is established for the 1,425 metres of road included in the plan as it corresponds to the length of Samantha Riley Drive along the south eastern boundary of the North Kellyville Precinct. This length is unchanged from CP13 (2010), for which we found nexus was established.

<sup>27</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>28</sup> See Table 4.4.



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In its response to our draft assessment, the council included the cost of upgrading 1,750 metres of Samantha Riley Drive, which is an increase of 325 metres compared with the plan submitted for assessment. The additional 325 metres is outside the North Kellyville Precinct.

The council's detailed designs for the upgrade of Samantha Riley Drive include this section of road, and we consider this approach to delivery of the road is reasonable.<sup>29</sup> The council's submission to our Draft Report noted that this section of road will accommodate substantial traffic volume from North Kellyville, as it provides direct vehicular access to Kellyville Railway Station and is an access point to the major arterial roads of Windsor and Old Windsor Road.<sup>30</sup>

However, in the absence of a technical study or transport modelling establishing that demand from the North Kellyville precinct necessitates this section of road upgrade outside the precinct, we do not consider that nexus is established for this additional length of road.

#### **4.4 Criterion 3: Reasonable costs**

In assessing whether the costs of transport works in CP13 (2018) are reasonable we have also considered the revised costs for some items that the council provided in response to our draft assessment.

We have found that:

- ▼ The use of actual costs for completed works is reasonable.<sup>31</sup>
- ▼ The costs of bus shelters and single-lane roundabouts, based on IPART benchmark costs, are reasonable in the absence of site-specific costings or other comparable costing sources, however, allowances for single-lane roundabouts are not reasonable.
- ▼ The cost of a signalised intersection at Withers Road and Barry Road, based on a lump sum estimate, is reasonable.
- ▼ The costs of cycleway bridges and crossings, based on a unit rate from CP13 (2010), are reasonable. However, for bridge NKCC02, which was completed since the plan was submitted, the council should replace the estimate with the actual cost.
- ▼ The cost of Samantha Riley Drive should be updated to reflect actual costs incurred to date for completed sections. For the remaining section, the cost of the road should be based on a recent tender price approved by the council plus some additional costs for interim traffic management, street trees and site stabilisation, power relocation, and a property adjustment.
- ▼ The costs of Hezlett and Withers Roads should be updated to reflect the council's revised cost estimates based on consultant advice and a lower allowance for contingency.
- ▼ The cost of Glenhaven Road should be updated to reflect the IPART benchmark rate for four-lane sub-arterial roads.

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<sup>29</sup> Information from The Hills Shire Council, 24 December 2020 (Samantha Riley Drive Upgrade Plan – April 2019).

<sup>30</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>31</sup> The plan submitted indicated that only 8% of transport works costs have been incurred to date, with most of the works related to parts of projects, rather than the full completion of individual transport items. Our assessment of the reasonableness of actual costs occurred as part of our assessment of total projected costs with reference to similar completed items in other plans.

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- ▼ The cost of a signalised intersection at Samantha Riley Drive and Hezlett Road should be adjusted to reflect the council's revised site-specific cost estimate and a lower allowance for contingency.
  - ▼ The costs of bridges should be adjusted to reflect the council's revised site-specific cost estimate for the Withers Road Bridge and the Northern Connection Road (and bridge) and lower allowances for contingency.
  - ▼ The costs of two-lane roundabouts are not reasonable and should be adjusted based on our consultant costings for two roundabouts and the council's revised site-specific costing for a third roundabout, with lower allowances for contingency.
  - ▼ The cost of cycleways is not reasonable and should be adjusted based on the council's revised information using tender prices, plus a 30% contingency allowance.

## Recommendations

- 2 Update transport works costs to reflect the costs of completed works, including indexation to June 2018, by including the actual cost for a cycleway bridge [NKCC02].
- 3 Reduce the cost of the town centre bypass road [NKNR04] by \$448,222, reflecting a lower unit rate of \$7,779/m for delivery of the remaining section of road.
- 4 Reduce the cost of sub-arterial road upgrades [NKNR01, NKNR02, NKNR03, NKNR05] by \$9,133,156 to reflect updated actual costs and more recent site-specific estimates, comprising:
  - A decrease of \$2,882,017 for Samantha Riley Drive
  - A decrease of \$5,439,806 for Hezlett Road
  - A decrease of \$357,666 for Withers Road
  - A decrease of \$453,667 for Glenhaven Road.
- 5 Increase the cost of the signalised intersection at Hezlett Road and Samantha Riley Drive [NKT01] by \$1,679,414 to \$2,369,932 to reflect the council's revised cost estimate.
- 6 Reduce the cost of the Northern Connection Road [NKB01 and NKB01A] by \$2,497,111, reflecting updated cost estimates prepared by the council's consultant, Opus, a lower contingency allowance and our recommendation on a revised apportionment of cost (Recommendation 13).
- 7 Remove costs for the Northern Connection Road upgrade from the plan if it is funded through a Special Infrastructure Contribution.
- 8 Reduce the cost of Withers Road Bridge [NKB02] by \$1,230,110, reflecting updated cost estimates prepared by the council's consultant, Calibre Consulting, and a lower contingency allowance.
- 9 Reduce the cost of a single-lane roundabout [NKR04] by \$21,500, reflecting the removal of allowances for project management and design.
- 10 Reduce the cost of two-lane roundabouts [NKR01, NKR02 and NKR03] by \$5,117,788, reflecting revised quantities and unit rates, and lower allowances for project management, design and contingency.



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- 11 Reduce the cost of cycleways by \$1,545,351 reflecting a lower unit rate of \$250 per linear metre.
  - 12 Index the cost estimates of works for bus shelters, an intersection and cycleway bridges that are not otherwise subject to a recommendation to the revised base period of the plan (\$Jun2018), increasing costs by \$171,518.

#### **4.4.1 The council has provided updated actual costs and revised cost estimates for many transport works items**

In assessing whether the costs of transport works in CP13 (2018) are reasonable, we considered:

- ▼ The relevant recommendations from our assessment of CP13 (2010) and the Minister's response to these recommendations
- ▼ The cost of transport works already constructed
- ▼ The basis for estimates and resulting costs of works not yet constructed
- ▼ The council's response to our draft assessment, which included updated actual costs and revised cost estimates for many transport works items
- ▼ The council's submission to our Draft Report, which included responses to our draft recommendations.

As suggested by the Minister in his response to our assessment of CP13 (2010), the council has revised its costings for all transport items.

In relation to contingency allowances, we note that the council has not followed the Minister's advice to revise the allowance to a maximum of 15% for all capital works. This is because IPART's 2014 Benchmark Report subsequently recommended different contingency allowances based on the stage of a project. We have assessed the reasonableness of the council's application of contingency allowances for each transport item based on the costing approach, the stage of a project, the Minister's advice and the 2014 Benchmark Report.

#### **4.4.2 Actual costs are reasonable**

For infrastructure already constructed, the plan includes the actual cost of construction to the base period of the contributions plan (June 2017). In Chapter 9, we recommend that the council update the base year of the plan to June 2018 and include an additional year of actual costs.

This includes updating the actual cost in the plan for a cycleway bridge [NKCC02], which was completed prior to the revised base period of the plan.

The council has completed only 8% of transport infrastructure in CP13 (2018), as shown in Table 4.6.

**Table 4.6 Transport works costs in CP13 (2018) (\$Jun2017)**

|                                | Actual (\$)      | Projected (\$)    | Total(\$)         |
|--------------------------------|------------------|-------------------|-------------------|
| Roads                          | 3,912,077        | 51,900,666        | 55,812,743        |
| Roundabouts                    | 1,016,984        | 7,951,744         | 8,968,728         |
| Signalised intersection        | 1,289,039        | 2,225,882         | 3,514,920         |
| Bridges                        | 0                | 15,445,868        | 15,445,868        |
| Bus shelters                   | 0                | 218,064           | 218,064           |
| Cycleways and cycleway bridges | 727,180          | 7,137,069         | 7,864,250         |
| <b>Total (\$)</b>              | <b>6,945,281</b> | <b>84,879,293</b> | <b>91,824,573</b> |
| <b>Total (%)</b>               | <b>8%</b>        | <b>92%</b>        | <b>100%</b>       |

**Source:** The Hills Shire Council, CP13 (2018) Works Schedule.

For items already constructed we asked the council to provide invoices to support the actual costs incurred. We are satisfied that the actual costs in the plan reflect the costs incurred by the council. As the actual costs mainly relate to parts of projects, rather than completed projects, we assessed the reasonableness of actual costs as part of our assessment of total projected costs and with reference to similar completed items in other plans.

In response to our draft assessment, the council provided updated actual costs for part of the upgrade to Samantha Riley Drive. We have found that the actual costs which relate to the road length in the plan are reasonable. However, the cost information provided by the council also relates to part of the road where nexus is not established.

As the council did not provide a cost breakdown by roadwork stage, we have applied a unit rate derived from the actual costs of the full road upgrade to the length of the road in the plan.

#### **4.4.3 Many of the cost estimates for transport works that are not complete should be adjusted based on updated information**

The council provided revised cost estimates for many of the transport works in CP13 (2018) that are not complete, in response to our draft assessment. We have assessed the reasonableness of the cost estimates in the plan in light of the revised estimates provided by the council. The council has used a variety of approaches to estimate the costs of transport infrastructure in CP13 (2018) which it is yet to deliver.

#### **The council should revise the cost of all roads in the plan**

The cost of roads in CP13 (2018) is \$55.81 million (61% of total transport works costs). This comprises:

- ▼ A new road (\$2.58 million), which has partly been delivered by a developer, and
- ▼ Upgrades to existing roads (\$53.23 million).

#### **New road – town centre bypass**

CP13 (2018) includes the construction of one new road, the town centre bypass [NKNR04]. Table 4.7 shows the council's proposed costs for the bypass road and our assessment.

**Table 4.7 Cost of town centre bypass road and our assessment (\$Jun2017)<sup>a</sup>**

|                                | Unit rate<br>(\$/lm) | Length<br>(metres) | Base cost (\$)   | Contingency    | Total (\$)       |
|--------------------------------|----------------------|--------------------|------------------|----------------|------------------|
| <b>CP13 (2018)</b>             |                      |                    |                  |                |                  |
| Deed of Agreement <sup>b</sup> | 7,621                | 140                | 1,016,588        | -              |                  |
| IPART benchmark cost           | 10,891               | 120                | 1,306,946        | <b>261,389</b> |                  |
| <b>Total</b>                   |                      |                    | <b>2,323,534</b> |                | <b>2,584,923</b> |
| <b>IPART assessment</b>        |                      |                    |                  |                |                  |
| Deed of Agreement              | 7,621                | 140                | 1,016,588        |                |                  |
| Tender price <sup>c</sup>      | 7,779                | 120                | 933,429          | <b>186,686</b> |                  |
| <b>Total</b>                   |                      |                    | <b>1,950,017</b> |                | <b>2,136,701</b> |
| <b>Difference (\$)</b>         |                      |                    |                  |                | <b>-448,222</b>  |
| <b>Difference (%)</b>          |                      |                    |                  |                | <b>-17%</b>      |

a Values are to June 2017 to show the cost relative to the plan submitted.

b The council advised this part of the road has been delivered by the developer.

c The tender price was \$1,089,000, however, the final Deed of Agreement capped the reimbursement to the developer at \$1,016,588.

**Source:** IPART analysis, Information provided by The Hills Shire Council, 16 November 2018, CP13 (2018) Works Schedule.

The portion of the road which has been delivered by the developer represents around 44% of the total cost of this item in the works schedule, even though it is 54% of the length. This is because the council has used the IPART benchmark cost<sup>32</sup> for a new sub-arterial road (\$10,891 per linear metre)<sup>33</sup> for the remaining segment, which is higher than the average cost from the developer's tender price (\$7,779 per linear metre) and the cost from the Deed of Agreement between the council and the developer (\$7,621 per linear metre).

Our October 2018 Information Paper on how to use IPART benchmark costs<sup>34</sup> explained our preference that councils use site-specific cost estimates. However, when we asked why it had used the IPART benchmark cost in this context, the council noted that it had revised the contributions plan prior to IPART releasing its Information Paper on the use of benchmark costs, and at the time it considered the use of the benchmark costs was reasonable and best practice.<sup>35</sup>

Rather than the IPART benchmark cost, in this instance we recommend that the council apply the average (per linear metre) cost from the developer's tender price to estimate the costs for the remaining portion of the road to be delivered.

The reduction in cost for the town centre bypass road NKR04 would be \$0.45 million, reflecting a lower unit rate of \$7,779/m for delivery of the remaining section of road. The council accepts this recommendation.<sup>36</sup>

<sup>32</sup> IPART, *Benchmark costs for local infrastructure contributions*, April 2014.

<sup>33</sup> This cost is indexed to \$10,891 \$2016-17 from \$10,235 (\$2012-13) using the ABS PPI roads and construction index.

<sup>34</sup> IPART, *Guidance for contributions plans*, Information Paper, 8 October 2018.

<sup>35</sup> Information from The Hills Shire Council, 16 November 2018.

<sup>36</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

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## Sub-arterial road upgrades

CP13 (2018) includes four upgrades of existing roads to a 4-lane sub-arterial standard:

- ▼ Samantha Riley Drive [NKNR01]
- ▼ Hezlett Road [NKNR02]
- ▼ Withers Road [NKNR03]
- ▼ Glenhaven Road [NKNR05].

The total cost of the upgrades is \$53.23 million. The council derived the estimates using the IPART benchmark cost for a new sub-arterial road, indexed to \$2016-17 (\$10,891 per linear metre).<sup>37</sup>

The council provided new cost estimates for each of these roads in response to our draft assessment that would, in aggregate, increase the cost of sub-arterial roads in CP13 (2018) by \$1.71 million. We considered the reasonableness of these new cost estimates.

### Samantha Riley Drive [NKNR01]

The total works cost of upgrading 1,425 metres of Samantha Riley Drive is \$22.50 million, with 50% (\$11.25 million) apportioned to CP13 (2018).<sup>38</sup> This is based on the IPART benchmark cost of \$10,891 per linear metre. In its response to our draft assessment, the council revised the length of the road upgrade to 1,750 metres and advised that it has already spent \$19.0 million (50% of \$37.9 million) to deliver 1,230 metres of the road upgrade. It proposed applying a unit rate based on the completed works (\$15,424 per linear metre) to estimate the cost of the remaining road length, comprising a further 520 metres, between Hezlett Road and Foxall Road, with allowances for project management (7.5%), design (7.5%) and contingency (30%). The total revised cost for the outstanding works proposed by the council is \$9.82 million.

We asked the council to explain why it was reasonable to apply the same unit rate to the remaining road segment. The council provided an explanation, however, we subsequently noted from the council's business papers that a decision on awarding the work to a contractor was imminent. At its ordinary meeting of 24 March 2020, the council resolved to accept the tender submitted by Menai Civil Contractors Pty Ltd to undertake the work at a cost of \$2.36 million (including contingency). At the same meeting, the council resolved to allocate funding of \$2.56 million from CP13, which includes the contract value, project management costs and a property adjustment allowance of \$20,000 for provision of temporary access to Lot 22 DP 1208839. We consider the tender price for the awarded contract, apportioned 50% to the plan, is the reasonable cost for the remaining section of the Samantha Riley Drive upgrade.

The council supports the use of actual costs and the tender price to estimate the cost of upgrading Samantha Riley Drive. However, it notes that there are \$416,563 of additional costs (inclusive of a 7.5% project management allowance), of which 50% would be apportioned to CP13. These costs, for interim traffic management, street trees and site stabilisation, power relocation and a property adjustment, were not included in the tender price, but are required for the road upgrade.<sup>39</sup>

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<sup>37</sup> This cost is indexed to \$10,891 \$2016-17 from \$10,235 (\$2012-13) using the ABS PPI roads and construction index.

<sup>38</sup> The other 50% of the road upgrade is apportioned to CP08 for Kellyville/Rouse Hill.

<sup>39</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

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We consider the council's estimates of the cost of interim traffic management, power relocation and property adjustment are reasonable. The council's proposed approach to estimating the cost of street trees and site stabilisation, based on a 1.5% landscaping allowance as used in a recent North Projects costing for Hezlett Road, is reasonable. However, we have revised the council's estimate of this cost based on the revised cost of the road upgrade.<sup>40</sup> This results in total additional costs of \$218,677, of which 50% (\$109,339) should be apportioned to CP13.

We therefore recommend that the council reduce the cost of upgrading Samantha Riley Drive in CP13 (2018) by \$2.88 million to reflect updated actual costs and the cost for remaining upgrade works based on tender rates that were endorsed by the council at its meeting on 24 March 2020 and additional costs for interim traffic management, street trees and site stabilisation, power relocation and property adjustment.<sup>41</sup>

#### Hezlett Road [NKNR02]

The cost in CP13 (2018) of upgrading Hezlett Road to a sub-arterial standard is \$25.90 million, which is based on the IPART benchmark cost. In its response to our draft assessment, the council advised that it had engaged WSP in February 2019 to prepare a detailed design for the road, and North Projects to undertake a quantity survey. The council proposes that the plan be amended to reflect WSP's costing of \$20.46 million<sup>42</sup> (June 2018), which includes allowances for project management (7.5%), design (7.5%) and contingency (30%).<sup>43</sup>

The council's revised cost, which is based on WSP's detailed, site-specific estimate, is a better estimate than the cost in the plan submitted, which was based on an IPART benchmark cost. However, we consider that a lower contingency allowance of 20%, rather than the 30% proposed by the council, better reflects the risks of a project at this stage of design and delivery. A 20% contingency allowance is consistent with the advice in IPART's 2014 Benchmark Report for transport projects at the business case stage.

Updating the plan to reflect the revised base cost, allowances for project management (7.5%), design (7.5%) and contingency (20%) would reduce the cost of upgrading Hezlett Road by \$5.44 million relative to the plan submitted. The council accepts this recommendation.<sup>44</sup>

#### Withers Road [NKNR03]

The cost in CP13 (2018) of upgrading Withers Road to a sub-arterial standard is \$11.24 million, based on the IPART benchmark cost. In its response to our draft assessment, the council advised that it engaged Calibre Consulting in March 2019 to provide a revised concept design and cost estimate for the upgrade of Withers Road. The council proposes amending the plan

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<sup>40</sup> The council estimated the value of this 1.5% landscaping allowance based on an estimated road cost of \$20 million. We have revised the council's estimate by applying the 1.5% landscaping allowance to the IPART-assessed reasonable cost of the road (\$8.31 million), resulting in an allowance of \$62,307 for a total cost of \$8.37 million.

<sup>41</sup> The cost in the plan for this road is \$11.25 million, compared to the IPART-assessed reasonable cost of the road of \$8.37 million. The \$8.37 million cost is based on the total cost of tender contract plus on-costs from the council plus the council's unit rate of \$15,424 for the completed 905 metres of the road. Additional allowances of \$218,677 are added for traffic management, street trees and site stabilisation, power relocation and property adjustment. 50% of costs are apportioned to CP13(2018).

<sup>42</sup> The cost estimate from WSP was \$20.87 million. We adjusted the estimate to the base period of the plan.

<sup>43</sup> Information from The Hills Shire Council, 24 December 2019.

<sup>44</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

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to reflect the revised costing of \$11.69 million<sup>45</sup>, comprising a base cost of \$8.23 million and allowances for project management (7.5%), design (7.5%) and contingency (30%).<sup>46</sup>

The council's revised cost, which is based on a detailed and site-specific estimate, is a better estimate than the cost in the plan submitted, which was based on an IPART benchmark cost. However, we consider that a lower contingency allowance of 20%, rather than the 30% proposed by the council, better reflects the risks of a project at this stage of design and delivery. The council considers this road upgrade is still at the strategic review stage,<sup>47</sup> however, we consider the availability of a detailed site-specific estimate supports the application of a 20% contingency allowance.

Updating the plan to reflect the revised base cost, allowances for project management (7.5%), design (7.5%) and contingency (20%) would decrease the cost of upgrading Withers Road by \$0.36 million relative to the plan submitted.

#### Glenhaven Road [NKNR05]

The cost in CP13 (2018) of upgrading Glenhaven Road to a sub-arterial standard is \$4.83 million, which is based on the IPART benchmark cost. In its response to our draft assessment, the council proposed applying the unit rate of \$15,424 per linear metre derived from the actual cost of works completed on Samantha Riley Drive, plus allowances for project management (7.5%), design (7.5%) and contingency (30%).<sup>48</sup>

Given the actual costs provided by the council for Samantha Riley Drive do not directly relate to the length of the road for which nexus is established, we do not have sufficient information to accept the unit rate of \$15,424 per linear metre and allowances for the upgrade to Glenhaven Road.

We agree with the council's assessment that the area around the road is constrained, and that there is uncertainty around the final cost of the upgrade. In its submission to our Draft Report, the council proposes alternative per linear metre estimates, including a rate based on the cost estimate for Hezlett Road prepared by North Projects, the IPART benchmark rate, or a cost estimate based on sections of Samantha Riley Drive.<sup>49</sup>

We consider that the IPART benchmark rate and a 30% contingency allowance, while not ideal for use in a plan in its final stages, is the best costing source in this instance, given the uncertainty around the estimates to upgrade this road to a sub-arterial standard. Additional allowances for project management and design should not be added to the benchmark cost, as these are already accounted for. Removing these allowances and updating for indexation reduces the cost of this road upgrade by \$453,667 relative to the plan submitted.

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<sup>45</sup> The cost estimate from Calibre Consulting was \$11.93 million. We adjusted the estimate back to the base period of the plan.

<sup>46</sup> Information from The Hills Shire Council, 24 December 2019.

<sup>47</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>48</sup> Information from The Hills Shire Council, 24 December 2019.

<sup>49</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.



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### **Use of IPART benchmark costs for single-lane roundabouts is reasonable but some allowances are double-counted**

There are two single-lane roundabouts on collector roads in CP13 (2018), which represent \$1.0 million or 1% of total transport works costs in the plan.

The council has estimated the cost of each roundabout based on the IPART benchmark cost of \$351,596 (\$2016-17). We consider this is reasonable in the absence of site-specific costings or other comparable costing sources.

The council has inconsistently applied allowances for the single-lane roundabouts in CP13 (2018), as follows:

- ▼ Roundabout NKR04: project management (7.5%), design (7.5%), and contingency (30%)
- ▼ Roundabout NKR05: contingency (30%).

The council should remove allowances for project management and design for Roundabout NKR04 as these allowances are included in the IPART benchmark cost. This would reduce the cost of Roundabout NKR04 by \$21,500. The council accepts this recommendation.<sup>50</sup>

### **The cost of one signalised intersection should be adjusted based on the council's revised cost estimate**

CP13 (2018) includes \$1.07 million for two signalised intersections:

- ▼ Signalised intersection at Withers Road and Barry Road [NKT02]
- ▼ Signalised intersection at Hezlett Road and Samantha Riley Drive [NKT01].

The costs of signalised intersections in the plan are based on lump sum estimates. In addition, the cost of NKT01 includes the cost works for a temporary roundabout.

We have found that the cost estimate for the signalised intersection of Withers Road and the proposed bypass (Barry Rd) is reasonable because it is similar to the cost of signalised intersections in other plans we have recently assessed.

In its response to our draft assessment, the council advised that it had engaged WSP to prepare a detailed design for the signalised intersection at Hezlett Road and Samantha Riley Drive [NKT01], and North Projects to undertake a quantity survey. The council proposes that the plan should be amended to reflect a revised costing of \$2.52 million<sup>51</sup> (June 2018), which includes allowances for project management (7.5%), design (7.5%) and contingency (30%).<sup>52</sup>

The council's revised cost, which is based on a detailed and site-specific estimate, is a better estimate than the cost in the plan submitted. However, we consider that a lower contingency allowance of 20%, rather than the 30% proposed by the council, better reflects the risks of a project at this stage of design and delivery. A 20% contingency allowance is consistent with the advice in IPART's 2014 Benchmark Report for transport projects at the business case stage.

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<sup>50</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>51</sup> The cost estimate from WSP was \$1.55 million, to which the council added allowances and the temporary roundabout to arrive at a revised cost of \$2.57 million. We adjusted the estimate back to the base period of the plan.

<sup>52</sup> Information from The Hills Shire Council, 24 December 2019.

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Updating the plan to reflect the revised base cost, allowances for project management (7.5%), design (7.5%) and contingency (20%); and the temporary roundabout (\$0.31 million) would increase the cost of the signalised intersection at Hezlett Road and Samantha Riley Drive by \$1.68 million (243.2%) relative to the plan submitted.

### **The council's cost estimates for two-lane roundabouts on sub-arterial roads are unreasonably high**

There are three two-lane roundabouts<sup>53</sup> on sub-arterial roads in CP13 (2018), which represent \$10.5 million or 11% of total transport works costs in the plan.

The council has prepared site-specific cost estimates (assumed rates and quantities) based on similar completed projects, for the two-lane roundabouts in the plan. The estimated costs for the roundabouts are \$4.5 million [NKR01], \$2.4 million [NKR02] and \$3.5 million [NKR03]. The estimated costs are substantially higher than the costs of roundabouts on sub-arterial roads we have seen in recently assessed IPART plans. These roundabouts include:

- ▼ \$304,179 in CP22 for Rouse Hill (Blacktown City Council)
- ▼ \$286,440 in CP20 Riverstone and Alex Avenue (Blacktown City Council).

Key drivers of the high costs for two-lane roundabouts in CP13 (2018) are the assumptions around site preparation for excavation and the provision of subgrade materials and stormwater drainage works that were not included in the costs of the Blacktown City Council roundabouts.

We engaged transport consultant Axess Advisory (Axess) to advise whether the assumed rates and quantities the council used to estimate the costs of the three roundabouts are reasonable.<sup>54</sup> Axess recommended adjustments to the base costs of these roundabouts arising from its review of the council's bill of quantities and technical drawings. It found that:

- ▼ The council's quantities for excavation, lengths of pipes and number of drainage pits did not match the technical drawings
- ▼ The council had made incorrect provisions for pavement where the technical drawings identified that existing pavement would be overlaid
- ▼ The council had not included several items in its costings, including excavation for stormwater drainage, pram or kerb ramps, sub-soil drainage under kerb and gutters, traffic calming devices and utility relocations.

In its response to our draft assessment, the council advised that it engaged WSP to prepare a detailed design and engaged North Projects to undertake a quantity survey for the Hezlett Road and Curtis Road two-lane roundabout [NKR03] in March 2019. It proposes amending the plan to reflect the revised costing of \$3.16 million<sup>55</sup>, including allowances for project

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<sup>53</sup> One of the roundabouts will be delivered as a signalised intersection as part of the development consent for the nearby school, but the cost apportioned to the plan is for a roundabout. This change in treatment occurred to improve pedestrian safety for the adjoining school. The council required the delivery of the intersection as a condition of development consent for the school.

<sup>54</sup> The consultant's report is available on the IPART website at:  
<https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Reviews/Contributions-Plan/Review-of-The-Hills-Shire-Councils-Contributions-Plan-no-13-North-Kellyville-Precinct?qDh=2>

<sup>55</sup> The cost estimate from WSP was \$3.22 million. We adjusted the estimate back to the base period of the plan.



management (7.5%), design (7.5%) and contingency (30%).<sup>56</sup> This cost is significantly higher than the costing of \$1.59 million recommended by Axess and appears to be driven by different assumptions about the estimated cost of relocating public utilities and traffic management.

We consider the council's updated cost estimate for NKR03 is reasonable because it is based on a detailed site-specific estimate. However, we consider that a lower contingency allowance of 20%, rather than the 30% proposed by the council, better reflects the risks of a project at this stage of design and delivery. A 20% contingency allowance is consistent with the advice in IPART's 2014 Benchmark Report for transport projects at the business case stage.

For the other two roundabouts, NKR01 and NKR02, we have calculated the reasonable costs using:

- ▼ The base costs recommended by Axess
- ▼ Recalculation of project management and design allowances based on Axess' revised costings
- ▼ A lower contingency allowance of 20% for site-specific costings.

Table 4.8 shows our recommended reasonable costs for two-lane roundabouts on sub-arterial roads in CP13 (2018).

**Table 4.8 Recommended reasonable costs for two-lane roundabouts (\$Jun2018)**

| Description                                | CP13 (2018) (\$)<br>(\$Jun2017) | IPART reasonable<br>cost (\$) | Change(\$)        |
|--|---------------------------------|-------------------------------|-------------------|
| NKR01 – Samantha Riley Drive and Foxall Rd | 4,515,837                       | 1,283,178                     | -3,232,658        |
| NKR02 – Hezlett Road and Gum Nut Close     | 2,444,884                       | 1,138,342                     | -1,306,542        |
| NKR03 – Hezlett Road and Curtis Road       | 3,486,002                       | 2,907,414                     | -578,588          |
| <b>Sub-total</b>                           | <b>11,413,612</b>               | <b>5,328,934</b>              | <b>-5,117,788</b> |

**Source:** The Hills Shire Council, CP13 (2018) Works Schedule, advice from Axess, 15 April 2019 [D19/9540] and IPART analysis.

The council should reduce the cost of two-lane roundabouts NKR01, NKR02 and NKR03 by a total of \$5.12 million, reflecting:

- ▼ For NKR01 and NKR02, the revised quantities and unit rates advised by Axess and lower allowances for project management, design and contingency
- ▼ For NKR03, the council's revised costing based on a detailed design and a lower allowance for contingency.

The council accepts this recommendation.<sup>57</sup>

### **The use of site-specific estimates for bridges is reasonable but the contingency allowances are too high**

There are two bridges in CP13 (2018), which represent \$15.45 million or 17% of total transport works costs in the plan. The council includes the entire 'Northern Connection Road', which includes a bridge and the road on either side, within its calculation of bridge costs.

<sup>56</sup> Information from The Hills Shire Council, 24 December 2019.

<sup>57</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

Table 4.9 summarises the council's approach to costing bridges. We note the council provided updated site-specific cost estimates for the Northern Connection Road [NKB01 and NKB01A] and Withers Road Bridge [NKB02] and it advised that the costs in the plan should be updated with these detailed cost estimates.

The council engaged Opus to provide a site specific estimate for the upgrade to the Northern Connection Road. The estimated cost of the works in CP13 is \$10.53 million, which includes allowances for project management (7.5%), design (7.5%) and contingency allowance (20%); and reflects the council's apportionment approach.<sup>58</sup>

In its response to our draft assessment, the council advised that it engaged Calibre Consulting in March 2019 to prepare a detailed design for the bridge on Withers Road [NKB02]. It proposes amending the plan to reflect the revised costing of \$3.13 million<sup>59</sup>, including allowances for project management (7.5%), design (7.5%) and contingency (30%).

We found the costing approach and the council's updated estimated costs are reasonable, as they are based on site-specific estimates completed by its consultants, Opus and Calibre Consulting. We note, however, that the Opus costs for the Northern Connection Road Bridge and approach are high compared with the costs of similar infrastructure in other plans we have recently assessed.

The council should update the costs in the plan for NKB01 and NKB01A based on the detailed Opus cost estimates<sup>60</sup> and for NKB02 based on the detailed Calibre Consulting estimate.

**Table 4.8 The council's costing approach to bridges in CP13 (2018)**

| Item No | Description                                 | Costing approach  |
|---------|---|---|
| NKB01   | Northern Connection Road Bridge             | Opus site-specific estimate   |
| NKB01A  | Northern Connection Road approach to bridge | IPART benchmark costs for a new sub-arterial road, updated with Opus site-specific estimates <sup>a</sup>     |
| NKB02   | Withers Road Bridge                         | Council prepared site-specific estimate, updated with detailed site-specific estimate from Calibre Consulting |

<sup>a</sup> Information from The Hills Shire Council, 9 November 2018.

**Source:** The Hills Shire Council, CP13 (2018) Works Schedule.

The council's cost estimates for bridges include a 30% contingency allowance. While the council considers these works are at the strategic review stage,<sup>61</sup> we found that a contingency allowance of 20% is appropriate as site-specific cost estimates are available. The total net decrease to account for site-specific estimates and a reduced contingency allowance is \$3.73 million.

We also note that \$5.0 million is earmarked to partially fund the upgrade of the Northern Connection Road in the draft North West Growth Area Special Infrastructure Contribution

<sup>58</sup> The council apportions the costs of the Northern Connection Road between CP13 and CP15.

<sup>59</sup> The cost estimate from Calibre Consulting was \$3.19 million. We adjusted the estimate to the base period of the plan.

<sup>60</sup> We note that NKB01 is apportioned between CP15 Box Hill (2018) and CP13 (2018). The costs for this item in CP15 were prepared prior to the completion of the Opus site-specific estimates. The Opus site-specific estimates for this road are higher than the costs included in CP15 (2018). We are currently assessing CP15 (2020).

<sup>61</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

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(NWGA SIC), published in August 2018.<sup>62</sup> If the Northern Connection Road infrastructure in CP13 (2018) [NKBR01 and NKBR01A] are funded through the NWGA SIC, the cost in the plan should be reduced by the extent of any funding provided.

### **The use of IPART benchmark costs for cycleways is not reasonable**

Cycleways in CP13 (2018) represent \$3.00 million or 3.3% of total transport works costs in the plan.<sup>63</sup> The council has estimated the cost of cycleways by:

- ▼ Applying the IPART benchmark cost,<sup>64</sup> indexed to \$2016-17 (\$712 per linear metre)
- ▼ Removing a portion of the cost which represents the works developers are required to deliver through a condition of development consent
- ▼ Applying a contingency allowance.

The council has used the IPART benchmark costs for cycleways because it does not have concept or detailed designs for the items. We note that the unit rate used for cycleways in CP13 (2018) is higher than rates we have found reasonable in other recently assessed plans.

In response to our draft assessment, the council proposed a lower unit rate of \$250 per linear metre, plus allowances for project management (7.5%), design (7.5%) and contingency (30%).

We asked the council to explain the difference in the unit rates for cycleways between the rate used in *Contributions Plan No.15 – Box Hill Precinct* (CP15) (\$118 per linear metre) and its proposed unit rate for CP13 (\$250 per linear metre). It advised that the unit rate for cycleways in CP15 is lower because they are of a different nature from cycleways in CP13 (2018), as follows:

- ▼ Most are located in trunk drainage land where earthworks are already being undertaken.
- ▼ Others are paths along roads that are funded as part of the road construction; partially by the contributions plan and the adjacent developer.<sup>65</sup>

The council also stated that the differences in cycleway costs are related to differences in terrain and topography between Box Hill (CP15) and North Kellyville.<sup>66</sup> We consider the council's revised unit rate of \$250 per linear metre is reasonable. We also consider that it is reasonable to apply a 30% contingency allowance for these works as they are at the strategic planning stage. This is consistent with the unit rate and contingency allowance we have assessed as reasonable for cycleways as transport infrastructure in other plans.<sup>67</sup>

We recommend the council reduce the cost of cycleways in CP13 (2018) by \$1.55 million, reflecting a lower unit rate of \$250 per linear metre and allowances for project management (7.5%), design (7.5%) and contingency (30%). This is consistent with the council's proposed costs and allowances.

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<sup>62</sup> Information from The Hills Shire Council, 24 December 2019.

<sup>63</sup> The plan includes 4.01km of cycleways which are identified as transport works.

<sup>64</sup> The benchmark cost used is the rate for a 2.5m wide shared cycleway/pedestrian footpath.

<sup>65</sup> Information from The Hills Shire Council, 5 April 2019.

<sup>66</sup> Information from The Hills Shire Council, 16 March 2020.

<sup>67</sup> See analysis in Table 7 of D19/26413 for comparison of cycleway unit rates in recently assessed plans.

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## Transport costs should be indexed to the revised base period of the plan

To reflect an update of the base period of the plan to 30 June 2018, we recommend indexation of the transport works cost estimates that are not subject to a recommendation. Our indexation recommendation would impact the cost of bus shelters, some cycleway bridges and an intersection, increasing costs by \$0.17 million.

### 4.4.4 The Accelerated Infrastructure Fund does not affect the scope or reasonable cost of transport works in CP13

The Minister announced the Accelerated Infrastructure Fund (AIF) in April 2020 as part of the Planning System Acceleration Program to cut red tape and fast-track planning processes to keep people in jobs and the construction industry moving throughout the COVID-19 crisis.

The AIF provides the council with \$30.96 million to co-fund and accelerate the delivery of three community infrastructure projects. Under the scheme, local developer contributions will be capped at \$50,000 per dwelling from 1 July 2020 to 31 December 2020.<sup>68</sup>

Four transport infrastructure items in CP13 (2018) are identified for funding under the AIF:

- ▼ Signalised intersection of Samantha Riley Drive and Hezlett Road [NKT01]
- ▼ Upgrade of Hezlett Road [NKNR02]
- ▼ Roundabout at intersection of Hezlett Road and Curtis Road [NKR03]
- ▼ Intersection of Hezlett Road and Gum Nut Close [NKR02].

We understand that the AIF is intended to contribute to infrastructure delivery by providing the 'gap' funding required to fund the portion of projects that cannot be funded through local development contributions plans.<sup>69</sup> If the AIF funding is allocated for this infrastructure in CP13 (2018), the costs and contribution rates in this plan should fall by the level of this funding. However, if the AIF ultimately funds other infrastructure, there will be no impact on CP13 (2018).

## 4.5 Criterion 5: Apportionment

Within the precinct, the council apportions all transport works costs to residential development on a per person basis. We found this approach is reasonable.

CP13 (2018) also includes three transport items that are partially apportioned to the North Kellyville Precinct. We found that the council's apportionment of costs to CP13 (2018) of these three transport items is mostly reasonable, but that the council should adjust the share of costs for the Northern Connection Road Bridge and approach apportioned to CP13 so that it reflects the most up-to-date population estimates for neighbouring Box Hill (CP15).

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<sup>68</sup> See <https://www.planning.nsw.gov.au/Plans-for-your-area/Infrastructure-funding/Accelerated-Infrastructure-Fund>

<sup>69</sup> NSW Government, Accelerated Infrastructure Fund – Frequently Asked Questions, June 2020, <https://www.planning.nsw.gov.au/-/media/Files/DPE/Factsheets-and-faqs/faqs-accelerated-infrastructure-fund-2020-06.pdf?la=en>,

## Recommendation

- 13 Apportion 33% of the costs of the North Connection Road [NKB01 and NKB01A] to the plan, based on the most up-to-date population forecasts for North Kellyville (CP13) and Box Hill (CP15).

### 4.5.1 The council should adjust the apportionment of costs for two transport items

The transport items for which costs are partially apportioned to CP13 (2018) and the share apportioned to the plan are shown in Table 4.10.

**Table 4.10 Transport items with costs partially apportioned to CP13 (2018)**

| Item   | Description                                 | Location                    | Share to CP13 (2018) |
|--------|---|-----------------------------|----------------------|
| NKB01  | Northern Connection Road Bridge             | Ross Place and Edwards Road | 40%                  |
| NKB01A | Northern Connection Road approach to bridge | Ross Place and Edwards Road | 40%                  |
| NKNR01 | Sub-arterial road upgrade                   | Samantha Riley Drive        | 50%                  |

**Source:** The Hills Shire Council, CP13 (2018) Works Schedule.

### Northern Connection Road Bridge and approach

In CP13 (2018), the council has updated the apportionment of costs for the Northern Connection Road Bridge and approach based on updated population forecasts for CP15 (2018) (Box Hill) and the North Kellyville Precinct (CP13). The council's approach to apportionment is reasonable, however it should be further updated to reflect the most recent population forecast from the revised CP15 (2020), which the council submitted to IPART for assessment in March 2020.

Based on the most up-to-date population forecasts for Box Hill and North Kellyville, approximately 33% of the costs of the Northern Connection Road Bridge and approach [NKB01 and NKB01A] should be apportioned to CP13. The council accepts this recommendation subject to it being able to apportion the remaining costs of this bridge and its approach to CP15 (2020).<sup>70</sup>

### Samantha Riley Drive upgrade

The land and works costs for the upgrade of Samantha Riley Drive are shared equally between CP13 and CP8 (Kellyville/Rouse Hill), reflecting the demand from each precinct. This is consistent with the finding from our 2011 assessment of CP13 (2018).<sup>71</sup> We consider the council's approach to the apportionment of costs for this road upgrade is reasonable.

<sup>70</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>71</sup> IPART, *Assessment of The Hills Shire Council's Contributions Plan No 13 – North Kellyville Precinct*, October 2011, p 46.

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## 5 Stormwater management

The total cost of stormwater management infrastructure in CP13 (2018) is \$28.02 million (10.3% of total costs), comprising:

- ▼ \$17.66 million for land (13.6% of the total cost of *land*)
- ▼ \$10.36 million for works (7.4% of the total cost of *works*).

Our assessment of the plan's provisions for stormwater management infrastructure is:

- ▼ **Criterion 1: Essential works** – The land and works for stormwater management are consistent with the essential works list.
- ▼ **Criterion 2: Nexus** – Nexus is established for stormwater management land and works in the plan.
- ▼ **Criterion 3: Reasonable cost (works)** – Actual and estimated costs for stormwater management works costs are reasonable. The plan should be updated to include the actual costs of completed stormwater basins.
- ▼ **Criterion 5: Apportionment** – The apportionment of stormwater management costs to residential development on a per person basis is reasonable.

Our assessment of land for stormwater management against **Criterion 3 (Reasonable cost)** is in Chapter 9.

Based on our findings, we recommend adjustments to the plan that we estimate would reduce the cost of stormwater management works by \$0.55 million (5.3%).

Our findings and recommendations are summarised in Table 5.1.



**Table 5.1 IPART-recommended adjustments for stormwater management (\$Jun2018)**

| Criterion                                      | Finding  | Recommendation   | Land              | Works             |
|--|--|--|-------------------|-------------------|
| <b>Total cost in plan (\$Jun2017)</b>          |  |  | <b>17,661,259</b> | <b>10,359,408</b> |
| <b>Essential works</b>                         | All land and works are on the essential works list                                     |  |                   |                   |
| <b>Nexus</b>                                   | Nexus is established for all stormwater land and works                                 |  |                   |                   |
| <b>Reasonable cost</b>                         | Costs are reasonable except  |  |                   |                   |
| Wetland basins                                 | Some estimated costs should be updated for actual costs including indexation           | Update with actual costs for Basins 3, 4, 6 and 9                            |                   | -815,022          |
|  | Basin works should be updated for indexation   | Update costs for 10 basins to a base period of June 2018                     |                   | 261,220           |
| Land <sup>a</sup>                              | Some estimated costs should be updated with actual expenditure                         | Update estimated costs with actual expenditure incurred                      | -262,493          |                   |
|  | Application of different values for constrained land based on zoning is not reasonable | Apply a rate of \$100/m <sup>2</sup> for constrained land yet to be acquired | -23,866           |                   |
| <b>Apportionment</b>                           | Apportionment is reasonable  |  |                   |                   |
| <b>Total IPART-recommended cost adjustment</b> |  |  | <b>-286,359</b>   | <b>-553,802</b>   |
| <b>Total IPART-assessed reasonable cost</b>    |  |  | <b>17,374,900</b> | <b>9,805,606</b>  |

<sup>a</sup> Our assessment of the reasonable cost of land is in Chapter 9.

Sources: CP13 (2018) Works Schedule, IPART analysis.

## 5.1 Overview of stormwater management infrastructure

CP13 (2018) includes land and works for stormwater management infrastructure.

In response to our draft assessment, the council submitted:

- ▼ An explanation of its revised approach to estimating base works costs for wetland basins
- ▼ Revised actual works costs for Basin 6 [SWB061] and actual costs for Basin 9 [SWB091]. The council later confirmed that works for Basins 3 and 4 [SWB031 and SWB041] are complete.

Table 5.2 compares the total cost for stormwater management infrastructure in the plan that was publicly exhibited and submitted by the council for IPART's review, with the council's response to our draft assessment. It shows that the council's updated actual costs for stormwater management infrastructure are \$0.29 million (2.8%) higher than the costs in the plan originally submitted by the council, reflecting updated actual costs and indexation to June 2018.

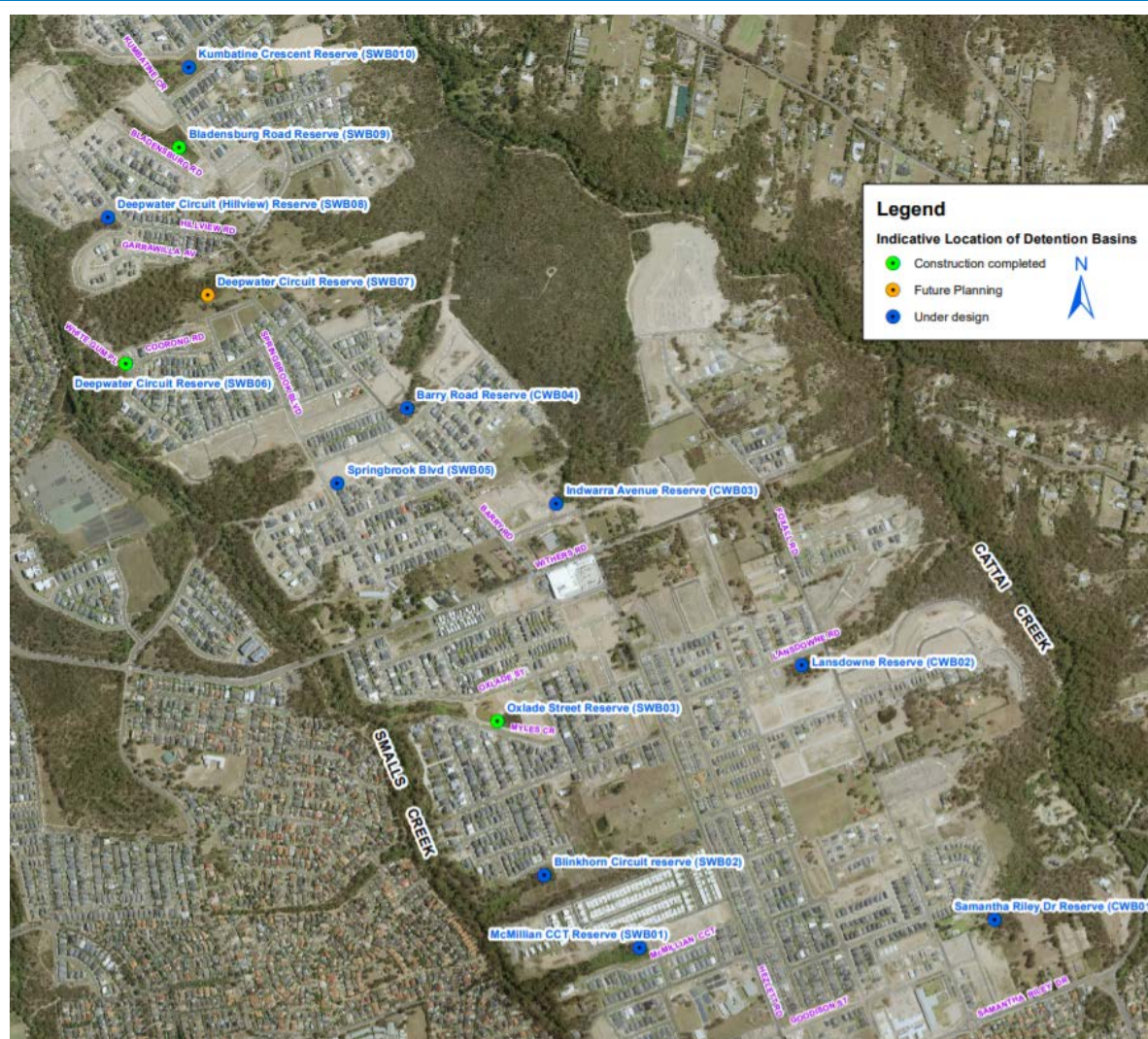
**Table 5.2 Comparison of stormwater works costs (\$Jun2018)**

|                   | CP13 (2018)<br>(\$Jun2017) | Council's response to<br>draft assessment | Difference |
|-------------------|----------------------------|---|------------|
|                   | A                          | B   | B-A        |
| 14 wetland basins | 10,359,408                 | 10,645,435                                | 286,028    |

**Sources:** CP13 (2018) Works Schedule, Council revised Works Schedule; IPART analysis.

Figure 5.1 shows the location of stormwater works in the plan, detailing those that are complete, several that are currently under design, and one that will undergo planning in the future.

**Figure 5.1 Indicative location of detention basins in CP13 (2018)**



**Source:** The Hills Shire Council, About the North Kellyville Precinct – Latest information, <https://www.thehills.nsw.gov.au/Building/Road-and-Building-Projects/Sydneys-Growth-Centres/North-Kellyville-Release-Area>

## 5.2 Criterion 1: Essential works

CP13 (2018) includes land and works for 14 wetland basins with constructed wetlands, gross pollutant traps and detention capacity. The land and works for these basins are consistent with the essential works list in the Practice Note.

## 5.3 Criterion 2: Nexus

The 14 wetland basins in CP13 (2018) are intended to serve both water quantity and quality functions. The scope of these basins is unchanged from CP13 (2010).

Based on information from the council and our observations, we consider that the stormwater management infrastructure in CP13 (2018) is sufficient to meet the stormwater management needs in the precinct and there is nexus for all stormwater management land and works.

### 5.3.1 Nexus for stormwater management works is established

In assessing whether there is nexus between the land and works for stormwater management in CP13 (2018), we considered:

- ▼ The technical study commissioned by the Growth Centres Commission in 2008, which the council relied on to establish nexus for stormwater management works in CP13 (2010) and CP13 (2018)
- ▼ The finding from our assessment of CP13 (2010) that nexus was established for all stormwater management works in the plan
- ▼ The impact of a higher projected population and development yield in the precinct on the need for stormwater management infrastructure.

Our assessment of CP13 (2010) found the supporting technical studies listed in Table 5.3 establish nexus for the number and location of the basins in the plan.

**Table 5.3 Technical studies for stormwater management infrastructure in CP13**

| Author                | Title   | Date          | Commissioned by           |
|-----------------------|---|---------------|---------------------------|
| Worley Parsons        | North Kellyville Masterplan Water Cycle Management Strategy | December 2008 | Growth Centres Commission |
| Travers Environmental | North Kellyville Precinct Riparian Assessment               | December 2008 | Growth Centres Commission |
| Cumberland Ecology    | North Kellyville Biodiversity Assessment                    | February 2008 | Growth Centres Commission |

The council confirmed our understanding that a higher anticipated development yield does not create additional demand for stormwater infrastructure unless there is an increase in impervious area.<sup>72</sup> The council considers that the higher anticipated development yield is unlikely to result in a sufficiently higher area of impervious surface to trigger a change in stormwater infrastructure requirements in CP13 (2018) from those in CP13 (2010).<sup>73</sup>

<sup>72</sup> Information from The Hills Shire Council, 1 March 2019.

<sup>73</sup> Information from The Hills Shire Council, 1 March 2019.

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## 5.4 Criterion 3: Reasonable costs

The plan includes actual costs for stormwater works already constructed, and a combination of tender prices and council estimates for the remaining works. The council has since submitted updated information, including revised and new actual costs, and no longer relies on tender prices. All costs are indexed to the base year of the plan.

We found that:

- ▼ The use of actual costs for completed works in four basins is reasonable.
- ▼ The council's site-specific estimates for ten other basins are reasonable.

### Recommendations

- 14 Update stormwater management works costs to reflect actual costs and indexation to June 2018 for Basins 3, 4, 6 and 9 in Smalls Creek, reducing stormwater works costs in the plan by \$815,022.
- 15 Index the costs of works items for ten other basins that are not otherwise subject to a recommendation [SWB011, SWB021, SWB051, SWB071, SWB081, SWB101, CWB011 to CWB041] to the revised base period of the plan (\$Jun2018), increasing costs in the plan by \$261,220.

### 5.4.1 The council has provided revised and updated actual costs for stormwater works

For stormwater works already constructed (Basin 6 [SWB061]), the plan includes the costs of construction indexed to the base period of the contributions plan (June 2017). The council has since provided updates to the completed works, including a revised actual cost for Basin 6 and a new actual cost for Basin 9 [SWB091]. The council has also confirmed that works in Basins 3 and 4 [SWB031 and SWB041] are complete.<sup>74</sup>

For stormwater works not yet constructed, the plan includes costs from tender contracts and the council's own site-specific estimates, which reflect its experience in delivering basins.

In assessing whether the cost of stormwater management works are reasonable, we considered:

- ▼ The relevant recommendations from our assessment of CP13 (2010) and the Minister's response to these recommendations
- ▼ The cost of stormwater works already constructed
- ▼ The bases for and resulting estimates of cost of works not yet constructed.

### 5.4.2 The council's actual costs for stormwater works are reasonable

Table 5.4 shows the breakdown of the actual and projected costs in CP13 (2018). The plan shows only 4.1% of stormwater infrastructure completed. However, the council has since provided revised and new actual costs, which update the proportion of works completed to

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<sup>74</sup> Information from The Hills Shire Council, 27 March 2019.



25.7%. Given the stage of the plan and the extent of development in the precinct, we consider the share of completed works is relatively low.

**Table 5.4 Stormwater management works costs**

|                                     | Actual (\$) | Projected (\$) | Total (\$) |
|-------------------------------------|-------------|----------------|------------|
| CP13 (2018) (\$Jun2017)             | 426,587     | 9,932,820      | 10,359,408 |
| Council's revised costs (\$Jun2018) | 2,740,087   | 7,905,349      | 10,645,435 |
| <b>Difference</b>                   | 2,313,499   | -2,027,471     | 286,028    |

**Source:** Works Schedule, and Information from The Hills Shire Council, 24 December 2019.

The actual costs in CP13 (2018) include partial costs for Basin 6 along Smalls Creek [SWB061]. Basin 6 is now fully constructed and the updated actual cost for this basin is 6.0% higher than the cost in CP13 (2018). It is also more than 50% higher than the cost estimate in CP13 (2010).

The council explained that the increase since CP13 (2010) is in part because the CP13 (2010) estimate did not include some construction activities required to deliver the basin. The council also noted that recent construction market rates far exceed the rates experienced when the plan was developed.<sup>75</sup> Given that 10 years have passed since the cost estimate was first prepared and the original estimate was missing some necessary components, we consider it is reasonable that the cost of providing Basin 6 is significantly higher than the original estimate.

Additional information from the council also includes actual costs for Basin 9. These actual costs reduce the cost of Basin 9 by 8.3% relative to the costs in the plan. We found the council's approach and the actual costs for Basins 6 and 9 are reasonable.

The plan includes tender prices, plus allowances, for Basins 3 and 4. The cost in the plan for these two basins (including allowances) is \$1.62 million, which is 87% higher than the estimates in CP13 (2010).<sup>76</sup> However, the council's submission to our Draft Report clarifies that the actual costs for these two basins is \$0.83 million,<sup>77</sup> which represents completion of works to a lower level than originally anticipated. This reduces stormwater works costs in the plan by \$0.78 million. We consider these actual costs are reasonable.

### 5.4.3 Cost estimates for remaining stormwater works are reasonable

The council uses its own site-specific estimates for ten basins<sup>78</sup> which it is yet to deliver, and includes a 7.5% allowance for project management, 7.5% allowance for design, and 30% contingency on these estimates.

The council has explained that it did not obtain detailed cost estimates for most basins when revising the plan because it anticipated construction of eight basins in late 2019, with construction cost estimates available as part of the detailed design preparation.<sup>79</sup> We note that this construction has not yet occurred, but consider that the council's approach to estimating costs via site-specific estimates is reasonable.

<sup>75</sup> Information from The Hills Shire Council, 2 May 2019.

<sup>76</sup> The costs in CP13 (2010) were based on estimates prepared by Worley Parsons.

<sup>77</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>78</sup> Basins SWB01, SWB02, SWB05, SWB07, SWB08, SWB10, CWB01, CWB02, CWB03, CWB04.

<sup>79</sup> Information from The Hills Shire Council, 1 March 2019.

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The council's estimates in CP13 (2018) account for higher construction market rates and the cost estimates of some necessary components (eg, site establishment, site clearing, removal of waste) that were not included in the original CP13 (2010) estimates.<sup>80</sup>

We compared the council's estimates of cost (including allowances) for the ten basins with the actual costs for Basins 6 and 9 in Smalls Creek.<sup>81</sup> The average cost to deliver these two basins is \$262 per square metre. The council's proposed costs for the other ten basins is on average \$212 per square metre.

We therefore consider that the proposed base costs for the ten unconstructed basins are reasonable. We also consider that the application of allowances of 7.5% for project management, 7.5% for design, and a 30% contingency is reasonable for these basins, based on the IPART benchmark allowances for stormwater works.

To reflect an update of the base period of the plan to 30 June 2018, we recommend indexation of the works costs for these ten basins, increasing costs by \$0.26 million. The council accepts this recommendation.<sup>82</sup>

## **5.5 Criterion 5: Apportionment**

CP13 (2018) apportions all stormwater management land and works costs to the new residential population of North Kellyville Precinct on a per person basis. There are no changes to the council's approach to apportionment of stormwater infrastructure costs since our assessment of CP13 (2010). We consider the council's approach is reasonable.

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<sup>80</sup> Internal memorandum on Dual use Open Space and Stormwater Management Reserves in Contributions Plan 13, 25 June 2018.

<sup>81</sup> We did not compare the cost estimates with the actual costs for Basins 3 and 4 because these two basins were delivered to a lower standard.

<sup>82</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.



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## 6 Open space

The total cost for open space land and embellishment in CP13 (2018) is \$135.37 million (49.8% of total costs), comprising:

- ▼ \$97.67 million for land (75.4% of the total cost of *land*)
- ▼ \$37.70 million for open space embellishment (27.0% of the total cost of *works*).<sup>83</sup>

Our assessment of the open space land and embellishments in CP13 (2018) is:

- ▼ **Criterion 1: Essential works** – The land for open space and its embellishment are consistent with the essential works list.
- ▼ **Criterion 2: Nexus** – Nexus is established between the total area of land for open space, the number and types of parks, and development in the North Kellyville Precinct.
- ▼ **Criterion 3: Reasonable cost** – The cost of embellishment is reasonable except:
  - We have identified calculation errors for six linear parks, four passive open space parks and a basin park
  - Actual costs are available for completed basin parks.

It is also reasonable for the council to update the costs of Samantha Riley Reserve and Stringer Road Sports Complex based on its updated estimates and actual costs for similar embellishments in comparable parks.

In line with our recommendation to change the base period of the plan to 30 June 2018 (see Chapter 1, section 1.2), the council should index all other embellishment items that are not subject to a recommendation to 30 June 2018.

- ▼ **Criterion 5: Apportionment** – The apportionment of open space costs to residential development on a per person basis is reasonable.

Our assessment of land for open space against **Criterion 3 (Reasonable cost)** is in Chapter 9.

Based on our findings, we recommend adjustments to the plan that we estimate would increase the cost of open space embellishment by \$13.72 million (36.4%).

Our findings and recommendations are summarised in Table 6.1.

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<sup>83</sup> Open space embellishment costs includes \$4.74 million for the embellishment of 14 water management basins. The cost of acquiring the land for these basins is allocated to stormwater management costs. The council confirmed that these embellishments serve passive open space purposes only.

**Table 6.1 IPART-recommended adjustments for open space (\$Jun2018)**

| Criterion                                      | Finding   | Recommendation   | Land              | Works                                     |
|--|---|--|-------------------|---|
| <b>Total cost in plan (\$Jun2017)</b>          |   |  | <b>97,667,317</b> | <b>37,703,203</b>                         |
| <b>Essential works</b>                         | All land and embellishments in the plan are on the essential works list. Additional embellishments proposed by the council are also on the essential works list, however: | Include additional embellishment items                                     |                   | Costed in reasonable cost recommendations |
|  | We consider roundabouts are transport infrastructure  | Include an additional roundabout as transport infrastructure               |                   | Costed in transport chapter               |
| <b>Nexus</b>                                   | Nexus is established for the land and embellishments in the plan  |  |                   |   |
| <b>Reasonable cost – land<sup>a</sup></b>      | For land already acquired, include actual costs   | Update with actual costs for open space land                               | 1,134,907         |   |
|  | Application of different rates for constrained land based on zoning is not reasonable   | Apply a value of \$100/m <sup>2</sup> for constrained land                 | -709,709          |   |
| <b>Reasonable cost – works</b>                 | Costs of embellishments are reasonable except:  |  |                   |   |
|  | ▼ The council provided updated cost estimates for two sports facilities that are mostly reasonable  | Update the cost of identified items in two sports facilities               |                   | 17,136,740                                |
|  | ▼ Six linear and four passive open space parks have a double counting error   | Reduce the cost of linear and passive open space parks to adjust for error |                   | -1,983,046                                |
|  | ▼ The cost for basin park CWB01 has a calculation error   | Reduce the cost of basin park CWB01 to adjust for error                    |                   | -1,469,927                                |
|  | ▼ The cost of three basin parks should be updated with actual costs   | Update the cost of three basin parks                                       |                   | -116,070                                  |
|  | ▼ Open space items should be indexed to FY2017-18   | Index open space items not subject to a recommendation to 30 June 2018     |                   | 155,198                                   |
| <b>Apportionment</b>                           | Approach is reasonable  |  |                   |   |
| <b>Total IPART-recommended cost adjustment</b> |   |  | <b>425,197</b>    | <b>13,722,894</b>                         |
| <b>Total IPART-assessed reasonable cost</b>    |   |  | <b>98,092,514</b> | <b>51,426,097</b>                         |

<sup>a</sup> Our assessment of the reasonable cost of land is in Chapter 9.

**Source:** CP13 (2018) Works Schedule and IPART analysis.

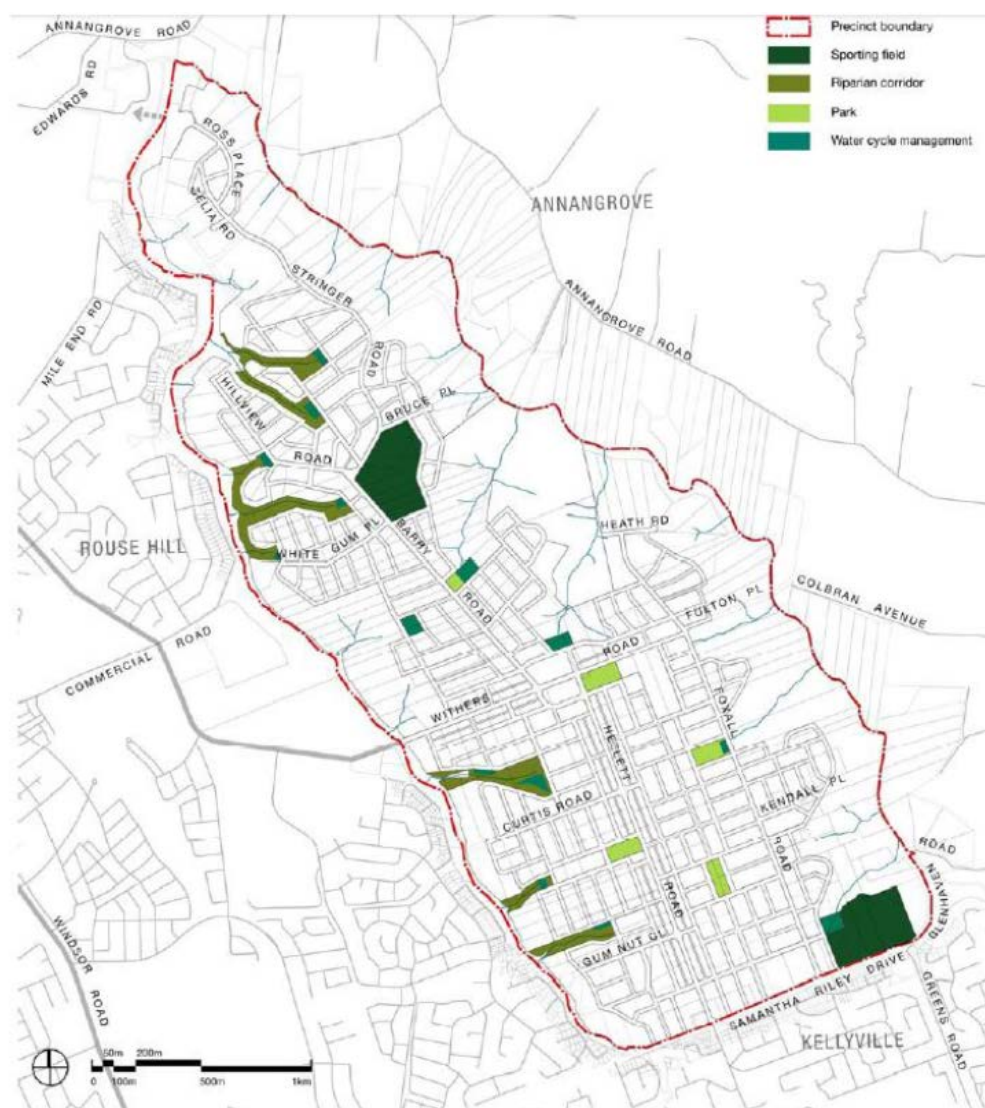
## 6.1 Overview of open space embellishment

CP13 (2018) includes 44.95 hectares of open space comprising:

- ▼ Two major sporting facilities – one located in the south of the precinct (Samantha Riley Drive Reserve) and the other in the north of the precinct (Stringer Road Sports Complex)
- ▼ One playing field co-located with a school
- ▼ Additional netball facilities outside the precinct.
- ▼ 24 other recreation areas (defined by the council as linear parks and passive open space parks) across the precinct. Some of the passive recreation parks are basin parks located within water management land.

Figure 6.1 shows the location of open space within the precinct.

**Figure 6.1 Location of open space land and embellishments in the North Kellyville Precinct**



**Source:** Department of Planning and Environment, North Kellyville Precinct, Development Control Plan March 2018, Figure 23, p 83.

In response to our draft assessment, the council submitted revised costs for:

- ▼ The two major sporting facilities – Samantha Riley Drive Reserve and the Stringer Road Sports Complex
- ▼ Six linear parks and four passive open space parks, adjusting for a double counting error
- ▼ Four basin parks
  - One basin park [CWB01] to adjust for a calculation error
  - Three basin parks [SWB030, SWB040 and SWB090] to reflect actual costs of embellishment to 30 June 2018.

The revised estimates propose a net increase in open space embellishment costs of \$15.10 million (40.0%). The revised costs for the two major sporting facilities reflect the council's recent experience with delivering similar parks in other precincts.<sup>84</sup> Table 6.2 compares the total cost for open space embellishment in the plan with the council's response to our draft assessment.

**Table 6.2 Comparison of open space embellishment costs (\$Jun2018)**

|   | CP13 (2018)<br>(\$Jun17) | Council response to<br>draft assessment | Difference        |
|---|--------------------------|---|-------------------|
|   | A                        | B                                       | B-A               |
| Linear open space   | 6,737,700                | 5,233,472                               | -1,504,228        |
| Passive open space parks  | 1,626,164                | 1,263,114                               | -363,050          |
| Basin parks   | 4,737,621                | 3,188,046                               | -1,549,575        |
| Major sporting facilities   | 21,002,569               | 39,417,707                              | 18,415,139        |
| <i>Samantha Riley Drive Reserve</i>                                     | 10,033,262               | 18,875,729                              | 8,842,467         |
| <i>Stringer Road Sports Complex</i>                                     | 10,969,307               | 20,541,978                              | 9,572,672         |
| Other sporting facilities   | 3,599,150                | 3,697,453                               | 98,303            |
| <i>Synthetic single playing field in North Kellyville Public School</i> | 3,293,614                | 3,383,571                               | 89,958            |
| <i>Additional netball facilities in Wellgate Avenue Sports Complex</i>  | 305,536                  | 313,881                                 | 8,345             |
| <b>Total</b>  | <b>37,703,203</b>        | <b>52,799,791</b>                       | <b>15,096,589</b> |

**Note:** The cost increases in the council's response to our draft report for other sporting facilities are a result of indexing the cost forward to June 2018 from the base period of the plan.

**Sources:** CP13 (2018) Works Schedule, Council revised Works Schedule; IPART analysis.

## 6.2 Criterion 1: Essential works

We found that the land and all items of embellishment in CP13 (2018) are consistent with the essential works list. We also found that new embellishment items proposed by the council for Samantha Riley Drive Reserve and the Stringer Road Sports Complex are consistent with the essential works list.

The types of open space embellishment in CP13 (2018) and the proposed new embellishments are set out in Table 6.3.

<sup>84</sup> Information from The Hills Shire Council, 24 December 2019.

**Table 6.3 Open space embellishment in CP13 (2018)**

| Embellishment in the plan  | Additional embellishment proposed by the council – in response to draft assessment  |
|--|---|
| <b>Linear and passive open space – 10 parks</b>  |   |
| Pathway, and landscaping – all parks<br>Seating, benches, playground, drinking water and toilets – some parks only   | None proposed   |
| <b>Basin parks – 14 parks</b>  |   |
| Landscaping – all parks<br>Pathway, seating, shelter, fencing, playground, drinking water and toilets – some parks only  | None proposed   |
| <b>Major sporting facilities</b>   |   |
| <b>Samantha Riley Drive Reserve</b><br>Playing fields (turf), amenities buildings, playing courts, playground equipment, car parking, pathways, cycleways, park furniture, lighting, planting, irrigation and drainage | Plaza area, site establishment costs, earthworks, electrical and hydraulic costs, bush regeneration costs, entry roundabout, chemical store |
| <b>Stringer Road Sports Complex</b><br>Playing fields (turf), amenities buildings, playing courts, playground equipment, car parking, pathways, cycleways, park furniture, lighting, planting, irrigation and drainage | Plaza area, site establishment costs, earthworks, electrical and hydraulic costs, entry roundabout, chemical store                          |
| <b>Other sporting facilities</b>   |   |
| <b>Playing field within North Kellyville Public School</b><br>Single synthetic field co-located on school site   | None proposed   |
| <b>Wellgate Avenue Sports Complex</b><br>Two additional netball courts   | None proposed   |

**Source:** CP13 (2018) Work Schedule, Information from council 24 December 2019.

### 6.2.1 Embellishment items are consistent with the essential works list

We found that the embellishment items in CP13 (2018) are consistent with the essential works list. CP13 (2018) includes a synthetic playing field which was not in CP13 (2010). This playing field is consistent with the essential works list and will meet the additional demand created by an increase in the number of residents in the precinct.

We also found that all additional embellishment items proposed by the council in its response to our draft assessment are consistent with the essential works list:

- ▼ **Site establishment, earthworks, electrical and hydraulic costs** – These are consistent with the definition of base level embellishment in the Practice Note and our previous assessments of open space embellishment in other plans.

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- ▼ **Bush regeneration** – The council proposes the inclusion of a small area of bush regeneration within Samantha Riley Drive Reserve. The Practice Note only classifies bush regeneration as essential works where it can be demonstrated that the works serve a dual purpose. We consider that as this bushland is located within the reserve, it is accessible for recreation purposes and therefore serves a dual purpose.<sup>85</sup>

- ▼ **Plaza areas** – The council describes plaza areas as ‘wider hardstand areas that are required in highly trafficked areas adjacent to amenities buildings and playgrounds. These areas serve many functions such as club BBQ areas, gathering spaces for spectators, termination and junctions of paths and areas for seating and shelters’.<sup>86</sup>

We have previously assessed plaza areas as being consistent with the definition of base level embellishment.<sup>87</sup>

- ▼ **Chemical store** – The council advised that, ‘the purpose of the chemical store is to ensure that council complies with legislative requirements around the use and storage of hazardous chemicals, including things like fuels, pesticides and herbicides. Some may serve only that facility while larger ones, like these, may serve the facility and perhaps some of the surrounding smaller facilities’.<sup>88</sup>

We consider chemical stores are a reasonable base level embellishment ‘required to bring the open space up to a level where the site is secure and suitable for passive or active recreation’.<sup>89</sup>

The council also proposes new entry roundabouts for Samantha Riley Drive Reserve and Stringer Road Sports Complex.<sup>90</sup> We consider the roundabouts should be categorised as transport infrastructure works, and our analysis of their proposed inclusion is presented in Chapter 4.

### 6.3 Criterion 2: Nexus

Based on information from the council and our analysis, we consider the open space embellishment in CP13 (2018) is sufficient to meet the open space and recreation needs in the precinct and that nexus is established for these embellishments.

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<sup>85</sup> Information from The Hills Shire Council, 27 March 2020.

<sup>86</sup> Information from The Hills Shire Council, 28 February 2020.

<sup>87</sup> The quantity surveyor (QS) estimates for Arnold Avenue Complex within the council's CP12 Balmoral Road included plaza areas. We found these plaza areas are consistent with base level embellishment in our 2019 assessment of CP12.

<sup>88</sup> Information from The Hills Shire Council, 28 February 2020.

<sup>89</sup> The definition of base level embellishment in the Local Infrastructure Contributions Practice Note, January 2019.

<sup>90</sup> The council notes that there is already one roundabout in the plan next to Stringer Road Sports Complex, but given the layout of the playing fields, considers that a second roundabout will be required to service the entry to the facility.



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We consider:

- ▼ The overall rate of provision of 2.18 hectares of open space per 1,000 residents is reasonable. Although the quantity is below the rate of 2.89 hectares per 1,000 residents in CP13 (2010), and the Growth Centres Development Code benchmark of 2.83 hectares per 1,000 residents, we recognise the council has limited opportunities to increase the amount of land for open space at this stage of the plan. The council has included additional embellishment to accommodate recreational use by the extra residents.
- ▼ The embellishment of parks is appropriate to meet the needs of the new residents, taking into account the demand arising from the higher estimated population.
- ▼ As nexus is established for the new and revised embellishments, we consider that the plan should be updated to include these embellishments. Our assessment of the reasonable cost of the embellishments is presented in section 6.4.2. This includes updating the plan with these items as part of our reasonable cost recommendation.

### 6.3.1 A technical study and council information establish nexus for the open space embellishment in CP13

In assessing whether there is nexus between the open space land and embellishments in CP13 (2018) and development in the North Kellyville Precinct, we considered:

- ▼ The technical study relied on by the council to establish nexus for open space in CP13 (2010) and in CP13 (2018), which considered the recreational needs of the anticipated population and the topography of the North Kellyville Precinct (which is undulating and steep), to determine the location and areas of different types of open space and its recommended embellishment
- ▼ The impact of a higher projected population on demand for parks in the precinct<sup>91</sup>
- ▼ Information provided by the council throughout our assessment, including the council's justification for including additional embellishment items listed in Table 6.3 above.

We note that the council also had regard to its own Recreation Strategy of 2007 in establishing nexus for open space embellishment.<sup>92</sup> We found that the supporting technical study listed in Table 6.4 establishes nexus for most open space land and embellishments in the plan.

**Table 6.4 Technical study for open space infrastructure**

| Author           | Title   | Date       | Commissioned by           |
|------------------|---|------------|---------------------------|
| Elton Consulting | The North Kellyville Community Facilities and Open Space Assessment | March 2008 | Growth Centres Commission |

### 6.3.2 Overall rate of land provision for open space is reasonable

CP13 (2018) contains a total area of 44.95 hectares of land zoned for open space, comprising:

- ▼ 19.48 hectares of sporting facilities

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<sup>91</sup> We made no recommendations concerning the provision of open space in our previous assessment of open space in CP13 (2010), nor did the Minister's response require changes to the provision of open space so it was not necessary to consider our previous assessment.

<sup>92</sup> Stratcorp Consulting, Recreation Strategy Prepared for Baulkham Hills Shire Council, 2007.

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- ▼ 16.39 hectares of linear open space
  - ▼ 3.96 hectares of passive open space parks
  - ▼ 5.13 hectares of water management land serving passive open space uses (basin parks).<sup>93</sup>

Compared with CP13 (2010), the council has provided the following additional facilities to cater for the increase in population:

- ▼ Another (synthetic) playing field co-located with a new school, with a small amenities block and 50-space car park
- ▼ Two additional netball courts (to be located in the Wellgate Avenue Netball Complex).<sup>94</sup>

No additional land is required for either of these facilities; they represent additional embellishment within existing open space.

The additional playing field results in a rate of playing field provision in North Kellyville that is closer to the LGA-wide rate given the higher anticipated population, and the extra netball courts will address a shortage of these facilities in the precinct. The configuration of playing fields for the different codes of sport was determined in consultation with relevant state sporting organisations. Partnership with the Department of Education will mean the playing field will be located on land dedicated by the Department, and both the playing field and adjacent passive open space park will be available for community use outside school hours. Although the reconfiguration of recreational facilities on this site has resulted in the reduction of land and embellishment for passive open space, we accept that there will be no reduction in recreational capacity for local residents, and the council has achieved a cost-efficient solution for providing additional recreational facilities.<sup>95</sup>

### **6.3.3 The level of embellishment proposed is reasonable**

Proposed embellishment in the plan includes five soccer fields, four rugby fields, four cricket ovals (in summer) with lighting and irrigation, tennis courts and netball courts (outside the precinct), car parking, amenities blocks and 12 playgrounds, in addition to park furniture, paths and landscaping.

The plan also includes 2.9 kilometres of cycleways within open space, including 200 metres within linear and passive open space, and 2.7 kilometres within sporting facilities. In response to our draft assessment, the council revised the length of cycleways in the two sporting facilities based on its updated concept designs. This is shown in Table 6.5.

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<sup>93</sup> The cost of the water management land is allocated to the stormwater management infrastructure category.

<sup>94</sup> CP13 (2018) supporting information.

<sup>95</sup> Information from The Hills Shire Council, 1 March 2019.

**Table 6.5 Cycleways within open space (linear metres)**

| Location                                   | Lengths in CP13 (2018) | Lengths in council response to draft assessment |
|--|------------------------|---|
| Cycleways in linear and passive open space | 200                    | 200   |
| Stringer Road Sports Complex               | 1,500                  | 1,166   |
| Samantha Riley Drive Reserve               | 1,200                  | 875   |
| <b>Total</b>                               | <b>2,900</b>           | <b>2,241</b>                                    |

**Source:** CP13 (2018) Works Schedule and Information from The Hills Shire Council, 24 December 2019.

We consider nexus is established for the revised cycleway lengths proposed by the council. The length of cycleways within linear and passive open space is unchanged from our previous assessment, and we consider that nexus is established for these cycleways. The revised cycleway lengths shown in the designs for the two sporting facilities appear similar to other facilities in The Hills local government area.

In addition to the open space embellishment included in the plan, the council proposes to include additional embellishments within Samantha Riley Drive Reserve and the Stringer Road Sports Complex (see Table 6.3). We consider that the additional embellishments are necessary to bring the two major sporting facilities to a standard that will meet the recreation needs of the community. These items are also consistent with items for which we have found nexus established in other plans.

The council also revised the quantity of some of the existing embellishments within these two major sporting facilities. For example, the council has increased the number of benches and the land area to be cleared in each park.<sup>96</sup> We consider that the revised quantity of embellishment is appropriate given the size of these facilities and the open space needs of the new development.

## 6.4 Criterion 3: Reasonable costs

The plan includes actual costs for open space embellishment already delivered, and a combination of tender prices and council estimates for the remaining embellishment. The council has since submitted updated information, including revised estimates and new actual costs, and no longer relies on tender prices obtained from quantity surveyors.<sup>97</sup>

We found that:

- ▼ The actual cost of embellishment already delivered is reasonable.
- ▼ It is reasonable to revise costs for Samantha Riley Drive Reserve and the Stringer Road Sports Complex using council estimates and actual costs for similar parks provided by the council in response to our draft assessment of the plan.
- ▼ There are calculation errors in the cost estimates for linear and passive open space parks and for basin park CWB01.

<sup>96</sup> The council's proposed clearance and vegetation area exceeds the land area for each facility. The council explains that the clearance area includes the sporting facility area plus a road verge. (Information from the council, 28 February 2020).

<sup>97</sup> Information from The Hills Shire Council, 24 December 2019.

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The council's estimates for nine other basin parks, the playing field at the North Kellyville Public school and the two additional netball courts are reasonable.

### Recommendations

- 16 Update the plan to include open space embellishment for which nexus is established, increasing the cost of open space embellishment by \$17,136,740 comprising:
  - An increase of \$8,238,988 for Samantha Riley Drive Reserve
  - An increase of \$8,897,752 for the Stringer Road Sports Complex.
- 17 Correct calculation errors in open space costs, and update to \$Jun2018 by:
  - Adjusting for a double counting error in the per square metre cost estimate used to cost six linear parks and four passive open space parks, and revising the cost of cycleways (a reduction of \$1,983,046)
  - Amending the cost estimate for basin park CWB01 to adjust for overestimated landscape costs (a reduction of \$1,469,927)
  - Including actual costs of embellishing basin parks 3, 4 and 9 in Smalls Creek [SWB030, SWB040, SWB090] (a reduction of \$116,070).
- 18 Index the cost estimates of twelve open space embellishment items that are not otherwise subject to a recommendation to the revised base period of the plan (\$Jun2018), increasing costs in the plan by \$155,198.

#### **6.4.1 The council's approach to costing open space embellishment in the plan is mostly reasonable**

For embellishment already delivered, the plan includes the actual cost at the base period of the plan (June 2017). For embellishment not yet delivered, the council has used a combination of estimates prepared by external quantity surveyors (QS estimates), council-sourced estimates and IPART benchmark costs. Further, the council provided revised estimates for Samantha Riley Drive Reserve and the Stringer Road Sports Complex in response to our draft assessment of the plan.

Table 6.6 shows the council's approaches to estimating costs for embellishment items yet to be delivered. We consider these costing approaches are reasonable.

**Table 6.6 The council's approaches to estimating base costs of open space embellishment yet to be delivered**

| Open space item   | Costing approach in plan  | Costing approach – changes made in response to IPART's draft assessment                   |
|---|---|---|
| Linear open space (6 parks)   | Council estimates based on previous works, the council's Asset Management System and IPART benchmark costs. | No changes made   |
| Passive open space (4 parks)  | Council estimates based on previous works, the council's Asset Management System and IPART benchmark costs. | No changes made   |
| Water management land passive open space (13 basin parks) <sup>a</sup>                    | Council estimates based on previous works and QS estimates  | No changes made to costing approach, but actual costs were provided for three basin parks |
| Major sporting facilities (Samantha Riley Drive Reserve and Stringer Road Sports Complex) | Council estimates based on previous works, the council's Asset Management System and IPART benchmark costs. | Additional source - QS estimates for a similar sporting facility in the LGA               |
| Single playing field – North Kellyville Public School (synthetic)                         | Consultant estimate including IPART benchmark costs for associated facilities                               | No changes made   |
| Netball courts  | IPART benchmark cost  | No changes made   |

<sup>a</sup> One of the 14 basin parks had already been delivered, with an actual cost included in the plan.

**Source:** CP13 (2018) Work Schedule, Information from The Hills Shire Council, 1 March 2019 and 24 December 2019.

#### 6.4.2 The council's proposed additional embellishment costs for Samantha Riley Drive Reserve and the Stringer Road Sports Complex are mostly reasonable

The council provided revised estimates for these two major sporting facilities that significantly increase their cost. The council increased the cost estimate for:

- ▼ Samantha Riley Drive Reserve by \$8.84 million (88.1%)
- ▼ Stringer Road Sports Complex by \$9.57 million (87.3%).

The increases arise from revisions to the cost of existing sub-items in the cost estimates, new sub-items and the addition of allowances for project management and design.

Table 6.6 presents the cost in the plan, council revised estimates and IPART-adjusted estimates for the two facilities. We consider the revised costs are mostly reasonable, and that they are more likely to reflect the costs of embellishing the two facilities, relative to the costs in the plan.

**Table 6.6 Cost revisions proposed by the council and IPART's recommendations for the two major sporting facilities (\$Jun2018)**

| Sporting facility                                   | Cost in plan (\$Jun2017) | Council proposed revised costs | IPART adjusted estimate |
|---|--------------------------|--------------------------------|-------------------------|
| Samantha Riley Drive Reserve                        | 10,033,262               | 18,875,729                     | 18,272,250              |
| <i>Percentage increase compared with plan costs</i> |                          | 88.1%                          | 82.1%                   |
| Stringer Road Sports Complex                        | 10,969,307               | 20,541,978                     | 19,867,059              |
| <i>Percentage increase compared with plan costs</i> |                          | 87.3%                          | 81.1%                   |

**Source:** CP13 (2018), Information from The Hills Shire Council, 24 December 2019 and IPART calculations.

The council considers that the cost estimates in the plan are insufficient to deliver the two facilities, based on its recent analysis of the estimated costs for these facilities and experience in providing similar facilities.<sup>98</sup>

Our assessment of the council's materially revised costs for major embellishment items is shown in Table 6.7. We compared the revised estimates with recent cost estimates the council obtained from external quantity surveyors for similar embellishments and found the revised estimates are reasonable for these items.<sup>99</sup>

**Table 6.7 Reasonable cost adjustments for major new and existing embellishment items (total costs) (\$Jun2018)**

| Item                                      | Cost in plan (\$Jun2017) | Council's revised costs | IPART-recommended reasonable cost |
|---|--------------------------|-------------------------|-----------------------------------|
| <b>Existing items in plan</b>             |                          |                         |                                   |
| Amenities building                        | 947,832                  | 1,815,868               | 1,815,868                         |
| Car parks and car park lighting           | 2,053,184                | 2,300,677               | 2,300,677                         |
| Floodlighting – two double playing fields | 811,632                  | 1,036,444               | 1,036,444                         |
| <b>New items</b>                          |                          |                         |                                   |
| Hydraulic works                           | N/A                      | 2,461,556               | 2,461,556                         |
| Electrical works                          | N/A                      | 971,667                 | 971,667                           |

**Source:** CP13 (2018) works schedule and Information from the council 24 December 2019.

The council also revised (both upwards and downwards) the costs of several other embellishment items not listed in Table 6.7 (eg, water bubblers, bin enclosures). To consider whether these costs were reasonable in aggregate, we compared the per square metre embellishment costs, inclusive of allowances, for the facilities with embellishment costs we have considered as reasonable in other plans.

<sup>98</sup> Information from The Hills Shire Council, 24 December 2019.

<sup>99</sup> We considered comparing the costs of these items with cost estimates we have considered reasonable in other plans, as well as comparing them with benchmark estimates. However, we found the scope of these items is different from those we have previously assessed. In this instance, the council's recent cost estimates are the most appropriate comparators for these items.



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The IPART-adjusted costs for major embellishment items result in a cost of \$197 per square metre for Samantha Riley Drive Reserve and \$211 per square metre for the Stringer Road Sports Complex.<sup>100</sup> The rates, inclusive of allowances, are slightly higher, but similar, to the per square metre open space embellishment costs, inclusive of allowances, we have assessed as reasonable in other recent plans.<sup>101</sup> We therefore consider the revised estimates for these other embellishment items are reasonable.

The council added allowances for project management (7.5%) and design (7.5%) to the estimated base cost of all embellishment items, as well as a 20% contingency allowance. The plan included the 20% contingency allowance only. We consider these allowances are reasonable, and consistent with the council's approach for other infrastructure categories.

As outlined in section 4.4.3 (see Recommendation 11), we recommend that the cost of cycleways in CP13 (2018) should be based on a unit rate of \$250 per linear metre, plus allowances for project management (7.5%) and design (7.5%). We consider that a 20% contingency is appropriate for cycleways in open space as this is consistent with other open space embellishment and the IPART benchmark contingency rate for open space. This results in a revised cost for cycleways (inclusive of allowances) of \$393,525 for the Stringer Road Sports Complex and \$295,313 for Samantha Riley Drive Reserve.

Inclusion of the council's updated estimates (excluding roundabouts and with revised cycleway costs) increases the costs for the two facilities by \$17.14 million relative to the plan submitted.

#### **6.4.3 The council should adjust for an error in the cost estimates for six linear and four passive open space parks and revise the cost of cycleways**

The council uses an average per square metre base cost rate to calculate the costs for six linear and four passive open space parks. In arriving at the per square metre base cost rate, the council adds the cost estimates for each type of embellishment identified for these parks resulting in a total estimated base cost of \$6.97 million. It then uses the total area for these parks (203,439 square metres) to determine the average per square metre base cost rate of \$34.26 (see Table 6.8).

We identified that the council's total cost estimate mistakenly includes \$1.70 million. The council confirmed that this amount should not be included.<sup>102</sup> As noted in section 6.4.2, we recommend a unit rate of \$250 per linear metre for cycleways, plus allowances. These adjustments results in a revised per square metre rate of \$26.14, as set out in Table 6.8.

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<sup>100</sup> These estimates of per square metre costs are exclusive of the cost of cycleways in these two facilities. We generally consider that cycleways are part of the transport infrastructure network and we exclude the cost of cycleways when assessing whether per square metre open space embellishment costs are reasonable. In this instance, we have not recommended the council transfer the cost of cycleways to the transport infrastructure category given its advice that it would be administratively impractical to transfer these items at this stage of the plan, and that cycleways will be delivered concurrently with the open space. (The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020).

<sup>101</sup> *Assessment of Vineyard Contributions Plan, Hawkesbury City Council*, November 2019 and *Assessment of Contributions Plan 22 for Rouse Hill*, Blacktown City Council, December 2018. These are recent plans we have assessed, considering recent QS estimates. Both plans had similar percentage allowances added to base costs as CP13.

<sup>102</sup> Information from The Hills Shire Council, 24 December 2019.

As a result, we calculate that the total cost of linear and passive open space parks in CP13 (2018) should be reduced by \$1.98 million from \$8.36 million to \$6.38 million. The council agrees with this recommendation.<sup>103</sup>

**Table 6.8 IPART-adjusted per square metre base cost of linear and passive open space parks (\$Jun2018)**

|   | Cost in plan<br>(\$Jun2017) | IPART-adjusted<br>estimate |
|---|-----------------------------|----------------------------|
| Base cost of linear and passive open space parks <sup>a</sup> | 6,969,886                   | 5,175,977                  |
| Area of linear and passive open space parks (m <sup>2</sup> ) | 203,439                     | 203,439                    |
| Base cost per square metre                                    | 34.26                       | 26.14                      |
| <b>Total cost of linear and passive open space parks</b>      | <b>8,363,863</b>            | <b>6,380,817</b>           |

<sup>a</sup> These costs are exclusive of cycleways, as we usually consider these to be transport infrastructure when considering the reasonable cost of infrastructure.

**Note:** The council's estimated base cost of \$6.97 million is used only for the purposes of establishing the average per square metre rate it then applies to the total area of all linear and passive open space parks.

**Source:** CP13 (2018) and IPART calculations.

#### 6.4.4 Landscape costs for basin park CWB01 include a calculation error

The base cost estimate the council uses for basin park CWB01 is derived from estimates originally prepared in 2008 by Worley Parsons (WP) for CP13 (2010). The WP estimates provided when we were assessing CP13 (2010) included an error in the estimated quantities of landscape embellishment for CWB01, which resulted in a significant over-estimation of the cost of this basin park compared with the others. The WP cost estimate flowed through to the cost of the basin park in CP13 (2018).

The council advised that the embellishment cost of CWB01 (including a 20% contingency allowance) in the Works Schedule should be \$0.75 million, rather than the original cost estimate of \$2.24 million.<sup>104</sup> After indexation to June 2018, this amendment results in a decrease in the cost of open space embellishment of \$1.47 million from the cost in the plan.

#### 6.4.5 Actual costs are available for four basin parks

The council has included the actual costs for one basin park in the plan [SWB060]. Three more basin parks have since been delivered. We recommend the council update the plan with the actual costs of the other three basin parks it has delivered [SWB030, SWB040 and SWB090]. This adjustment reduces costs in the plan by \$116,070.

We consider the actual costs for the four completed basin parks are reasonable. For basin parks SWB030, SWB040 and SWB060, where the embellishments include landscaping only, the actual average per square metre embellishment cost is \$17.34. For basin park SWB090, embellishments include landscaping and paths. The per square metre embellishment cost of SWB090 is \$35.52. It is the council's practice to enter contracts through a competitive tender process, and the actual per square metre costs are modest compared with rates seen in other

<sup>103</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>104</sup> Information from The Hills Shire Council, 9 May 2019.

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plans. This could reflect the fact that the embellishments in these parks only include landscaping and pathways. We consider the actual costs are reasonable.

The plan includes cost estimates for nine other basin parks:

- ▼ Five of the parks include landscaping and pathway embellishments, and one includes landscaping only. The average cost in the plan for embellishing these parks is \$36.65 per square metre. We consider that the per square metre costs in the plan for these six basin parks are reasonable compared with the actual costs of the four delivered basin parks with similar levels of embellishment.
- ▼ Three other basin parks have more extensive embellishment (including playgrounds). The average cost in the plan for embellishing these parks is \$64.06 per square metre. We consider these costs are reasonable, based on comparisons with the costs of parks with similar levels of embellishment which we have assessed as reasonable in other plans.<sup>105</sup>

#### **6.4.6 The costs of all other open space embellishment items should be indexed to 30 June 2018**

We recommend the council update the base period of the plan to 30 June 2018 from its current base period of June 2017 (See section 1.2 in Chapter 1). The plan includes embellishment items that are not otherwise subject to a recommendation. We have assessed that the cost of these items are reasonable. These are:

- ▼ A synthetic playing field within North Kellyville Public School [NKPF03]
- ▼ Two additional courts in Wellgate Avenue Netball Complex [NKPF04]
- ▼ Nine basin parks within water management land [SWB010, SWB020, SWB050, SWB070, SWB080, SWB100, CWB020, CWB030 and CWB040].

We recommend the council index the cost estimates of these items to 30 June 2018, using the ABS Producer Price Index for non-residential building construction in NSW. This adjustment would increase the costs of these twelve items by \$155,198 relative to the costs in the plan. The council accepts this recommendation.<sup>106</sup>

### **6.5 Criterion 5: Apportionment**

CP13 (2018) apportions all open space land and embellishment costs to the new residential population of the North Kellyville Precinct on a per person basis. The council assumes that demand for open space is generated only by the residential development in the precinct. We consider this approach is reasonable.

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<sup>105</sup> The IPART assessed per square embellishment rate for riparian land with play area in Vineyard CP is \$83.00 and in CP22 the average per square metre embellishment rate with play area for corridor parks is \$60.30.

<sup>106</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

## 7 Community services

CP13 (2018) includes \$3.74 million for the cost of acquiring strata space within the Vinegar Hill Memorial Library.

Our assessment of the provision for community services in CP13 (2018) is:

- ▼ **Criterion: Essential works** – Strata space for expansion of the library is consistent with the essential works list.
- ▼ **Criterion 2: Nexus** – Nexus is demonstrated for the additional library space for the residents of the North Kellyville Precinct.
- ▼ **Criterion 5: Apportionment** – The council's approach to apportionment is reasonable, subject to it using the most up-to-date population estimates for both the North Kellyville Precinct (CP13) and the Balmoral Road Release Area (CP12), which will affect the relative share of costs allocated to CP13 (2018) and CP12 (2018).

Our assessment of **Criterion 3 (Reasonable cost)** is in Chapter 9.

Our findings and recommendations for community services in CP13 (2018) are summarised in Table 7.1.

**Table 7.1 IPART-recommended adjustments for community services in CP13 (\$Jun2018)**

| Criterion                                      | Finding  | Recommendation   | Land costs                               |
|--|--|--|--|
| <b>Total cost in plan (\$Jun2017)</b>          |  |  | <b>3,744,494</b>                         |
| <b>Essential works</b>                         | Strata space for expanding the library is consistent with the essential works list   |  |  |
| <b>Nexus</b>                                   | Nexus is established for additional strata space for the library   |  |  |
| <b>Reasonable cost</b>                         | See section 9.1.2<br>The cost estimate is not reasonable as it is not based on a recent valuation of strata space  | See section 9.1.2<br>Revise the cost of the strata space, based on updated valuation advice                      | -931,713                                 |
| <b>Apportionment</b>                           | Approach to apportionment is reasonable, subject to using the most up-to-date population estimates for both the North Kellyville Precinct (CP13) and Balmoral Road Release Area (CP12) | Adjust the apportionment between CP12 (2018) and CP13 (2018) to reflect the most up-to-date population estimates | Included in revised cost of strata space |
| <b>Total IPART-recommended cost adjustment</b> |  |  |  |
| <b>Total IPART-assessed reasonable cost</b>    |  |  | <b>2,812,781</b>                         |

**Note:** We made similar findings and recommendations in relation to CP12 (2018) in July 2019.

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## 7.1 Criterion 1: Essential works

The council has included the cost of strata space for the library in accordance with the recommendations in the *Rouse Hill Library and Community Centre Report* (July 2004), which it commissioned from AEC Group.

We found that strata space for expanding the library is consistent with the essential works list.

## 7.2 Criterion 2: Nexus

Since our previous assessment of CP13 (2010), the anticipated populations for both the North Kellyville Precinct (CP13) and the Balmoral Road Release Area (CP12) have increased. CP13 (2018) includes the cost of additional floor space in the proposed library to cater for the higher estimated populations. We consider the increase in library floor space of 250 square metres is reasonable given the increase in population, and therefore nexus for community services land is established.

## 7.3 Criterion 5: Apportionment

CP13 (2018) apportions the land acquisition cost for the library expansion between CP13 and CP12 using the respective population estimates that were current when the plan was prepared.

We consider that this approach is reasonable and that the population estimates the council uses in CP13 (2018) are sound, subject to accounting for a minor increase in the population of the Balmoral Road Release Area. This approach is consistent with the recommendation we made when assessing CP12 (2018).

This revision increases the estimated Balmoral Road population to 15,728 (an increase of 95 residents), and slightly alters the percentage to be apportioned to each precinct.<sup>107</sup> As a result, we recommend the council should revise the land acquisition costs for the library expansion apportioned to CP12 (2018) and CP13 (2018) using the revised population estimate (see Recommendation 21).

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<sup>107</sup> The estimated population should be 15,728 people rather than 15,633 people as in the plan submitted for our assessment. The apportionment to CP13 (2018) reduces from 56.8% to 56.7%.

## 8 Plan administration

CP13 (2018) includes \$2.10 million for plan preparation and administration.

Our assessment of the plan administration costs in CP13 (2018) is:

- ▼ **Criterion 1: Essential works** – Plan administration costs are consistent with the essential works list.
- ▼ **Criterion 2: Nexus** – Nexus is established for the inclusion of plan administration costs in CP13 (2018).
- ▼ **Criterion 3: Reasonable costs** – It is reasonable to estimate plan administration costs using 1.5% of the total cost of works over the lifecycle of the plan.
- ▼ **Criterion 5: Apportionment** – The apportionment of plan administration costs to residential development on a per person basis is reasonable.

Based on our findings and recommendations to adjust the total costs of works in CP13 (2018), we estimate the cost of plan administration would reduce by \$68,778 (3.3%).

Our findings and recommendation for plan administration in CP13 (2018) are summarised in Table 8.1.

**Table 8.1 IPART-recommended adjustments for plan administration in CP13 (\$Jun2018)**

| Criterion                                      | Finding  | Recommendation  | Cost             |
|--|--|---|------------------|
| <b>Total cost in plan (\$Jun2017)</b>          |  |   | <b>2,098,308</b> |
| <b>Essential works</b>                         | Plan administration is consistent with the essential works list  |   |                  |
| <b>Nexus</b>                                   | Nexus is established   |   |                  |
| <b>Reasonable cost</b>                         | It is reasonable to calculate plan administration costs using IPART's benchmark of 1.5% of works costs | Calculate the cost of plan administration for CP13 (2018) based on 1.5% of the adjusted cost of works | -68,778          |
| <b>Apportionment</b>                           | Approach is reasonable   |   |                  |
| <b>Total IPART-recommended cost adjustment</b> |  |   | <b>-68,778</b>   |
| <b>Total IPART-assessed reasonable cost</b>    |  |   | <b>2,029,530</b> |

### 8.1 Criterion 1: Essential works

Plan preparation and administration costs are consistent with the essential works list.

Plan administration was included in the essential works list when the Practice Note was amended in February 2014. Although our assessment of CP13 (2010) recommended the cost of plan administration be removed, it was unnecessary for the council to amend the costs in



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the plan in this way when preparing CP13 (2018). This is the first time the council has reviewed CP13 since the change to the Practice Note.

## **8.2 Criterion 2: Nexus**

We consider there is nexus between plan preparation and administration activities and the expected development in the North Kellyville Precinct.

## **8.3 Criterion 3: Reasonable costs**

CP13 (2018) includes a cost of \$2.10 million for plan administration, which is 1.5% of the total cost of works in the plan. The council should update this value to reflect the recommended cost of each infrastructure category.

### **Recommendation**

- 19 Calculate the cost of plan administration for CP13 (2018) based on 1.5% of the adjusted cost of works.

## **8.4 Criterion 5: Apportionment**

CP13 (2018) provides for plan administration costs to be apportioned on a per person basis to new residential development in the North Kellyville Precinct. We consider this approach is reasonable.

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## 9 Cross category considerations

This chapter presents our assessment of criteria which apply across multiple infrastructure categories. It considers:

- ▼ Criterion 3: Reasonable cost (in relation to the cost of land and the council's financial model)
- ▼ Criterion 4: Timing of infrastructure delivery
- ▼ Criterion 6: Consultation
- ▼ Criterion 7: Other matters.

The plan shows that the council has acquired 72% of the land in the plan (by area), however, updated information from the council suggests that the actual costs now reflect 83% of land area.<sup>108</sup> Our assessment found that the cost of land already acquired and the cost of land yet to be acquired is reasonable, with the exception of:

- ▼ Strata space that the council intends to acquire in the Rouse Hill Town Centre to expand the library to meet the needs of the new residents of North Kellyville
- ▼ Flood constrained land that is yet to be acquired by the council.

We considered the cost of flood constrained land arising from revised land values proposed by the council and found that these are also not reasonable.

We examined the council's modelling approach and the assumptions it has made in the financial model for CP13 (2018). We found that:

- ▼ The council's approach to accounting for actual costs and revenues is reasonable
- ▼ The council's approach to determining the timing of expenditure and revenue receipts is generally reasonable, however we identified some minor issues in CP13 (2018) that the council has acknowledged and addressed in its response to our draft assessment
- ▼ The council's assumptions about increases in nominal costs and contribution rates are reasonable
- ▼ The council's approach to calculating the cost of debt is reasonable, but we recommend the council use the latest available figures.

We also found that updating the base period of the plan to June 2018 will more accurately reflect the revenue and expenditure to date.

We found that the council has satisfied the consultation assessment criterion (Criterion 6) for CP13 (2018).

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<sup>108</sup> Information from The Hills Shire Council, 24 December 2019.

We also identified two other matters that we considered in our assessment of the plan:

- ▼ The occupancy rates for the precinct
- ▼ The timeframe for reviewing contributions plans.

## 9.1 Criterion 3: Reasonable cost – land

CP13 (2018) includes \$129.58 million for land acquisition as shown in Table 9.1. This represents 48% of the total costs in the plan. The council has acquired around 72% of the land area in the plan (and updated information from the council suggests that the actual costs now reflect 83% of land area)<sup>109</sup> following an early acquisition strategy that the council advises has allowed it to acquire land at a lower cost.

**Table 9.1 Land costs in CP13 (2018) and the council's revised land costs (\$Jun2018)**

| Category              | Total area (ha) | CP13 (2018)<br>(\$Jun 2017) | Council<br>response to<br>draft<br>assessment | Area acquired<br>(ha) | Area yet to be<br>acquired (ha) |
|-----------------------|-----------------|-----------------------------|---|-----------------------|---------------------------------|
| Transport             | 4.12            | 10,505,345                  | 10,589,924                                    | 1.16                  | 2.96                            |
| Stormwater            | 4.80            | 17,661,259                  | 17,374,900                                    | 4.21                  | 0.58                            |
| Open space            | 39.83           | 97,667,317                  | 98,558,977                                    | 35.10                 | 4.72                            |
| Community<br>services | 0.09            | 3,744,494                   | 2,812,781                                     | -                     | 0.09                            |
| <b>Total</b>          | <b>48.83</b>    | <b>129,578,414</b>          | <b>129,336,582</b>                            | <b>40.48</b>          | <b>8.35</b>                     |

Source: CP13 works schedule and IPART analysis.

The council uses different approaches to costing land, depending on whether it has already acquired the land or whether it is yet to acquire the land.

We found that:

- ▼ The costs of land already acquired in the plan are reasonable.
- ▼ For land yet to be acquired:
  - The council's method for estimating the cost of land is reasonable except for community services land (strata space).
  - The council's method for estimating the cost of **unconstrained land** and the application of average land values to land in the plan is reasonable.
  - The council's method for estimating the cost of **constrained land** in the plan is not reasonable as the market values for constrained land are not supported by sufficient evidence in the valuation report for CP13 (2018). The application of different rates for constrained land based on zoning is not reasonable.
  - The council's application of an allowance to cover valuation, legal and survey costs of 1.5% of the estimated market value of each parcel of land in CP13 (2018) is reasonable.

<sup>109</sup> Information from The Hills Shire Council, 24 December 2019.

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## Recommendations

- 20 Increase the cost of land in the plan by \$181,343, by:
- Updating actual costs for land already acquired, which would increase costs by \$933,188
  - Reducing the cost of constrained land by \$751,846, reflecting a value of \$100 per square metre for all constrained land that the council is yet to acquire in the North Kellyville Precinct.
- 21 Reduce the estimated cost of acquiring strata space for the library expansion allocated to CP13 (2018) by \$931,713, reflecting:
- Application of updated valuation advice using a per square metre rate of \$5,750
  - Apportionment of 56.7% of land acquisition costs to North Kellyville based on the most up-to-date population estimates for the North Kellyville Precinct and the Balmoral Road Release Area.

### 9.1.1 Cost of already acquired land in the plan is reasonable

The cost of the land already acquired in CP13 (2018) is the actual cost of each acquisition – ie, the sum of the nominal (non-indexed) costs. The council does not index the actual cost of land to the base year of the plan because the council uses a nominal cash flow model (net present value approach) to calculate contributions. We consider this is reasonable.

### 9.1.2 The cost of land yet to be acquired is reasonable except for community services and constrained land

CP13 (2018) includes \$50.16 million for land that the council has not yet acquired. The council uses a different method for estimating the cost of acquiring strata space for community services from the method it uses for all other land. We consider that the council's use of different rates for estimating the cost of constrained land is not reasonable.

#### Community services land

CP13 (2018) includes the cost of acquiring strata space for the expansion of a library. The council will acquire an additional 850 square metres of strata space in Rouse Hill Town Centre, the cost of which is apportioned between the contributions plans for the North Kellyville Precinct (CP13) and the Balmoral Road Release Area (CP12) based on population (56.8% of the cost of the strata space is apportioned to CP13, with the remainder apportioned to CP12).

The cost in CP13 (2018) of strata space for the library expansion is \$3.74 million. This is calculated using an estimate of \$6,875 per square metre, excluding GST (in 2007 dollars), indexed by CPI to June 2017 (ie, \$7,641 per square metre), with a 1.5% allowance for acquisition fees.

The council has used the same valuation to calculate the cost of community services land in CP13 (2018) as it used in CP13 (2010). Our 2011 assessment of CP13 (2010) found that the valuation used by the council to estimate the cost of the library expansion was out-of-date.

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The Minister asked the council to revise the strata costs using the latest available data, in line with our recommendation, however the council has not made this revision.

Furthermore, an agreement giving the council potential to expand the existing operations at the Rouse Hill Library has since lapsed and it is still in discussions with the developer of the Rouse Hill Town Centre about securing space for additional library/community floor space within the remaining portion of the Town Centre.<sup>110</sup>

We recognise that the council faces some uncertainty about securing a location for the proposed library facilities in the Rouse Hill Town Centre. However, we do not consider it is reasonable to rely on the 2007 estimate, as the market for strata space is likely to have changed. It is also unclear whether the 2007 estimate includes a component for fit-out; which would not be consistent with the essential works list that allows for only land (strata space) for community services.

During the course of our assessment, the council sought advice from a valuer for an up-to-date market rate for the cost of acquiring approximately 850 square metres of commercial space to be utilised for the potential expansion of the library. The valuer noted that limited sales evidence was available, however concluded that a rate of \$5,750 per square metre would be the market value of strata space contained within the Rouse Hill Town Centre.<sup>111</sup> This value is \$1,891 per square metre less than the value the council relied upon to calculate the cost of community services land in CP13 (2018), suggesting that the original valuation may have included fit-out costs.

We recommend the council revise the estimated cost of acquiring strata space for the library expansion using the rate of \$5,750 per square metre rather than the rate of \$7,641 per square metre currently in the Works Schedule. We estimate that the cost of acquiring the strata space in CP13 (2018) would reduce by \$0.93 million, from \$3.74 million to \$2.81 million. This amount includes a minor adjustment to account for the decrease in the share of the costs allocated to CP13 (2018) from 56.8% to 56.7%, arising from the revised population estimates used in CP12 (2018) and CP13 (2018) (see Recommendation 21). The council accepts this recommendation.<sup>112</sup>

### **Land other than community services land**

The council has estimated the cost of all constrained and unconstrained land yet to be acquired in the plan by:

- ▼ Engaging a qualified valuer to provide advice on average market values (dollars per square metre) for different categories of land in the precinct<sup>113</sup>
- ▼ Applying the average values recommended by the qualified valuer to the land in the plan based on its assumptions about:
  - the underlying zoning for each parcel of land.
  - the area of any encumbrance (or constraint).

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<sup>110</sup> Information from The Hills Shire Council, 1 March 2019, provided in relation to CP12 (2018).

<sup>111</sup> Information from The Hills Shire Council, 24 May 2019, Letter to The Hills Shire Council from Independent Property Valuations, dated 21 May 2019.

<sup>112</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>113</sup> Civic MJD, CP13 *Review of Land Values for Contributions Plan No.13 – North Kellyville Precinct*, 20 March 2018.

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We consider the council's method for estimating the cost of unconstrained land and its application of average values are reasonable.

In response to our draft assessment, the council provided the lot details and per square metre values for seven parcels of constrained land in the precinct it acquired between 2016 and 2018. It suggested that the average per square metre value of constrained land shown by these acquisitions (\$114 per square metre) should be used to estimate the cost of constrained land that it is yet to acquire.<sup>114</sup>

We have considered the council's proposal and recommended an average square metre value for constrained land based on a sample of relevant sales that includes the council's acquisitions.

The use of different rates for constrained land in CP13 (2018) is not reasonable

The council's valuer provided a range of values for constrained land in CP13 (2018) based on the underlying zoning of the land:

- ▼ \$125 per square metre for residential and commercial land
- ▼ \$90 per square metre for E4 - environmental living land, and
- ▼ \$80 per square metre for E3 - environmental management land.

The valuer's report does not include sales evidence or analysis to support the separate values for constrained land based on the underlying zonings. However, we note that this structure (with unconstrained and constrained land values for each land use) reflects the structure of land values applied in CP13 (2010).

In its valuation report for CP24 (Schofields), the same valuer (Civic MJD) identified that the value of constrained land does not vary according to the value of adjoining land:

'Such land is unable to be developed in line with surrounding land given these constraints, and generally these constraints would preclude active use of the land'. These lands, 'would otherwise generally have been zoned E2 – Environmental Conservation which permits extremely limited uses which do not include general development.'<sup>115</sup>

We therefore consider that the council has not adequately justified the use of separate values for constrained land based on the value of adjoining unconstrained land.

The average per square metre values used to estimate the cost of land that the council is yet to acquire should be derived from the best available information on the likely cost the council will incur. While council acquisitions may appear to provide the best source of information about likely future costs, these acquisitions may include elements of "special value" (ie, compensation paid under the *Land Acquisition (Just Terms Compensation) Act 1991*), and may occur as part of broader negotiations around works-in-kind. These factors mean that council acquisitions are not necessarily representative of the likely reasonable cost of future land acquisitions.

It is for this reason that valuers exercise caution when using council acquisitions as comparison sales for the purpose of advising on average land values. For example, the

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<sup>114</sup> Information from The Hills Shire Council, 24 December 2019.

<sup>115</sup> Civic MJD, *Periodic Review of Contributions Plan No 24 – Schofields Precinct*, 13 June 2018, p 32.



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council's valuer, Civic MJD, provided advice to the council in 2018 about including council acquisitions as comparison sales, in response to questions from IPART in relation to land values in Contributions Plan 15 for Box Hill. In that assessment, the per square metre values shown by council acquisitions were well below the average values recommended by the valuer. We asked the valuer to explain why it had not included council acquisitions in its sample of relevant sales when providing advice to the council on average land values in CP15. Civic MJD explained:<sup>116</sup>

The overarching reason why the acquisition sales are not included in our CP15 Report, and in general valuation reports, are that they don't represent an open market transaction, and technically don't satisfy the criteria as set out within our definition of Market Value (below):

"The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion."

THSC acquisitions may or may not include elements of special value, and hence the price achieved may not necessarily reflect market levels (above or below market parameters) due to inherent characteristics specific to that sale process.

Of special note, acquisition Sales do not incorporate a willing Seller scenario, whilst the buyer is under compulsion to buy the land. Additionally the land has not been actively marketed.

The council further confirmed:<sup>117</sup>

Despite being completed as "open market transactions", it is understood that it is standard practice for Valuers to exclude acquisitions by Council as they do not represent a "willing seller" scenario.

In relation to the council acquisitions provided as evidence for a higher average value for constrained land in CP13 (2018), we asked the council to explain why the council acquisitions are relevant comparison sales for this plan given the valuer's earlier advice. The council advised:<sup>118</sup>

CP13 is a far more advanced in their rollout of CP15 [sic] so there is significantly more post rezoning sales data available for North Kellyville. The information provided by Council to IPART regarding land values in both Box Hill and North Kellyville reflects the advice of an independent property valuer. As IPART is aware, the valuer advised that the CP15 sales did not represent a 'willing buyer and willing seller' scenario. No such advice was received from the valuer in relation to land sales within North Kellyville.

We are satisfied that the seven council acquisitions in North Kellyville between 2016 and 2018 are relevant sales to consider in determining reasonable average land values in CP13. In the future, we would expect that where a sale is included in a sample of comparison sales, the entire acquisition should be considered. That is, the value of any constrained and unconstrained portions of the acquisition should be considered, separate from any special value that has been paid. Box 9.1, below, outlines how we will consider council acquisitions in our assessment of land costs in future assessments of contributions plans.

For CP13 (2018), we have considered only the analysed values of the constrained portion of the council's seven acquisitions and subtracted a 1.5% allowance, being the value of the

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<sup>116</sup> Information from The Hills Shire Council, 30 May 2018.

<sup>117</sup> Information from The Hills Shire Council, 30 May 2018.

<sup>118</sup> Information from The Hills Shire Council, 28 February 2020.

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council's "other acquisition allowance" that it applies to cover the cost of any special value. This ensures that special value is not included in the per square metre value of the land.

To recommend a reasonable average value for estimating the cost of constrained land in North Kellyville that the council is yet to acquire, we have also considered the council's seven acquisitions within a larger sample that includes open market transactions and council acquisitions. This sample comprises:

- ▼ Seven council acquisitions within the North Kellyville Precinct between 2016 and 2018
- ▼ Four relevant comparison sales (two open market transactions and two council acquisitions) included in Civic MJD's valuation advice to the council in 2018<sup>119</sup>
- ▼ Five relevant comparison sales (three open market transactions and two council acquisitions) included in advice to IPART from Access Valuations Pty Ltd in December 2019.<sup>120</sup>

This larger sample shows analysed values of between \$26 and \$200 per square metre for constrained land and demonstrates an average per square metre value for constrained land of \$100. We recommend the council apply this value of \$100 per square metre for constrained land in CP13 (2018).

This would reduce the cost of constrained land in the plan by \$0.75 million.

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<sup>119</sup> Civic MJD, *CP13 Review of Land Values for Contributions Plan No.13 – North Kellyville Precinct*, 20 March 2018, pp 28-30.

<sup>120</sup> Access Valuations, *Valuation Advice – Flood constrained situated within Vineyard Stage 1 and North Kellyville*, 19 December 2019, pp 25-28.

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### **Box 9.1      Using council acquisitions to determine average per square metre land values**

Estimates of councils' reasonable costs of acquiring land for local infrastructure should reflect the 'market value' of that land.

Valuers have provided advice to councils and to IPART that council acquisitions may not demonstrate "market value", as defined by the *Land Acquisition (Just Terms Compensation) Act 1991* (the Act) and they may include elements of special value, paid under the Act. Examples of special value include compensation paid to land owners for valuation, legal and relocation expenses. These costs are recovered by a council through an "other acquisition allowance" in a contributions plan.

For this reason, valuers have advised that IPART should exercise caution when considering council acquisitions in our assessments of average per square metre land values used in contributions plans.

If a council wishes to include recent council land acquisitions to inform estimates of its average per square metre cost of land that it is yet to acquire in a contributions plan, the council should present information on these land acquisitions to its valuer.

Where a valuer has included council acquisitions in a sample of relevant comparison sales to derive an estimate of the market value of land, the valuer should:

- ▼ Identify why the council acquisitions are relevant comparison sales
- ▼ Ensure that an acquisition is included as a relevant comparison sale in its entirety – ie, the valuer should ensure the acquisition is included in the analysed samples for all relevant underlying zonings and/or constraints
- ▼ Ensure that the analysed per square metre value/s demonstrated by the sales exclude any special value that has been paid under the Act or any other element that may mean the sales are not reasonably representative of the market value of land.

The valuer's report to the council should outline its advice in relation to these matters. The council should include the valuer's advice in its application for assessment of a contributions plan.

We have updated our [Information Paper](#) on assessment of land costs in contributions plans to reflect this advice.

### **Other acquisition costs**

For land yet to be acquired in CP13 (2018), the council has also applied an allowance of 1.5% on the estimated market value of each parcel of land. This allowance is for covering any fee that the council may have to pay in association with land acquisition costs, such as:

- ▼ Valuation costs
- ▼ Legal and survey costs.

We consider the application of this allowance to land yet to be acquired in CP13 (2018) is reasonable.

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## 9.2 Criterion 3: Reasonable cost (the council's financial model)

The council uses a nominal Net Present Value (NPV) model to calculate contribution rates. An NPV approach involves the use of a discounted cash flow model in which the contribution rate is calculated so that the present value of anticipated expenditure is equal to the present value of anticipated revenue. The present value of both expenditure and revenue includes any actual expenditure and revenue received by the council to date.

The council's contributions models use nominal values. We accept that councils can use either real or nominal modelling approaches, provided their chosen approach uses realistic and observable changes in cost indexation. In the case of nominal models, they must also incorporate realistic assumptions of inflation.

In our Technical Paper, *Modelling local infrastructure contributions in a present value framework*, we have set out some guidelines, but most of the assumptions used are at the discretion of the councils.<sup>121</sup>

We examined the council's modelling approach and the assumptions it has made in the model for CP13 (2018). We found that:

- ▼ The council's approach to accounting for actual costs and revenues is reasonable.
- ▼ The council's approach to determining the timing of expenditure and revenue receipts is generally reasonable, however:
  - On the expenditure side, there are some unnecessary residual amounts for land acquisition and some works identified to be completed by 2018 have not yet been completed.
  - On the revenue side, the council made an error when it was translating the assumptions from the CP13 (2010) model to the CP13 (2018) model.
  - Updating the base period of the model will better reflect revenue and expenditure to date.
  - The model overestimates the impact of compounding in its escalation factors.
- ▼ The council's assumptions about increases in nominal costs and contribution rates are reasonable.
- ▼ The council's method of discounting costs is reasonable (ie, based on the Local Government discount rate), but should be updated with the latest available data.

### Recommendations

- 22 Roll forward the base period in the model by one year to June 2018 and in doing so:
  - Include an additional year of actual revenue and expenses, including any interest expense/revenue
  - Update the discount rate to our latest published discount rate, which is currently 3.6%
  - Update the cost escalation factors, as shown in Table 9.3.
- 23 Remove the residual amount associated with land acquisition and update the forecast timing of expenditure to take into account actual expenditure and any anticipated changes to the timing of infrastructure delivery.

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<sup>121</sup> *Modelling for local infrastructure contributions in a present value framework*, August 2018, p 2.

- 
- 24 Bring forward the development path for revenue receipts in the NPV model for CP13 (2018) to better reflect the development pattern in the precinct.

The council agrees with each of these recommendations.<sup>122</sup>

### 9.2.1 Base year of the plan and model

The base period is the point at which the council calculates the contribution rates.

The base period for CP13 (2018) is June 2017. The council has provided updated values for land and works in a works schedule with a base period of June 2018.<sup>123</sup> We consider that updating the base period of the plan and model to 30 June 2018 is reasonable and results in more accurate values for revenues and expenditure (both actual and future values) relative to a base year of 30 June 2017.

In addition:

- ▼ We have identified that the council has incurred lower actual costs for 2018 compared with the estimates for some infrastructure items in the plan.
- ▼ Bringing forward the base year would allow for the use of escalation factors that are more reflective of the current market trends. Section 9.2.3 discusses adjustments to escalation factors for future estimates.

We note that our recommended base period of June 2018 is not current. However, a substantial amount of additional development occurred in 2017/18, and this date is closer to the date of additional cost estimates provided by the council and its NPV model. This will assist in the interpretation of our recommendations and subsequent calculations, relative to recommending a base period of June 2019.

Our recommendations include the impact of updating indexation to a base period of June 2018. Where works items are not subject to a recommendation, we have recommended costs be indexed to June 2018, the base period of the plan.

We note that the council should further update the base period of its plan and model to a more current period when it next reviews the plan.

### 9.2.2 Historical (ie, actual) revenue and expenditure

The current version of CP13 was adopted by the council in 2010. Since 2010, the council has purchased most of the land and collected contributions from around 70% of the initially anticipated development in the catchments.<sup>124</sup> In the model for CP13 (2018), the council recorded the actual revenues and costs up to June 2017.

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<sup>122</sup> The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.

<sup>123</sup> The council also included some cost estimates from 2019 which had not been indexed back to 30 June 2018. (Information from The Hills Shire Council, 28 February 2020). We have made the appropriate calculations and they are reflected in the values of our recommendations.

<sup>124</sup> The contributions revenue includes state government 'gap' funding from the Local Infrastructure Growth Scheme and its predecessors. The council's application for assessment and the NPV model show the level of development and the quantum of contributions revenue collected.

The CP13 (2018) model includes \$3.31 million of interest income for the period of 2009-10 to 2016-17, from lending to other contribution plan accounts. The plan has earned interest income by lending surplus funds to other plans that were in deficit. The interest income is recorded at the base year, and in practice lowers the CP13 (2018) contributions rate.

The implied interest rates used to calculate the interest income are in line with the general interest rate trends for the overall period. We consider the approach used to record debt servicing costs/interest income is reasonable.

Consistent with our recommendation to bring forward the base period of the plan, the council should update the cost of transport, stormwater and open space works with any actual costs that have been incurred between June 2017 and June 2018, including, but not limited to, those shown in Table 9.2.<sup>125</sup>

**Table 9.2 Examples of actual expenditure incurred since CP13 (2018) was prepared**

| Category   | Item              | Item code | Actual cost (\$2018) |
|------------|-------------------|-----------|----------------------|
| Transport  | Cycleway crossing | NKCC02    | \$395,155            |
| Open space | Basin park        | SWB030    | \$114,182            |
| Open space | Basin park        | SWB040    | \$49,589             |
| Open space | Basin park        | SWB090    | \$112,486            |

**Source:** CP13 (2018) Works Schedule, Information from The Hills Shire Council and IPART calculations.

### 9.2.3 Future cash flows (revenues and expenditure)

A nominal NPV approach requires the council to make assumptions about:

- ▼ The timing of future expenditure and revenue receipts
- ▼ The increase in nominal costs over the forecast period
- ▼ The increase in nominal contributions rates (ie, revenue) over the forecast period
- ▼ The council's cost of debt (ie, the discount rate)

The sections below outline the assumptions the council has used in its model for CP13 (2018).

#### Timing of expenditure

The council explained it bases the timing of expenditure on its internal forecast of when infrastructure and associated land acquisitions are required, in order to facilitate an orderly development of the precinct. These forecasts take into account many factors including priorities across contributions plans, availability of funding, other needs of The Hills Shire LGA, resourcing needs and capabilities, and land acquisition progress and delays.<sup>126</sup>

We consider this approach is reasonable. However, we found some issues with how it was applied:

<sup>125</sup> We are aware that Table 9.2 does not include all actual expenditure since CP13 (2018). For example, the council has advised that wetland basins SWB3 and SWB4 are partially constructed. The costs for partially completed works should also be updated in the plan.

<sup>126</sup> Information from The Hills Shire Council, 12 February 2019.



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- ▼ The CP13 (2018) NPV model includes \$41,758 for open space land and \$23,866 for stormwater management land in year 2023. The council confirmed that these residual amounts are not required.
  - ▼ Some of the works that were identified to be completed by 2018 may not have been completed.

We recommend that the council adjust the NPV model to correct any errors and update the timing of delivery of infrastructure as necessary.

### **Timing of revenue is determined by the council's assumed development path**

The model uses timing assumptions for future revenue which are based on the assumed development path of the North Kellyville Precinct. The development path represents the expected timing of development, or the increase in population for the precinct over time. With development well progressed in CP13 (2018), the council has adjusted the development path to account for plan specific factors, including development delays.

The council's assumed development path for CP13 (2018) sees all remaining contributions paid by 2023/24, with the peak occurring in 2020/21.

Our experience with other contributions plans suggests that the level of development usually tapers off towards the end of a plan. We therefore asked the council to explain why the development path for CP13 (2018) assumes significant development in later years. In response, the council acknowledged it had made an error when it translated the assumptions from the CP13 (2010) model to the CP13 (2018) model.<sup>127</sup>

Applying the council's revised assumptions on the base year and timing of development (provided in response to our draft assessment) brings forward the timing of revenue receipts. This means the net present value of future revenues is higher, which in turn results in a lower contribution rate, all else being equal.

### **The council escalates the costs of works from June 2017 onwards**

The council multiplies costs by its escalation factors to estimate future expenditure. The escalation factors for land and works are derived from the 15-year annual average growth rates (June 2003 to June 2017) of several Australian Bureau of Statistics (ABS) indices.

We consider using a 15-year period to calculate the average growth of the escalation factors is reasonable, as a 15-year period would generally smooth the cyclicalities of these indices.

Our recommendation for the council to roll-forward the base period of the models by one year, to June 2018, would mean the escalation factors should be calculated using more recently available data.

In particular, we note that the escalation factor of 6.77% for land acquisitions used by the council may not reflect the recent fluctuations in the market price of land and dwellings in Greater Sydney. If the 15-year period included data to June 2018, the escalation factor for land is 5.22%. The other escalation factors are also lower, though the change is much smaller (see Table 9.3).

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<sup>127</sup> Information from The Hills Shire Council, 12 February 2019.

The council uses 2.5% to escalate administration costs, which represents the midpoint of the Reserve Bank of Australia's inflation target of 2-3%. We note there is significant uncertainty about inflation forecasts at this point in time, but we consider this approach is reasonable.

**Table 9.3 Cost escalation factors for land and works**

| Type of infrastructure   | Index used  | 15-year average to June 2017 <sup>a</sup> | 15-year average to June 2018 |
|--------------------------|---|---|------------------------------|
| Land acquisitions        | ABS Established House Price Index – Sydney                          | 6.77%                                     | 5.22%                        |
| Open space works         | ABS PPI for non-residential building construction – New South Wales | 3.72%                                     | 3.36%                        |
| Stormwater and transport | ABS PPI for road and bridge construction – New South Wales          | 3.47%                                     | 3.36%                        |

<sup>a</sup> These are the escalation factors used in the NPV models for CP13 (2018).

**Note:** PPI – producer price index.

**Source:** ABS index values for the relevant indices and IPART calculations.

### The council assumes a revenue escalation factor of 2.5%

The council uses a rate of 2.5% to escalate future revenues, which represents the midpoint of the Reserve Bank of Australia's inflation target of 2-3%. The future value of revenues is then discounted to the present values using the discount rate in the model. We consider the council's method of escalating revenue and the use of a 2.5% factor is reasonable, and is consistent with our guidance in our 2018 Technical Paper.<sup>128</sup>

### The council uses a discount rate of 4.3%

The council uses IPART's local government discount rate of 4.3% to discount all the escalated cash flows to their present values at the base period.<sup>129</sup> This is consistent with our recommendation in our Technical Paper to use the IPART-calculated discount rate.

When the council adopts our recommendation to roll forward the base period, it should use our latest published discount rate, which is currently 3.6%.<sup>130</sup>

## 9.3 Criterion 4: Timing of infrastructure delivery

Criterion 4 of the Practice Note requires IPART to assess whether the proposed public amenities and services can be provided within a reasonable timeframe. In practice, we examine how the timetable for the provision of infrastructure in the plan was developed and how the infrastructure delivery has been prioritised. We discuss the timeframe for the delivery of infrastructure in section 9.2.3 above because it is an important modelling assumption. As noted in that section, the council has used a reasonable approach to determine the proposed timing, but there are a couple of minor issues in how it has applied the approach.

We are satisfied that the council can provide the proposed public amenities and public services within a reasonable timeframe.

<sup>128</sup> *Modelling for local infrastructure contributions in a present value framework*, August 2018, p11.

<sup>129</sup> IPART, Local Government discount rate, published February 2018.

<sup>130</sup> IPART, Local Government discount rate, published February 2020.

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However, we note the incompleteness of the works in the plan. Actual costs now reflect 83% of land area and 7.0% of works by cost. At this stage of development, we would expect to find:

- ▼ A greater proportion of actual costs in the plan, reflecting the delivery of more infrastructure.
- ▼ Remaining cost estimates based on detailed designs and site-specific costing information.

Even accounting for the new information provided by the council, 81.1% of works costs in the plan are still based on concept designs, early-stage estimates, costs of similar items and benchmark costs. These estimates also include allowances for project management, design and contingency, which are a significant component of total costs in the plan. The council should focus on increasing the rate of delivery of works in the plan to ensure infrastructure is available to meet the demand of the residents of North Kellyville.

## **9.4 Criterion 6: Consultation**

Criterion 6 of the Practice Note requires IPART to assess whether the council has conducted appropriate community liaison and publicity in preparing the contributions plan.

The council publicly exhibited the plan between 1 May 2018 and 1 June 2018 and received one submission, which was from RMS in relation to the description of certain transport intersections in the plan. The council liaised with RMS on this matter and made no change to the plan in response.<sup>131</sup>

We consider the council's process for consulting on the plan satisfies the consultation criterion.

However, we note that the council provided extensive new information in response to our draft assessment that would change the plan's costs and contributions rates, but which was not subject to community consultation. While this is not ideal, we have considered the council's new information and proposed changes in this assessment. Our public Draft Report provided stakeholders with the opportunity to comment on the council's proposed changes and our assessment of them.

## **9.5 Criterion 7: Other matters**

We are required to assess whether the plan complies with other matters we consider relevant. Our assessment of CP13 (2018) identified two other relevant matters:

- ▼ The occupancy rates that are outlined in the plan are not accurate and should be updated
- ▼ The timeframe for reviewing contributions plans.

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<sup>131</sup> The Hills Shire Council, Application for assessment of CP13 (2018), April 2018.

### 9.5.1 Occupancy rates in the plan are not accurate

#### Recommendation

- 25 Amend the plan to update the occupancy rates for the precinct, and the indicative residential contributions.

We identified that the draft plan submitted for assessment included inaccurate occupancy rates for the precinct. The council has provided updated figures for the plan in March 2019, calculated based on 2016 Census data for dwellings within The Hills LGA. These updated figures are shown in Table 9.4.

**Table 9.4 Updated dwelling, occupancy and population figures for CP13 (2018)**

| Dwelling type                                   | Total dwellings | Occupancy rate | Population    |
|---|-----------------|----------------|---------------|
| Dwelling houses                                 | 4,600           | 3.4            | 15,410        |
| Integrated housing                              | 845             | 3.0            | 2,535         |
| Multi-unit housing (Residential flat buildings) | 1,334           | 2.0            | 2,668         |
| Multi-unit housing (All other)                  | 125             | 2.7            | 337           |
| Seniors   | 339             | 1.2            | 407           |
| <b>Total</b>                                    | <b>7,243</b>    |                | <b>21,358</b> |
| <b>Existing</b>                                 |                 |                | 765           |
| <b>Total (less existing)</b>                    |                 |                | <b>20,593</b> |

**Source:** Information from The Hills Shire Council, 1 March 2019.

The council should amend the plan to update it with the more accurate occupancy rates (as shown in Table 9.4) for the precinct as these affect apportionment, and therefore the indicative residential contributions in the plan.

### 9.5.2 Regular reviews of contributions plans

The timing for undertaking a review of contributions plans is largely a matter for councils. We consider that if councils reviewed their contributions plans regularly, contribution rates are likely to better reflect the reasonable costs they incur in providing local infrastructure.

The *Environmental Planning and Assessment Regulation 2000*:

- ▼ Provides that a council may amend a contributions plan without the need to adopt a revised plan only to make minor typographical corrections, and change contribution rates to reflect indexation by, for example, CPI or index figures specifically adopted by the plan, but
- ▼ Requires a council only to “keep a contributions plans under review”, and review a plan by a date, if any, which the plan specifies is the date by which it is to be reviewed.<sup>132</sup>

This means that substantive changes to a contributions plan will occur only when a council formally adopts an amended plan.

<sup>132</sup> *Environmental Planning and Assessment Regulation 2000* cl 32(3) and cl 33A(1).

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The council revised CP13 in a number of ways, including responding to IPART's recommendations for CP13 (2010), updating land acquisition costs using current land values, revising some cost estimates for capital works where actual costs were available, and updating its financial model assumptions. A further revision related to the revised population projections, flowing from changed planning controls, dwelling yields in approved development and occupancy rates derived from recent census data.<sup>133</sup> The impact of the higher population estimates was reflected in an additional playing field and associated amenities (co-located with a new school) and two additional netball courts.

We recognise that resources and time must be allocated for a council to undertake a review of a plan (comprehensive or partial), prepare a revised draft, and take it through the exhibition process. Nevertheless, we consider that it would be desirable for councils to adopt a practice of regularly reviewing their plans (at least every five years), particularly in circumstances where the context in which they are operating is changing. This would help ensure the contribution rates accurately reflect the reasonable costs the councils' incur in providing local infrastructure to serve new development.

For example, where changes to the underlying assumptions in a plan regarding planning controls, dwelling yields and occupancy rates materially increase the population estimates, councils should both:

- ▼ Review the amount and type of infrastructure needed to meet the demand from the additional new residents
- ▼ Adjust contribution rates where costs are apportioned on a per person basis.

In some cases, works should be removed from the plan. For example, when works identified in the plan are able to be funded in other ways (such as through a Special Infrastructure Contributions (SIC)). In other cases, works and/or land may need to be added to a plan if, for instance, an increase in forecast population creates a need for additional local infrastructure. We consider this is the case for open space embellishment in CP13.

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<sup>133</sup> See The Hills Shire Council, Business paper, ordinary meeting of 10 April 2018, pp 51-52.







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## Appendices

## A Summary of recommendations

**Table A.1 Summary of recommendations – CP13 (2018) land costs (\$Jun2018)**

|   | Cost in plan<br>(\$Jun2017) | IPART-recommended<br>adjustment | IPART-assessed<br>reasonable cost |
|---|-----------------------------|---------------------------------|-----------------------------------|
| <b>Transport land</b>   | <b>10,505,345</b>           |                                 |                                   |
| Update for actual costs   |                             | 60,774                          |                                   |
| Adjust cost of<br>constrained land that is<br>yet to be acquired,<br>reflecting a value of<br>\$100/m <sup>2</sup>  |                             | -18,270                         |                                   |
|   |                             |                                 | <b>10,547,849</b>                 |
| <b>Stormwater land</b>  | <b>17,661,259</b>           |                                 |                                   |
| Update for actual costs   |                             | -262,493                        |                                   |
| Adjust cost of<br>constrained land that is<br>yet to be acquired,<br>reflecting a value of<br>\$100/m <sup>2</sup>  |                             | -23,866                         |                                   |
|   |                             |                                 | <b>17,374,900</b>                 |
| <b>Open space land</b>  | <b>97,667,317</b>           |                                 |                                   |
| Update for actual costs   |                             | 1,134,907                       |                                   |
| Adjust cost of<br>constrained land that is<br>yet to be acquired,<br>reflecting a value of<br>\$100/m <sup>2</sup>  |                             | -709,709                        |                                   |
|   |                             |                                 | <b>98,092,514</b>                 |
| <b>Community services<br/>land (strata space)</b>   | <b>3,774,494</b>            |                                 |                                   |
| Apply updated valuation<br>advice and adjust<br>apportionment between<br>CP13 (2018) and CP12<br>(2018) to reflect the most<br>up-to-date population<br>estimates |                             | -931,713                        |                                   |
|   |                             |                                 | <b>2,812,781</b>                  |
| <b>Total land</b>   | <b>129,578,415</b>          | <b>-750,371</b>                 | <b>128,828,044</b>                |

Source: CP13 Works Schedules and IPART analysis.

**Table A.2 Summary of recommendations – CP13 (2018) works and plan administration (\$Jun2018)**

|   | Cost in plan<br>(\$Jun2017) | IPART-<br>recommended<br>adjustment                 | IPART-<br>assessed<br>reasonable<br>cost |
|---|-----------------------------|---|--|
| <b>Transport works</b>  | <b>91,824,573</b>           |   |  |
| Include one roundabout  |                             | 435,000   |  |
| Update cost of cycleway bridge with actual cost   |                             | -47,002   |  |
| New road - Apply unit rate of \$7,779/m   |                             | -448,222  |  |
| Road upgrades   |                             | -9,133,156  |  |
| ▼ Update actual costs where applicable  |                             |   |  |
| ▼ Use site-specific estimates and tender prices where applicable  |                             |   |  |
| Roundabouts (single-lane) - Remove PM and design allowances   |                             | -21,500   |  |
| Roundabouts (two-lane)  |                             | -5,117,788  |  |
| ▼ For two roundabouts, revise costs based on Axxess advice, adjust PM and design allowances and apply 20% contingency allowance |                             |   |  |
| ▼ Revise cost of one roundabout based on site-specific estimate   |                             |   |  |
| Signalised intersections  |                             | 1,697,414   |  |
| ▼ Revise the cost based on site-specific estimates  |                             |   |  |
| ▼ Apply 20% contingency allowance   |                             |   |  |
| ▼ Remove costs if funded through a SIC (not costed)   |                             |   |  |
| Bridges   |                             | -2,497,111  |  |
| ▼ Revise costs of Northern Connection Road bridge based on consultant estimate  |                             |   |  |
| ▼ Apply 20% contingency allowance   |                             |   |  |
| Bridges   |                             | -1,230,110  |  |
| ▼ Revise the cost of Withers Road Bridge  |                             |   |  |
| ▼ Apply 20% contingency allowance   |                             |   |  |
| Cycleways   |                             | -1,545,351  |  |
| ▼ Apply unit rate of \$250 per linear metre   |                             |   |  |
| ▼ Include PM and design allowances and 30% contingency allowance  |                             |   |  |
| Index transport costs not subject to a recommendation (bus shelters, cycleway bridges and an intersection)                      |                             | 171,518   |  |
| Northern Connection Road - Remove costs if funded through the SIC   |                             | Not costed  |  |
| Apportion 33% of the road/bridge upgrade to CP13  |                             | Reflected in bridges rec – Northern Connection Road |  |
|   |                             |   | <b>74,070,265</b>                        |
| <b>Stormwater management works</b>  | <b>10,359,408</b>           |   |  |
| Update actual costs in four basins  |                             | -815,022  |  |
| Index costs for 10 basins to \$Jun2018  |                             | 261,220   |  |

|   |                    |                   |                    |
|---|--------------------|-------------------|--------------------|
|   |                    |                   | 9,805,606          |
| <b>Open space embellishment</b>   | <b>37,703,203</b>  |                   |                    |
| Update the cost of identified items in two sports facilities  |                    | 17,136,740        |                    |
| Reduce the cost of linear and passive open space parks to adjust for error and revise cycleway cost                                   |                    | -1,983,046        |                    |
| Reduce the cost of basin park CWB01 to adjust for error   |                    | -1,469,927        |                    |
| Update the cost of three basin parks  |                    | -116,070          |                    |
| Index open space items not subject to a recommendation to \$Jun2018   |                    | 155,198           |                    |
|   |                    |                   | <b>51,426,097</b>  |
| <b>Plan administration</b>  | <b>2,098,308</b>   |                   |                    |
| Reduce administration costs to be 1.5% of the revised cost of works and apportion 39% to CP13 (2018) to reflect remaining development |                    | -68,778           |                    |
|   |                    |                   | <b>2,029,530</b>   |
| <b>Total works</b>  | <b>139,887,184</b> | <b>-4,585,215</b> | <b>135,301,969</b> |
| <b>Total works and administration</b>   | <b>141,985,492</b> | <b>-4,653,994</b> | <b>137,331,498</b> |

Source: CP13 Works Schedules and IPART analysis.

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## B Terms of reference

### INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT 1992 TERMS OF REFERENCE

#### **Reviewable Contributions Plans - *Environmental Planning and Assessment Act 1979***

I, GLADYS BEREJIKLIAN MP, Premier, under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* approve provision, by the Independent Pricing and Regulatory Tribunal (**IPART**), of services to the Minister for Planning with respect to reviewing Reviewable Contributions Plans, in accordance with the following terms of reference.

  
Premier  
Dated: 14/11/15

#### **Background**

*The Environmental Planning and Assessment (Local Infrastructure Contributions) Direction 2012* contemplates that a Council may submit a Contributions Plan to IPART for review, where the Plan would (but for the Direction) authorise a contribution under section 7.11 of the EP&A Act that exceeds the maximum amount that the Direction allows to be imposed as a contribution in relation to residential development.

The Minister for Planning may also refer any contributions plan to IPART for review where the Minister considers there is merit in having an independent assessment.

#### **Services**

On and from the date that these terms of reference are issued to IPART, IPART is to review each Reviewable Contributions Plan submitted to it and provide the Minister for Planning and the relevant Council with a report on its review.

In providing the services, IPART must:

- (a) review the relevant Reviewable Contributions Plan in accordance with the assessment criteria set out in the Practice Note, including whether the public amenities and services to which the Contributions Plan relates are on the essential works list (if any) set out in the Practice Note;
- (b) consider, in its review of the Reviewable Contributions Plan, whether the estimate of the costs of providing those public amenities and services, as set out in the Plan, are reasonable;
- (c) publish a report of its review on its website; and
- (d) provide a copy of the report to the Minister for Planning and the relevant Council.



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## **Consultation**

In conducting a review under these terms of reference, IPART must:

- (a) consult with the Department of Planning and Environment (NSW);
- (b) consult with the relevant Council and any other person IPART considers appropriate; and
- (c) consider any criteria set out in the Practice Note (in addition to any other matters IPART considers relevant).

## **Definitions**

**Contributions Plan** means a contributions plan or draft contributions plan prepared by the relevant Council for the purposes of imposing conditions under section 7.11 of the EP&A Act.

**Council** has the same meaning as it has in the *Local Government Act 1993*.

**EP&A Act** means the *Environmental Planning and Assessment Act 1979*.

**Practice Note** means the "Revised Local Development Contributions Practice Note: For the assessment of Local Contributions Plans by IPART" issued by the Department of Planning and Environment and dated January 2018, as amended or replaced from time to time.

**Reviewable Contributions Plan** means a Contributions Plan submitted to IPART as contemplated by the *Environmental Planning and Assessment (Local Infrastructure Contributions) Direction 2012* or referred to it by the Minister for Planning.

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## C Overview of contributions plans and their assessment

### C.1 What are contributions plans?

In NSW, local councils are primarily responsible for providing local or community infrastructure required to meet the additional demand for services and facilities generated by new development in their local government area. Councils can levy developers for local infrastructure contributions to fund the costs of providing this infrastructure.

However, to do so, a council must prepare a contributions plan which sets out:

- ▼ The local infrastructure required to meet the demand associated with development in a specific area
- ▼ The estimated cost of the land, works and administration required to provide this infrastructure
- ▼ The contribution rates for different types of development which the council proposes to levy on developers.<sup>134</sup>

### C.2 What is IPART's role?

IPART's assessment functions for local infrastructure contributions plans are based on terms of reference issued by the Premier under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* (see Appendix B).

We assess contributions plans from councils that propose to levy contributions above \$30,000 per residential lot or dwelling in identified greenfield areas and \$20,000 per residential lot or dwelling in other areas. From 1 July 2020, an IPART-reviewed contributions plan entitles the council to levy the full contribution amount in accordance with the adopted plan.

In undertaking our assessment, we publish a Draft Report including our draft recommendations on the land, works and administration in the plan, and invite submissions from stakeholders. We consider all submissions in the preparation of our Final Report.

When we have completed our assessment of the contributions plan, our Final Report is submitted to the Minister for Planning and Public Spaces. If appropriate, the Minister (or his Nominee) will request the council to amend its contributions plan by actioning some or all of the recommendations in the Final Report. Once the council has made the requested amendments, the plan becomes an IPART-reviewed plan and the council may levy contributions in accordance with the adopted plan.

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<sup>134</sup> A consent authority may impose a condition under section 7.11 of the *Environmental Planning and Assessment Act 1979* (EP&A Act) only if it is in accordance with a contributions plan. The *Environmental Planning and Assessment Regulation 2000* (EP&A Regulation) makes provision for or with respect to the preparation and approval of contributions plans, including the format, structure and subject-matter of plans.

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### C.3 How do we assess contributions plans?

As required by the terms of reference, we assess contributions plans in accordance with the criteria set out in the *Local Infrastructure Contributions Practice Note* (Practice Note) issued by DPIE.<sup>135</sup> The criteria require us to assess whether:

1. The public amenities and public services in the plan are on the essential works list.
2. The proposed public amenities and public services are reasonable in terms of nexus.<sup>136</sup>
3. The proposed development contribution is based on a reasonable estimate of the cost of the proposed public amenities and public services.
4. The proposed public amenities and public services can be provided within a reasonable timeframe.
5. The proposed development contribution is based on a reasonable apportionment of costs.
6. The council has conducted appropriate community liaison and publicity in preparing the contributions plan.
7. The plan complies with other matters we consider relevant.

We also assess whether the plan contains the information required by Clause 27 of the *Environmental Planning and Assessment Regulation 2000*. A summary of our assessment of CP13 (2018) against these requirements is provided in Appendix D.

### C.4 What is the aim of our assessment?

Broadly, our assessments are intended to bring greater transparency and accountability to setting local development contributions. More specifically, in conducting the assessment and making our recommendations, we aim to ensure the plan reflects the reasonable costs of providing necessary local infrastructure to support the new development.

If costs in the plan are too high (ie, higher than the reasonable costs of infrastructure with a nexus to the development), developers or the NSW Government will pay too much for local infrastructure. Development could be unduly impeded, particularly when the caps on contributions are removed entirely (ie, from 1 July 2020 onwards). On the other hand, if costs in the plan are too low (ie, lower than the reasonable costs of infrastructure with a nexus to the development), then the new development would effectively be subsidised by the council's ratepayers or necessary infrastructure may not be able to be provided.

Contributions that reflect the reasonable costs of local infrastructure provision are important for reasons of both efficiency and equity. They are necessary to:

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<sup>135</sup> Department of Planning and Environment, *Practice Note – Local Infrastructure Contributions*, January 2019. The January 2019 Practice Note replaces the January 2018 *Practice Note – Local Infrastructure Contributions*. The 2019 revision clarifies the timing of when a council can adopt a contributions plan (particularly where the draft plan proposes a rate above the maximum cap amount in the Direction). The assessment criteria for our review remain the same.

<sup>136</sup> Nexus ensures that there is a connection between the land and facilities in a contributions plan and the demand for them arising from the new development.

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- ▼ Signal the costs of developing different areas – which, in turn, can assist in ensuring that development occurs where it should (ie, where the benefits of the development are greater than its costs)
  - ▼ Ensure that there are sufficient funds available to deliver the infrastructure necessary for the new development area
  - ▼ Ensure that developers do not pay too much for infrastructure or that, on the other hand, other parties (such as a council's ratepayers) do not have to fund any shortfall between the actual costs of providing local infrastructure and the revenue received from development contributions.

## D Assessment against information requirements in the EP&A Regulation

Clause 27 of the *Environmental Planning and Assessment Regulation 2000* requires certain information to be included in a contributions plan. As part of our assessment we have checked that CP13 (2018) contains the information required by this clause of the Regulation. A summary of this analysis is provided in the table below.

### Assessment against information requirements in the EP&A Regulation

| Subclause   | Location in CP   |
|---|--|
| 1(a) Purpose of the plan.   | Section 2.4  |
| 1(b) Land to which the plan applies.  | Section 2.3  |
| 1(c) The relationship between the expected types of development in the area to which the plan applies and the demand for additional public amenities and services to meet that development.   | Sections 3.1, 3.2, 3.3, 3.4, 3.5 & 3.6.                  |
| 1(d) The formulas to be used for determining the section 7.11 contributions required for different categories of public amenities and services.   | Section 2.20   |
| 1(e) The section 7.11 contribution rates for different types of development, as specified in a schedule in the plan.  | Section 1 & Table 6                                      |
| 1(g) The council's policy concerning the timing of the payment of monetary section 7.11 contributions, section 7.12 levies and the imposition of section 7.11 conditions or section 7.12 conditions that allow deferred or periodic payment.  | Sections 2.11 & 2.12                                     |
| (h) A map showing the specific public amenities and services proposed to be provided by the council, supported by a works schedule that contains an estimate of their cost and staging (whether by reference to dates or thresholds).   | Figure 2 (map)<br>Section 3.8 & Table 4 (works schedule) |
| 1(i) If the plan authorises monetary section 7.11 contributions or section 7.12 levies paid for different purposes to be pooled and applied progressively for those purposes, the priorities for the expenditure of the contributions or levies, particularised by reference to the works schedule.   | Section 2.18   |
| 1A Despite subclause (1) (g), a contributions plan made after the commencement of this subclause that makes provision for the imposition of conditions under section 7.11 or 7.12 of the Act in relation to the issue of a complying development certificate must provide that the payment of monetary section 7.11 contributions and section 7.12 levies in accordance with those conditions is to be made before the commencement of any building work or subdivision work authorised by the certificate. | Section 2.13 & 2.14                                      |
| 2 In determining the section 7.11 contribution rates or section 7.12 levy percentages for different types of development, the council must take into consideration the conditions that may be imposed under section 4.17 (6)(b) of the Act or section 97 (1)(b) of the <i>Local Government Act 1993</i> .   | Section 2.5 (in relation to s4.17 of the Act).           |

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| 3 | A contributions plan must not contain a provision that authorises monetary section 7.11 contributions or section 7.12 levies paid for different purposes to be pooled and applied progressively for those purposes unless the council is satisfied that the pooling and progressive application of the money paid will not unreasonably prejudice the carrying into effect, within a reasonable time, of the purposes for which the money was originally paid. | Section 2.18 |
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## E CP13 (2010) – IPART recommendations and Ministerial advice

For CP13 (2010), the Minister strongly suggested that the council review IPART's recommendations and incorporate them into any future review of this contribution plan.<sup>137</sup> The Minister also asked the council to provide DPI<sup>138</sup> with an application for gap funding showing the impact of IPART's recommendations on contribution rates.

**Table 9.3 Minister's advice to the council on CP13 (2010)**

| IPART recommendation   | Did the Minister ask the council to make a change? | Has council implemented the requested change?  |
|--|--|--|
| 1. The council should deduct an amount of \$707,785 representing administration costs from the total costs of essential works in CP13.   | Yes  | No longer relevant – Practice Note has been amended.   |
| 2. The council should prepare an additional document (or Appendix for the plan) that describes and justifies where provisions in the plan do not correspond with the supporting documentation. | Yes  | No longer relevant – discrepancies this recommendation refers to no longer exist as relevant facilities have been removed from the plan. |
| 3. The council should correct the errors in works costs prior to applying for any funding for forgone contributions above the cap and, in any instance, prior to 1 January 2012.               | Yes  | No longer relevant.  |
| 4. The council should, where possible, continue to pursue commercial arrangements to provide bus shelters in lieu of development contributions for CP13.                                       | Yes  | No longer relevant – bus shelters are on the essential works list.   |
| 5. The council should revise the allowance for contingencies for all capital works to a maximum of 15%.  | Yes  | No – addressed in chapters for each infrastructure category.   |
| 6. The Hills Shire Council should consider using a real NPV model with a real discount rate which reflects the council's risk related rate of return.  | Yes  | No longer relevant – IPART's subsequent technical papers provide for modelling contributions using a real or nominal approach.           |
| 7. The council should update the apportionment factor for the Rouse Hill Regional Library expansion using the latest population estimates for CP13 and CP12.                                   | Yes  | Yes – needs to be further updated based on revised population of Balmoral Road Release Area.   |

<sup>137</sup> Minister for Planning and Infrastructure, Letter to The Hills Shire Council on CP12 and CP13, 12 April 2012 [D12/14920].

<sup>138</sup> Now DPIE.

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| 8.  | The council should revise the apportionment of the land and capital costs for the Northern Bridge connection. The calculation should take into account that a significant amount of the traffic using the bridge will be generated by the Box Hill Precinct.   | Yes | To be further updated using latest available data to apportion costs between CP13 and CP15.   |
| 9.  | Councils should review their contributions plans at least every 5 years, unless a significant change in circumstances prompts an earlier review.   | Yes | Not a requirement for this council alone. The council was not required to adopt a revised plan after IPART assessed CP13 (2010) but was strongly advised to review IPART's recommendations and adopt them in a future review of the contributions plan.   |
| 10. | The Minister for Planning and Infrastructure should consider amending the Practice Note to allow development contributions to be levied to recoup administration costs incidental to items on the Essential Works List.  | No  |   |
| 11. | Administration costs should be defined to include:<br>– the costs that councils incur in preparing the contributions plan, including preparation of studies to identify the needs of the proposed development<br>– the costs that councils incur in reviewing and updating contributions plans and managing contributions receipts and expenditures. | No  |   |
| 12. | When councils choose to use an NPV model to calculate development contributions, the modelling should be done using real figures and a discount rate which reflects the council's risk related rate of return.   | Yes | No longer relevant – IPART's subsequent technical papers provide for modelling contributions using a real or nominal approach.  |
| 13. | Further consultation should be undertaken on a discount rate that could be applied consistently. Consultation should involve IPART, Treasury, Department of Planning and Infrastructure, councils and developers.  | No  | No longer relevant - refer to IPART's August 2018 Technical Paper, <i>Modelling local infrastructure contributions in a present value framework</i> and periodic updates (current version: <i>Fact Sheet - Local Government discount rate - February 2020</i> ) for recommended discount rates. |
| 14. | Contribution rates should be indexed by the CPI (All Groups Index) for Sydney, as published by the Australian Bureau of Statistics. The contributions plan should specify whether the index is to be applied quarterly or annually.  | Yes | No longer relevant – IPART's latest technical paper recommends the mid-point of the RBA's inflation target of 2-3%.   |

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| 15. The Minister for Planning and Infrastructure should consider clarifying the policy with regard to contributions rates for different types of development (eg, single dwellings versus multi-unit dwellings).   | No |
| 16. The Minister for Planning and Infrastructure should consider clarifying the policy so that the total cost of items on the Essential Works List is able to be clearly distinguished in a contributions plan. Further, the policy should require that contributions plans must include a contributions rate which recovers only the cost of items on the Essential Works List. | No |
| 17. A whole-of-government review of the requirements for open space and other land uses that sterilise land for development should be undertaken.  | No |
| 18. The system of recouping the cost of stormwater management works should be given further consideration in light of potential inequities between different areas.  | No |

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## F List of submissions

We received three submissions in response to our Draft Report, as outlined in the table below. The Draft Report and non-confidential submissions are available on our website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)).

**Table F.1 Submissions to the Draft Report on our assessment of CP13 (2018)**

| Individual/Entity         | Date received |
|---------------------------|---------------|
| Individual – confidential | 15 May 2020   |
| Organisation – anonymous  | 29 May 2020   |
| The Hills Shire Council   | 12 June 2020  |

## G Changes to recommendations from the Draft Report

In response to the submissions received on our Draft Report, we retained, or made minor changes to, most of our draft recommendations in this Final Report. We have significantly changed one recommendation relative to our position in the Draft Report and removed two recommendations entirely. These three changes are summarised in the table below.

**Table G.1 Comments and responses to our draft recommendations**

| IPART draft recommendation   | Comment in submission to our Draft Report   | IPART's response  |
|--|---|---|
| 1. Transfer 2,241 linear metres of cycleways within open space to transport works, based on a rate of \$250 per linear metre. This would increase transport costs by \$756,338.  | The council accepts the rate of \$250 per linear metre, but does not agree with transferring costs to open space as it is not considered administratively practical to separate out the item. The cycleways will be delivered with the open space.  | Remove recommendation.<br><br>We made this draft recommendation to compare the 'like for like' costs of open space and transport facilities across plans and provide greater transparency during stakeholder engagement. Given the magnitude of these costs and the fact that this recommendation does not change the costs in the plan, we have removed the recommendation in the Final Report based on the council's position on the additional administrative burden.  |
| 15. Adjust the apportionment of costs for the signalised intersection of Hezlett Road and Samantha Riley Drive [NKT01] to better reflect demand for the works, with 75% of costs apportioned to CP13 and 25% of costs apportioned to CP8 (Kellyville/ Rouse Hill). | The council disagrees, stating that the requirement to upgrade this intersection from a roundabout to signals is entirely triggered by growth in the North Kellyville precinct (and not by development in CP8). The council notes that the CP8 plan is near the end of its life and that it is not desirable to initiate a further review of this plan. | Remove recommendation.<br><br>In our Draft Report, we proposed a 75% apportionment of costs to CP13 based on demand for the intersection arising equally from the sub-arterial upgrades to Hezlett Road (apportioned 100% to CP13) and Samantha Riley Drive (apportioned 50% to CP13 and 50% to CP8). We therefore considered that the apportionment of 75% of costs to CP13 for this intersection would better reflect CP13's demand for the works.<br><br>While we consider this approach is reasonable, we acknowledge the council's arguments are valid and that it is also reasonable that the full cost is apportioned to CP13. |



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|---|--|---|
| 21. Calculate the cost of plan administration for CP13 (2018) based on 1.5% of the adjusted cost of works, then reduce this cost by the proportion of development in the North Kellyville Precinct that occurred prior to 2018. This would reduce plan administration costs by \$1,324,927. | The council disagrees with this recommendation as it cannot collect plan administration costs from development which has already occurred. | Revise recommendation.<br><br>We now recommend that the value be updated to 1.5% of the adjusted cost of works. The recommendation no longer adjusts for the development that has already occurred. Our position in the Final Report is consistent with our recommendation for CP12 Balmoral Road Release Area. |
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**Sources:** IPART, *Assessment of The Hills Shire Council's Contributions No 13 North Kellyville Precinct – Draft Report*, May 2020; The Hills Shire Council, Submission to IPART Draft Report, 12 June 2020.