

Independent Pricing and Regulatory Tribunal
New South Wales

Assessment of Contributions Plan 12 – Balmoral Road Release Area

The Hills Shire Council

**Final Report
Local Government**

July 2019

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1 Executive summary

The Hills Shire Council (the council) has revised its *Contributions Plan 12 – Balmoral Road* (CP12 (2018)) and submitted the draft to IPART for review. The plan must be assessed by IPART and the council must make any changes requested by the Minister for Planning and Public Spaces (the Minister), in order for the council to levy contributions on developers:

- ▼ Until 30 June 2020, up to a maximum of \$45,000 and seek funding from the NSW Government to meet any shortfall between that amount and the contribution amount in the plan, and
- ▼ From July 2020 onwards, up to the maximum amount in the plan.

We have completed this assessment in accordance with the guidance provided by the Department of Planning, Infrastructure and Environment (DPIE)¹ in its *Local Infrastructure Contributions Practice Note*, January 2019 (the Practice Note).²

This report sets out our findings and recommendations to the Minister on the amendments required to ensure that the plan reflects the reasonable costs of providing the necessary local infrastructure to accommodate the development of the release area.

1.1 Minor changes will improve the accuracy of costs in the plan

Our assessment found that the cost of works in CP12 (2018) should be decreased to reflect the reasonable costs the council would incur to provide local infrastructure to meet the demand for public amenities and services generated by development in the Balmoral Road Release Area. We recommend amendments that would decrease the total cost of land, works and administration in the plan, from \$209,584,923 to \$200,977,090 (\$2016-17). This equates to a decrease of 4.1% relative to the plan submitted to us by the council.

We have also recommended that the council roll forward the base year of the plan to 2017-18 and make some minor changes to modelling assumptions in its financial model. These recommendations do not impact the total cost of land, works and plan administration in CP12 (2018), however they further reduce the residential contribution rates.

This is the first time CP12 has been reviewed since the council adopted the plan in 2006.³ We consider more frequent reviews of contributions plans (every three to five years) are likely to

¹ On 1 July 2019, the Department of Planning and Environment (DPE) became the Department of Planning, Industry and Environment (DPIE).

² See Department of Planning and Environment (DPE), *Local Infrastructure Contributions Practice Note*, January 2019 (Practice Note). We also assessed whether CP12 (2018) contains information required by the *Environmental Planning and Assessment Regulation 2000*.

³ The council first adopted CP12 in 2006. IPART reviewed CP12 (2006) in 2011 so the council could apply for gap funding, however the plan was not amended as a result of this review. This is the first time the council has reviewed the plan since it was adopted. See section 3.1.

be beneficial, to enable the council to respond to (amongst other factors) changes in the planning assumptions that inform the provision of local infrastructure.

1.2 Overview of findings

We found that most aspects of the plan meet the assessment criteria in the Practice Note.

Criterion 1: Essential works

We are required to assess whether the infrastructure included in CP12 (2018) is on the essential works list outlined in the Practice Note.

We found that all of the land, works and administration costs in CP12 (2018) are on the essential works list. We also found that road works in the schedule of open space embellishment are more appropriately classified as transport infrastructure and their costs should be transferred to the transport category in the works schedule for CP12 (2018).

Criterion 2: Nexus

We are required to assess whether there is nexus between the demand arising from the new development and the public amenities and services to be provided under the plan. Nexus ensures that the infrastructure included in the contributions plan is sufficient to meet, but not exceed, the need generated by the increase in demand from the new development.

We found that nexus has been established for all land and works in the plan. Our assessment of nexus included consideration of changes to the release area since our previous assessment of the plan in 2011. These changes are discussed further in Chapter 3.

Criterion 3: Reasonable cost

We are required to assess whether the contribution rates in the plan are based on reasonable estimates of the cost of the proposed land and works. This includes assessing how the costs of each item of infrastructure are derived and the method applied to calculate the contribution rates and escalate them over time.

Cost of works

We found the cost of works in the plan is generally reasonable. We have recommended adjustments to the cost of:

- ▼ Some cycleways, where their cost is likely to more closely reflect the cost that the council has incurred in delivering cycleways in other precincts than the cost included in the plan
- ▼ Stormwater management works, to reflect more reasonable allowances for the costing method used by the council.

Cost of land

We found that the council has already acquired 90% of land in the plan (by area) and that the costs of this land are reasonable. The land that the council is yet to acquire is for open space and community services. We found that the estimated market value of land to be acquired for open space is reasonable, however the council's estimate for acquiring strata/stratum space for expansion of a library (community services) is unreasonable because it is based on an out-of-date valuation.

While we were assessing CP12 (2018), the council provided us with a May 2019 estimate of market value for acquiring strata space in the Rouse Hill Town Centre for expansion of the library. We recommend the cost estimate in the plan should be reduced in line with this valuation advice.

Cost of administering the plan

To estimate plan preparation and administration costs, the council uses IPART's benchmark of an allowance equivalent to 1.5% of the cost of works in the plan.⁴ We found that 1.5% of the reasonable cost of works is a reasonable estimate of the costs of plan administration over the lifecycle of the plan.

The council's financial model

The council uses a nominal Net Present Value (NPV) model to calculate contribution rates in CP12 (2018). We examined the council's modelling approach and the assumptions it has made in the model for CP12 (2018). We found that the council's approach to accounting for actual costs and revenues is reasonable and its approach to estimating the future costs and revenues is also reasonable. However, we found that using 2016-17 as the base period does not accurately reflect the revenue and expenditure to date. We also identified some inaccuracies in the council's assumptions about the timing of expenditure.

Criterion 4: Timeframe for delivery of infrastructure

We are required to assess whether the public amenities and public services in the plan can be provided within a reasonable timeframe. We assessed this criterion in relation to the council's assumptions about the timing of development and timeframe for delivery of infrastructure in its NPV model. We found that 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.

Criterion 5: Apportionment

We are required to assess whether the contribution rates are based on a reasonable apportionment of costs. We found that the method in CP12 (2018) of apportioning the costs of all infrastructure categories on a per person basis is reasonable. However, since submitting CP12 to IPART, the council has provided revised population figures for the release area that it should now use when apportioning all costs.

⁴ IPART, *Local Infrastructure Benchmark Costs – Final Report*, April 2014, p60.

Criterion 6: Community consultation

We are required to assess whether the council has conducted appropriate community liaison and publicity in preparing the contributions plan. We found that the council did conduct appropriate consultation by exhibiting the plan as required and inviting comment from stakeholders.

Criterion 7: Other matters

We are required to assess whether the plan complies with other matters we consider relevant. We identified that the occupancy rates, dwelling yields and projected population for the release area that are outlined in the plan are not accurate and should be updated.

We also noted that this is the first time the council has reviewed the plan since it was adopted in 2006, and we identified the importance of periodic review of contribution plans (at least once every five years), particularly in circumstances where the context in which they are operating is changing.

1.3 Overview of recommendations

We have made 11 recommendations as a result of our assessment of CP12 (2018). While some recommendations would affect the total cost of land, works and plan administration, others would only have an impact on the contribution rates. Our recommendations include:

- ▼ Rolling forward the base period in the model by one year to 2017-18 and in doing so:
 - Including an additional year of actual revenue and expenses, including any interest expense/revenue
 - Updating the discount rate to 4.1%
 - Updating and recalculating the cost escalation factors.
- ▼ Correcting errors related to estimated expenditure and updating the forecast timing of expenditure to take into account actual expenditure and any anticipated changes to the timing of infrastructure delivery
- ▼ Updating the forecast timing of revenue receipts to take account of the actual revenue received and number of development applications approved
- ▼ Updating the plan to reflect the latest forecast occupancy rates, dwelling yields and the projected population for the release area.

Overall, we estimate that the reasonable cost of land, works and administration in CP12 (2018) is \$200,977,090, compared with the council's proposed \$209,584,923. Our recommendations to reduce the total costs in CP12 (2018) would also reduce the contribution rates in the plan.

1.3.1 Our recommendations result in a decrease in the costs of land, works and plan administration

We are recommending adjustments that result in a decrease in the cost of land, works and plan administration of \$8,607,823 (4.1%), comprising:

-
- ▼ A reduction of \$7,731,221 for cycleways, reflecting a lower unit rate and lower contingency allowance
 - ▼ A reduction of \$68,700 for one stormwater basin, reflecting lower allowances for project management and design
 - ▼ A reduction of \$699,893 to reflect a revised estimate of the cost of acquiring strata space for expansion of a library (community services)
 - ▼ A reduction of \$104,102 for plan administration, reflecting recalculation of plan administration costs based on 1.5% of the revised (reasonable) costs of works.

We have also recommended that two roads fronting open space should be categorised as transport infrastructure works. This results in a transfer of \$2,342,049 from open space embellishment to transport works.

The adjustments to works, land and plan administration costs are summarised in Table 1.1.

Table 1.1 Summary of recommendations – CP12 (2018) land, works and plan administration (\$2016-17)

	Cost in plan	IPART-recommended adjustment	IPART-assessed reasonable cost
Transport works	41,331,236		
Re-categorise road works fronting open space		2,342,049	
Revise estimate for cycleways		-7,731,221	
		-5,389,171	35,942,065
Stormwater management	1,075,000		
Revise estimate for Basin 99 for lower allowances		-68,700	1,006,300
Open space embellishment	41,178,122		
Re-categorise road works fronting open space		-2,342,049	38,836,073
Plan administration	1,253,765		
Reduce administration costs to be 1.5% of the revised cost of works		-108,019	1,145,746
Land costs	124,746,799		
Revise cost of strata space for community services based on updated valuation advice		-699,893	
Adjust apportionment of strata space cost between CP12 (2018) and CP13 (2018) to reflect the most up-to-date population estimates		Included in cost of strata space	
		-699,893	124,046,906
Total works	83,584,358	-7,799,921	75,784,438
Total land	124,746,799	-699,893	124,046,906
Total land, works and administration	209,584,923	-8,607,833	200,977,090

Source: CP12 (2018) Works Schedule and IPART analysis.

1.3.2 Our recommendations would reduce contribution rates

As outlined in section 1.3.1, seven of our 11 recommendations affect the total cost of land, works and plan administration in the plan. Our recommendations to roll forward the base year of the plan to 2017-18 and to address assumptions and calculations in the NPV model for the plan do not impact the total cost of land, works and plan administration in CP12 (2018), however they reduce the residential contribution rates. Our estimates of the impact on contribution rates is shown in Table 1.2. Table 1.3 sets out the indicative contributions by dwelling type.

In percentage terms the reduction in contribution rates and indicative contributions is greater than the reduction in total costs in the plan.

Table 1.2 Per person contributions by infrastructure category (\$2017-18)

Infrastructure category	Residential per person contributions in CP12 (2018)	IPART-adjusted residential per person contributions	Difference (%)
Transport	\$3,412	\$2,776	-19%
Stormwater management	\$0	-\$8	na
Open space	\$11,553	\$10,305	-11%
Community services	\$240	\$79	-67%
Plan administration	\$46	\$12	-75%
Total	\$15,251	\$13,164	-14%

Source: CP12 (2018), p 5; CP12 (2018) revised NPV model submitted by The Hills Shire Council, 7 June 2019; IPART analysis.

Table 1.3 Indicative contributions by dwelling type (\$2017-18)

Type of residential development	Occupancy rate per dwelling	Indicative contribution in CP12 (2018)	IPART-adjusted contribution	Difference (\$)	Difference (%)
Multi-unit housing					
1 bedroom	1.5	\$22,876	\$19,746	-\$3,130	-14%
2 bedroom	2.1	\$32,027	\$27,645	-\$4,382	-14%
3 bedroom	2.6	\$39,652	\$34,227	-\$5,425	-14%
4 bedroom	3.5	\$53,378	\$46,075	-\$7,303	-14%
Other housing					
Dwelling houses	3.4	\$51,853	\$44,759	-\$7,094	-14%
Integrated housing	3.0	\$45,753	\$39,493	-\$6,260	-14%
Senior housing	1.2	\$18,301	\$15,797	-\$2,504	-14%

Source: CP12, pp 5 and 24; Information from The Hills Shire Council, 27 February 2019, Revised CP12 NPV model submitted by The Hills Shire Council, 7 June 2019; IPART analysis.

1.4 List of recommendations

All of our recommendations (and the page number on which they appear in the following chapters) for CP12 (2018) are listed below.

Transport

- 1 Include the cost of works for new road construction fronting open space in two locations in the cost of transport infrastructure in the plan, which would increase the cost of transport works by an estimated \$2,342,049, and remove the same works items (and costs) from the cost of open space infrastructure. 23
- 2 Reduce the cost of cycleways by \$7,731,221, reflecting updated unit rates for BRCW1 and BRCW3, a lower unit rate of \$120/m for all other cycleways not yet constructed and updated allowances for project management, design and contingency. 25

Stormwater management

- 3 Revise project management and design fees for remaining stormwater management works to a combined 15% of the base cost estimate for the works. 32
- 4 Redistribute the surplus revenue received for stormwater management infrastructure to other infrastructure categories, which would reduce the contributions for each of the other categories. 34

Community services

- 5 Adjust the land acquisition costs for the library expansion apportioned to the residents of CP12 (2018) to reflect the respective shares of demand from the Balmoral Road Release Area and the North Kellyville Precinct, using the most up-to-date population estimates for each precinct. 47

Plan administration

- 6 Calculate the cost of plan administration for CP12 (2018) based on 1.5% of the IPART-adjusted reasonable cost of works. 51

Cross-category considerations (cost of land, modelling assumptions and timing)

- 7 Revise the cost of acquiring strata space for the library expansion allocated to CP12 (2018) using a square metre rate of \$5,750, which we estimate would reduce the cost in CP12 (2018) by \$699,893. 54
- 8 Roll forward the base period in the model by one year to 2017-18 and in doing so: 57
 - Include an additional year of actual revenue and expenses, including any interest expense/revenue
 - Update the discount rate to 4.1%
 - Update and recalculate the cost escalation factors, as shown in Table 9.2.
- 9 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. 57
- 10 Update the forecast timing of revenue receipts to take account of the actual revenue received and number of development applications approved. 57

Other matters

- 11 Amend the plan to update the dwelling, occupancy and population figures for the release area, and the indicative residential contributions. 61

2 Context and approach for this assessment

The Hills Shire Council (the council) submitted CP12 (2018) to IPART for assessment in November 2018. To provide context for our assessment, the sections below outline:

- ▼ What contributions plans are
- ▼ Why the council submitted CP12 (2018) for assessment
- ▼ The aim of our assessment
- ▼ Our approach and consultation process for the assessment
- ▼ What will happen next.

2.1 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.⁵

2.2 Why has the council submitted its plan to IPART?

IPART assesses 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.

An IPART-reviewed contributions plan entitles the council to levy:

- ▼ For specified transition areas, up to a capped amount (currently \$45,000 in greenfield areas and \$35,000 elsewhere) and apply for Local Infrastructure Growth Scheme (LIGS) funding for the amount of any contribution which is above the cap.

⁵ 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 (section 7.13). The *Environmental Planning and Assessment Regulation 2000* (EP&A Regulation) makes provisions for or with respect to the preparation and approval of contributions plans, including the format, structure and subject-matter of plans.

- ▼ For other areas, the full contribution amount.

The Balmoral Road Release Area is a transition area and the council is seeking the Minister's endorsement of contributions under CP12 (2018) above the maximum contribution (or 'cap') of \$45,000 per residential lot or dwelling, which applies in this development area. Where the per lot or dwelling contribution amount exceeds the cap, the council intends to apply for LIGS funding for the difference between the contributions amount in the plan and the cap. From 1 July 2019, the cap will be \$45,000 per residential lot or dwelling. From 1 July 2020, the contributions cap will be removed entirely.

This is the second time we have assessed CP12; our previous assessment of CP12 was in 2011.

2.3 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 may pay too much for local infrastructure. Development could be unduly impeded, particularly when the caps on contributions are removed entirely (from 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.

Contributions that reflect the reasonable costs of local infrastructure provision are important for reasons of both efficiency and equity. They are necessary to:

- ▼ 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 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.

2.4 What approach did we use for this assessment?

In assessing CP12 (2018) we considered:

- ▼ the criteria set out in the *Local Infrastructure Contributions Practice Note* (Practice Note) issued by the Department of Planning, Industry and Environment (DPIE)⁶
- ▼ the Minister's advice to the council about the recommendations from our 2011 assessment of CP12 (2006)
- ▼ changes to the release area since our previous assessment, including to the boundary, zoning of some land and projected population, and
- ▼ information we received as part of our consultation process.

2.4.1 We considered the assessment criteria in the Practice Note

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 A).

As required by these terms of reference, we have assessed CP12 (2018) in accordance with the criteria set out in the Practice Note. 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 nexus⁷.
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 assessed whether the plan contains the information required by Clause 27 of the *Environmental Planning and Assessment Regulation 2000*. A summary of our assessment of CP12 (2018) against these requirements is provided in Appendix B.

⁶ Department of Planning and Environment, *Local infrastructure Contributions Practice Note*, 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.

⁷ 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.

2.4.2 We considered the Minister's advice on the recommendations from our 2011 assessment of CP12 (2006)

We completed an assessment of CP12 (2006) in October 2011, which enabled the council to apply for funding from the NSW 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 CP12,⁸ but at that time the council was not required to formally amend CP12 in response to the Minister's request before being eligible for gap funding.⁹

The draft version of CP12 (2018) the council has submitted to IPART for assessment is the first revision of CP12 since it came into force in September 2006. In assessing CP12 (2018), we have considered how the council has amended the plan to reflect the Minister's advice in 2011.

2.4.3 We considered changes to the release area since our previous assessment

There have been changes to the Balmoral Road Release Area since our previous assessment of the plan, including changes to the boundary of the Balmoral Road Release Area, some zonings within the release area, dwelling yield and the projected population. These changes are outlined further in Chapter 3.

We considered the impact of these changes to the release area in our assessment of the local infrastructure in CP12 (2018).

The Works Schedule for CP12 (2018) shows that the council has acquired 90% of land in the plan (by area) and completed 9.8% of works in the plan (by cost). Our assessment of CP12 (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.

2.5 What consultation process did we follow?


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

- ▼ made several 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.

⁸ See Appendix C.

⁹ 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.



Finally, we gave the council and DPIE officers the opportunity to comment on a draft version of this report.¹⁰ The council provided a revised NPV model and works schedule for the plan that models our recommendations. We considered the revised NPV model and works schedule and comments from the council in finalising our assessment.

2.6 What will happen next?

We have provided a copy of this report to the Minister for Planning and Public Spaces, DPIE and the council.

The Minister will consider our report, and then the Minister (or Minister's nominee) will advise the council of any required amendments to the contributions plan. This advice will be published on DPIE's website.

Once the council makes these amendments, the plan will become an "IPART-reviewed contributions plan". This will entitle the council to levy contributions up to the capped amount and apply for LIGS funding for the amount of any required contribution which is above the cap.

¹⁰ We did not publish or seek comments on the draft version of this report. We changed the process for consulting on our assessments of contributions plans after we commenced the assessments of CP12 (2018) and CP13 (2018) for North Kellyville, to apply to subsequent assessments. Our new process involves public consultation on draft assessment reports.

3 Overview of plan

CP12 (2018) is intended to apply to development in the Balmoral Road Release Area in north-west Sydney. The release area was re-zoned for urban development in 2006.

3.1 Status of CP12 (2018)

The plan currently applying to the Balmoral Road Release Area is *Contributions Plan 12 – Balmoral Road*, which came into force in September 2006 (CP12 (2006)). IPART completed an assessment of this plan in October 2011, which enabled the council to apply for funding from the NSW 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 CP12,¹¹ but at that time the council was not required to formally amend CP12 in response to the Minister’s request before being eligible for gap funding.¹²

The council prepared a revised CP12, and placed it on exhibition between 22 May 2018 and 22 June 2018. The council submitted the finalised draft (CP12 (2018)) to IPART for assessment. We commenced our assessment of the plan on 19 November 2018.

3.2 Land and development in the Balmoral Road Release Area

CP12 (2018) applies to land in the Balmoral Road Release Area as shown in Figure 3.1.

Development in the release area will primarily be residential. Two small sections of land zoned for mixed use development (B2 Local Centre) represent less than 1% of the total developable area. There is a large area of private open space, zoned RE2, in the south-east of the release area.

The council expects development in the release area will occur over approximately 20 years (2006 to 2026). When CP12 (2018) was drafted, approximately 50% of the originally anticipated development had occurred.¹³

¹¹ See Appendix C.

¹² The Department of Planning, Industry and Environment used IPART’s recommendations to determine an “IPART endorsed” contribution rate for the purpose of calculating the council’s gap funding.

¹³ THSC Business Papers, 24 April 2018, p 190.

Figure 3.1 Land to which CP12 (2018) applies



Source: CP12 (2018) Figure 1.

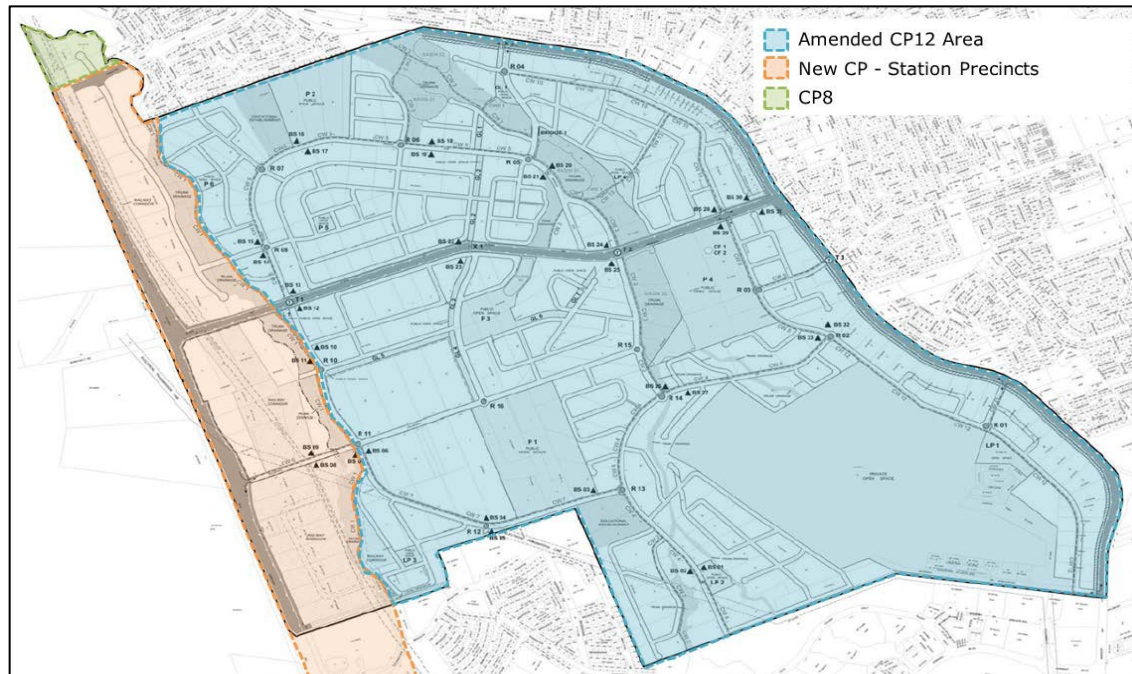
The catchment for CP12 (2018) is slightly smaller than for CP12 (2006).¹⁴ The catchment for CP12 (2006) included the entire Balmoral Road Release Area (see Figure 3.1). Some land along the western border of the release area was identified in CP12 (2006) as a ‘transit corridor’ with the potential for employment uses and up to 1,000 dwellings.

Land in the Bella Vista and Kellyville Station Precincts (the Station Precincts) was rezoned in December 2017, with the potential to accommodate more than 11,500 additional dwellings. Given the higher development yields and the need for significant additional infrastructure,

¹⁴ See generally THSC, Business Paper Ordinary meeting, 24 April 2018, pp 193-195.

the NSW Government identified as necessary to service the new growth, the council excised the Station Precincts from CP12 (2018), as shown in Figure 3.2.

Figure 3.2 Proposed plan boundaries – CP12 (2018) and Station Precincts



Source: THSC Business paper, 24 April 2018, p 194.

The council is currently preparing a draft contributions plan for the Station Precincts, in consultation with Landcom, the major landowner in this area. The council intends to finalise and adopt CP12 (2018) concurrently with a new contributions plan for the Station Precincts. This will avoid the risk of having development applications lodged for land within the excised area without an adopted contributions plan under which development contributions could be levied.¹⁵

3.2.1 Changes to population projections

CP12 (2006) assumed the residential development in the Balmoral Road Release Area would accommodate an estimated 13,012 new residents.

In preparing CP12 (2018), the council revised the population estimate based on:

- ▼ The rate and quantum of development within the release area
- ▼ Assumptions about the likely dwelling types, based on land use zoning and other planning controls
- ▼ Occupancy rates for future dwellings, based on 2016 Census data for dwellings within The Hills Local Government Area (LGA)

¹⁵ THSC, Business Paper Ordinary meeting, 24 April 2018, p 194. The council advised that contributions rates in the Station Precincts may be below the relevant threshold.

- ▼ The removal of land rezoned for the Bella Vista and Kellyville Station Precincts
- ▼ Changes to the zoning and yield for smaller areas in the vicinity of the Station Precincts which remained within Balmoral Road Release Area.¹⁶

CP12 (2018) states that the full development potential will result in approximately 6,700 dwellings, accommodating an anticipated new residential population of 15,633 people.¹⁷ However, during the course of our assessment, the council identified that the dwelling yield, occupancy rates, anticipated number of each dwelling type and the additional population shown in the plan are not correct and need to be updated.

The updated estimates, as shown in Table 3.1, are for 6,587 dwellings, which would accommodate 15,728 new residents, after taking into account an existing population of 1,252.¹⁸

Table 3.1 Updated dwelling, occupancy and population figures for CP12 (2018)

Dwelling type	Total dwellings	Occupancy rate	Population
Dwelling houses	1,559	3.35	5,222
Integrated housing	1,146	3.00	3,438
Multi-unit housing (Residential flat buildings)	2,539	2.00	5,079
Multi-unit housing (All other)	1,088	2.70	2,936
Seniors	255	1.20	306
Total	6,587		16,980
Existing			1,252
Total (less existing)			15,728

Source: Information from The Hills Shire Council, 27 February 2019.

3.3 Cost of land and works

The total cost of land, works and plan administration in CP12 (2018) is \$209.58 million, comprising:

- ▼ \$124.75 million for the acquisition of land for local infrastructure
- ▼ \$83.58 million for local infrastructure works
- ▼ \$1.25 million for plan preparation and administration.¹⁹

There is no cost for land for either transport or stormwater management in the plan.

Transport works are primarily bus stops, cycleways, roundabouts and signalised intersections. No additional land for new roads is required.

¹⁶ CP12 (2018) section 3 and THSC, Business Paper Ordinary meeting, 24 April 2018, pp 193-195.

¹⁷ CP12 (2018) section 3.1.

¹⁸ Information from The Hills Shire Council, 27 February 2019.

¹⁹ CP12 (2018), p 4.

The only cost for stormwater management works in the plan is for a wetland basin. All stormwater works in CP12 (2006) were to be located on land owned by Sydney Water. The council explained that Sydney Water has already completed sufficient stormwater works on the land to satisfy the previously anticipated function of another four wetland basins which were included in CP12 (2006). As a result, the council removed their cost from CP12 (2018).²⁰

Table 3.2 provides a breakdown of costs by infrastructure category.

The council had already incurred approximately 40% of planned expenditure in CP12 (2018) by July 2017 when the Work Schedule was prepared.²¹

Table 3.2 Cost of land and works in CP12 (2018) (\$2016-17)

Infrastructure category	Land	Works	Administration	Total
Transport		41,331,236		41,331,236
Stormwater		1,075,000		1,075,000
Open space	121,898,874	41,178,122		163,076,996
Community services	2,847,925			2,847,925
Administration			1,253,765	1,253,765
Total	124,746,799	83,584,358	1,253,765	209,584,923

Note: These costs do not include interest expenses.

Source: CP12 (2018), Table Work Schedule: Cost per Category (base cost) p 4.

3.4 Contribution rates in CP12 (2018)

The council uses a net present value (NPV) approach to calculate the contribution rates in CP12 (2018). Contributions are calculated on a per person basis, with the council's proposed base contribution rates per person set out in Table 3.3. Non-residential development will not be levied contributions for local infrastructure.

As a result of the council's updated population estimates noted in section 3.2.1 and Table 3.1, per person contribution rates would be slightly lower than those in Table 3.4.

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

²⁰ Information from The Hills Shire Council, 16 November 2018,

²¹ THSC Business Papers, 24 April 2018, p 190.

Table 3.3 Contribution rates in CP12 (2018) (\$2017-18)

Infrastructure category	Per person
Transport	3,412
Stormwater	0
Open space	11,553
Community services	240
Administration	46
Total	15,251

Note: The indicative contributions presented in the plan and in this table include one year of indexation.

Source: CP12 (2018), p 5.

3.4.1 Indicative residential contributions

Indicative contributions for residential developments are based on the council's assumed occupancy rates for various sized dwellings. Table 3.4 lists the indicative contributions for the different sized lots and dwellings as set out in CP12 (2018). As a result of the council's updated dwelling yield, occupancy rates and population estimates noted in section 3.2.1 and Table 3.1, indicative contribution rates would be slightly lower than those in Table 3.4.

Table 3.4 Indicative contributions as set out in CP12 (2018) (\$2017-18)

Type of residential development	Number of dwellings	Occupancy rate per dwelling	Indicative contribution
Multi-unit housing^a			
1 bedroom	650	1.5	\$22,876
2 bedroom	1,420	2.1	\$32,027
3 bedroom	800	2.6	\$39,652
4 bedroom	360	3.5	\$53,378
Other housing			
Dwelling houses	1,551	3.4	\$51,853
Integrated housing	1,685	3.0	\$45,753
Senior housing ^b & boarding house rooms ^c	247	1.2	\$18,301

a Multi-unit housing includes attached dwellings, multi-dwelling houses and residential flat buildings.

b Housing built under *State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004*.


c Housing built under *State Environmental Planning Policy (Affordable Rental Housing) 2009*.

Note: The indicative contributions presented in the plan and in this table include one year of indexation.

Source: CP12 (2018), p 5.

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 13 April 2006 (approximately 1,252), 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.²²

²² CP12 (2018) section 2.16.

4 Transport

CP12 (2018) includes \$41.3 million for the provision of transport infrastructure. This represents 19.8% of the total costs in the plan. There is no land for transport infrastructure in this plan.

This chapter presents our analysis of the plan's provisions for transport infrastructure against:

- ▼ Criterion 1: Essential works
- ▼ Criterion 2: Nexus
- ▼ Criterion 3: Reasonable cost
- ▼ Criterion 5: Apportionment.

We found that works for transport in CP12 (2018) are consistent with the essential works list. In addition, we found that:

- ▼ Nexus is established for the transport works in the plan
- ▼ The estimated costs for items of transport infrastructure are reasonable, except for the cost of cycleways.
- ▼ The council's method of apportioning transport costs is reasonable, subject to it adopting the revised population estimate for the Balmoral Road Release Area.

Based on our findings, we recommend adjustments to the plan that we estimate would reduce the cost of transport works by around \$5.4 million (13.0%).

Our findings and recommendations are summarised in Table 4.1.

Table 4.1 IPART-recommended adjustments for transport

Criterion	Finding	Recommendation	Land costs (\$2016-17)	Works costs (\$2016-17)
Total cost in plan			0	41,331,236
Essential works	All works are on the essential works list	Move costs for road infrastructure in open space from open space works to transport works		2,342,049
Nexus	Nexus is established for works in the plan			
Reasonable cost	Costs are reasonable except for cycleways	<ul style="list-style-type: none"> ▼ Apply updated unit rates for BRCW1 and BRCW3 ▼ For all other cycleways not yet constructed: <ul style="list-style-type: none"> – apply unit rate of \$120/m – include PM and design allowances – apply 20% contingency allowance 		-7,731,221
Apportionment	Approach is reasonable when updated to reflect the council's revised population estimate			
Total IPART-recommended cost adjustment			0	-5,389,171
Total IPART-assessed reasonable cost			0	35,942,065

4.1 Criterion 1: Essential works

We found that all works for transport infrastructure in CP12 (2018) are consistent with the essential works list in the Practice Note. The works items in CP12 (2018) are set out in Table 4.2.

Table 4.2 Transport works in CP12 (2018)

Items on the essential works list	
▼ New roads	▼ A bridge
▼ Signalised intersections and turning lanes	▼ Bus shelters
▼ Roundabouts	▼ Cycleways

We also found that road works in the schedule of open space embellishment are more appropriately classified as transport infrastructure and their costs should be transferred to the transport category in the works schedule for CP12 (2018). The road sections are:

- ▼ **Free Settlers Drive - item BRP10002.** This new road is along the southern boundary of Balmoral Road Sports Complex Reserve and forms part of the local road network. It is bound to the north by public infrastructure (open space) and to the south by land that is outside the release area and without access to the proposed road. The council has allocated the cost to open space as it considers the road is integral to the provision of open space and is required for access to parking areas.
- ▼ **Pellizer Boulevard (portion) – item BRP30002:** A portion of Pellizer Boulevard between the western boundary of future playing fields, Rutherford Avenue Reserve and Greenway Links 3 and 4, has already been constructed by a developer. The council has retained this item in the plan as an outstanding cost, which must be met when the developer submits a reimbursement claim for the works.²³

Including these roads in the transport infrastructure category in the plan will improve transparency and the accuracy of total transport and open space costs.

Recommendation

- 1 Include the cost of works for new road construction fronting open space in two locations in the cost of transport infrastructure in the plan, which would increase the cost of transport works by an estimated \$2,342,049, and remove the same works items (and costs) from the cost of open space infrastructure.

4.2 Criterion 2: Nexus

In assessing whether there is nexus between the transport works in CP12 (2018) and development in the release area, we considered:

- ▼ The technical study completed in-house by the council in 2006, which the council relied on to establish nexus for transport works in CP12 (2006) and in CP12 (2018).
- ▼ The finding from our assessment of CP12 (2006) that nexus was established for all transport works in the plan.
- ▼ The inclusion of sections of road fronting non-developable land that were not included in CP12 (2006).
- ▼ The impact of excising the Station Precincts from the plan and of the higher projected population in the remaining catchment on the need for transport infrastructure.

We found that the supporting technical study listed in Table 4.3 establishes nexus for most transport works in the plan. We identified one transport work item that was not included in the technical study and not included in CP12 (2006) – Arnold Avenue (BRRD1). The council explained that it included the sections of road included in item BRRD1 because they front non-developable land and therefore it is unreasonable to require a developer to provide them as a condition of consent. We consider the council’s explanation is reasonable.

²³ Information from the Hills Shire Council, 16 November 2018, pp 4-5.

Table 4.3 Technical study for transport works in CP12

Author	Title	Date
Baulkham Hills Shire Council	<i>Traffic Impact Report, Balmoral Road Release Area DCP20</i>	5 June 2006

Note: The technical study was completed in-house by the council.

In addition, we found that nexus is established for the inclusion of the two roads fronting open space that we recommend the council transfer from open space to transport.

As outlined in Chapter 3, the boundary of the Balmoral Road Release Area, some zonings within the release area and the projected population have changed since our review of CP12 (2006) in 2011. The council has considered the impact of these changes on the need for infrastructure and advised that the transport works recommended by the 2006 technical study and provided in CP12 (2018) remain sufficient to meet the needs of new development in the release area because:

- ▼ The additional number of dwellings is unlikely to be sufficient to require additional infrastructure within the release area
- ▼ Any impact from higher development yields in the release area is likely to be on regional infrastructure provided by Roads and Maritime Services (RMS).

We accept the council's conclusion.

4.3 Criterion 3: Reasonable costs

In assessing whether the costs of transport works in CP12 (2018) are reasonable, we considered:

- ▼ The relevant recommendations from our assessment of CP12 (2006) and the Minister's response to these recommendations
- ▼ The cost of transport works already constructed
- ▼ The bases for estimates of the cost of works not yet constructed.

As required by the Minister, the council has revised its costings for all transport items.

For infrastructure already constructed, the plan includes the actual cost of construction to the base period of the plan (2016-17). In Chapter 9, we recommend that the council update the base year of the plan to 2017-18 and include an additional year of actual costs.

For transport works not yet constructed, the council has used a combination of site specific estimates (from RMS), 'unit' rate estimates based on IPART's 2014 Benchmark Report²⁴ and estimates based on actual costs of similar types of infrastructure.

We found that:

- ▼ The 'actual' costs of construction in the plan are reasonable

²⁴ IPART, *Local Infrastructure Benchmark Costs – Final Report*, April 2014 (IPART's Benchmark Report)

- ▼ The estimated cost of works that are not yet constructed are reasonable, with the exception of cycleways.

Recommendation

- 2 Reduce the cost of cycleways by \$7,731,221, reflecting updated unit rates for BRCW1 and BRCW3, a lower unit rate of \$120/m for all other cycleways not yet constructed and updated allowances for project management, design and contingency.

4.3.1 Actual costs are reasonable

The council has completed only 8% of transport infrastructure in CP12 (2018), as shown in Table 4.4.

Table 4.4 Transport works costs in CP12 (2018) (\$2016-17)

	Actual	Projected	Total
Bridges	2,652,644	-	2,652,644
Bus stops	-	799,569	799,569
Cycleways ^a	48,784	13,136,620	13,185,404
Roundabouts	933,045	1,960,849	2,893,894
New roads ^b	-	3,547,555	3,547,555
Signals and turning lanes	34,115	20,560,104	20,594,219
Total (\$)	3,668,588	40,004,697	43,673,285
Total (%)	8%	92%	100%

^a The council's sub-category of cycleways includes \$12.7m for cycleways and \$0.5m for cycleway bridges and crossings.

^b Includes road costs transferred from the open space works schedule.

Source: IPART analysis.

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. We have also found that the actual costs of transport works are reasonable compared with the cost estimates for these works in CP12 (2006) and the costs we have found reasonable in other recently assessed contributions plans.

4.3.2 Sources used to estimate the cost of remaining works are mostly reasonable

The council has used a variety of approaches to estimate the costs of transport infrastructure in CP12 (2018) which it is yet to deliver. Table 4.5 sets out the approaches used for transport items in the plan.

Table 4.5 Approaches to estimating remaining transport works costs

Transport item	Costing approach	Project management	Design	Contingency
Intersection upgrades	RMS site specific estimates	10% ^a	0%	20% ^a
Cycleways	IPART benchmark cost	0%	0%	30%
Cycleway bridges	Site specific cost estimate	7.5%	7.5%	30%
Cycleway crossing	IPART benchmark cost	0%	0%	30%
Roundabouts	Average of actuals (3 roundabouts completed in 2016-17)	0%	0%	0%
Bus shelters	IPART benchmark cost	0%	0%	30%
New roads	IPART benchmark cost	0%	0%	30%

^a These allowances are included within the RMS site specific estimates.

The council uses RMS site specific estimates for intersection upgrades, representing \$20.6 million or 47% of the total transport works costs in the plan. RMS is responsible for the delivery of the intersection upgrades. We found that it is reasonable for the council to use these costs because they are the costs the council will be required to pay. However, this does not guarantee that the costs themselves are reasonable.

Site specific cost estimates are used for cycleway bridges. We found that the cost estimates for these bridges are reasonable compared with the costs of bridges we have found reasonable in other plans.

The **average of actuals** of similar projects are used to estimate the cost of roundabouts. We found that this cost compares favourably with roundabout rates we have assessed as reasonable in other plans.

IPART benchmark costs are used to estimate the costs of:

- ▼ Cycleways
- ▼ Cycleway crossings
- ▼ Bus shelters
- ▼ New roads.

We found the use of IPART benchmark costs for bus shelters and new roads is reasonable because these costs are similar to the rates we have found reasonable in other plans. For cycleway crossings we found the use of benchmark costs is reasonable in the absence of comparable works and given the small cost of these crossings compared with total transport works costs.

However, we do not consider the use IPART benchmark costs for cycleways is reasonable.

Cycleways

Cycleways in CP12 (2018) represent \$12.7 million or 29% of total transport works costs in the plan. The council has estimated the cost of cycleways by:

-
- ▼ Applying the IPART benchmark cost,²⁵ indexed to \$2016-17 (\$712/m)
 - ▼ Removing a portion of the cost which represents the works developers are required to deliver through a condition of consent
 - ▼ Applying a contingency allowance.

The council has used the IPART benchmark cost for cycleways because it does not have concept or detailed designs for the items.

We found that the unit rate used for cycleways in CP12 (2018) is substantially higher than rates we have found to be reasonable in other recently assessed plans. In particular, in our recent assessment of the council's Contributions Plan 15 for Box Hill (CP15), the council used a rate of \$120/m based on its experience in delivering cycleways, which we found was reasonable.²⁶

In response to a draft of this report, the council revised the costs for two cycleways (BRCW1 and BRCW3) to reflect higher unit rates of \$856/m and \$458/m respectively, based on the actual cost of cycleways completed in similar terrain. These cycleways represent approximately one-third of the length of cycleways in the plan. We accept the reasonableness of the council's higher costs for cycleways BCRW1 and BCRW3 because the terrain along these routes may require a combination of boardwalks, concrete pathways and bridges that are different from the standard concrete cycleway adjoining a road or open space.

For all other cycleways in the plan, we consider the unit rate we assessed as reasonable for CP15 is a better indicator of expected costs than the IPART benchmark cost. We therefore recommend that the council revise the cost of the remaining cycleways in CP12 (2018) using the unit rate in CP15, indexed to the base year of the plan.

The council's cost estimates for cycleways include no additional project management or design allowances²⁷ and a 30% contingency allowance. In line with our recommendation to revise remaining cycleway costs based on the CP15 unit rate, the council should:

- ▼ Include allowances of 7.5% each for project management and design, consistent with the costing approach for cycleways in CP15
- ▼ Apply a lower contingency allowance of 20%, consistent with the advice in the 2014 Benchmark Report for projects at the business case stage.

The total adjustment for cycleway costs in CP12 (2018), based on higher unit rates for BRCW1 and BRCW3, the CP15 unit rate for all other cycleways, additional project management and design allowances and a lower contingency allowance, would be a reduction of \$7,731,222.

²⁵ The benchmark cost used is the rate for a 2.5m wide shared cycleway/ pedestrian footpath.

²⁶ IPART, *Assessment of The Hill Shire Council's Draft Section 94 Contributions Plan No 15 – Report*, October 2018, p 26, indexed to 2016-17.

²⁷ The IPART benchmark cost already includes an allowance for project management and design.

4.4 Criterion 5: Apportionment

CP12 (2018) includes five transport items that are partially apportioned to the release area based on advice from RMS about the demand arising from development in Balmoral Road.²⁸ Within the release area, the council apportions all transport works costs to residential development on a per person basis.

We found the apportionment of costs to the plan based on advice from RMS is reasonable.

In assessing CP12 (2006), IPART recommended that the council review its apportionment of transport costs to reflect demand from the non-residential development in the Balmoral Road Release Area and reduce the residential contributions accordingly. However, the employment land that was in CP12 (2006) has now been excised from the plan and only a small amount of non-residential development (less than 1% of total development yield in the release area, comprising two small areas with a B2²⁹ zoning)³⁰ remains in the catchment of CP12 (2018). Further:

- ▼ The traffic generated by the non-residential development is primarily from the residential development within the precinct.³¹
- ▼ Non-residential development has already been approved and has been levied contributions under the council's section 7.12 Contributions Plan. This means that the council has no ability to levy a non-residential contribution rate under CP12 (2018).

We found that the council's approach to apportioning transport costs within the release area is reasonable. This finding is subject to the council adopting the revised estimate of the projected population of Balmoral Road Release Area when applying the formula for calculating the apportionment of transport costs. Since submitting CP12 (2018) for review, the council has advised that the estimated population should be revised from 15,633 to 15,728.³² This issue is discussed in Chapter 9, and reflected in Recommendation 11.

²⁸ CP12 (2018), pp 33-34.

²⁹ B2 Local Centre zoned land permits shop top housing, which is a mix of residential and non-residential development: *The Hills Local Environmental Plan (LEP) 2012*.

³⁰ Information from The Hills Shire Council, 27 February 2019.

³¹ Information from The Hills Shire Council, 27 February 2019.

³² Information from The Hills Shire Council, 27 February 2019.

5 Stormwater management

CP12 (2018) includes \$1.08 million for the provision of stormwater management infrastructure. This represents 0.5% of total costs in the plan. There is no land for stormwater management in the plan.

This chapter presents our analysis of the plan's provisions for stormwater infrastructure against:

- ▼ Criterion 1: Essential works
- ▼ Criterion 2: Nexus
- ▼ Criterion 3: Reasonable cost (works only)
- ▼ Criterion 5: Apportionment.

We found that works for stormwater in CP12 (2018) are consistent with the essential works list. In addition, we found that:

- ▼ Nexus is established for the stormwater works in the plan.
- ▼ The estimated costs for items of stormwater infrastructure are reasonable, except for the project management and design fees allowances applied for Basin 99.
- ▼ The council's method of apportioning stormwater costs is reasonable, however the revenue it has received for stormwater works exceeds the cost of works. The council should redistribute the surplus revenue for stormwater to other infrastructure categories and reduce contributions accordingly.

Based on our findings, we recommend adjustments to the plan that we estimate would reduce the cost of stormwater management works by \$68,700.

Our findings and recommendations are summarised in Table 5.1.

Table 5.1 IPART-recommended adjustments for stormwater

Criterion	Finding	Recommendation	Land costs (\$2016-17)	Works costs (\$2016-17)
Total cost in plan			0	1,075,000
Essential works	All works are on the essential works list			
Nexus	Nexus is established for Basin 99			
Reasonable cost	Costs are reasonable except for allowances for project management and design	Reduce allowances for project management and design to 15% combined		-68,700
Apportionment	Revenue received exceeds accrual cost of works	Redistribute the surplus revenue received for stormwater to other infrastructure categories		No adjustment for stormwater ^a
Total IPART-recommended cost adjustment			0	-68,700
Total IPART-assessed reasonable cost			0	1,006,300

^a The recommendation does not affect stormwater costs, but should offset the costs (and hence contribution rates) of other infrastructure categories in the plan.

5.1 Criterion 1: Essential works

There is one stormwater management infrastructure item listed in CP12 (2018). As discussed below, the council is also proposing additional waterway improvement works. The inclusion of both wetland basins and waterway improvement works is consistent with the essential works list in the Practice Note.

There is no land for stormwater management infrastructure in the plan. This is because the Balmoral Road Release Area is entirely within the Rouse Hill Development Area, where Sydney Water is the Trunk Drainage Authority.

5.2 Criterion 2: Nexus

CP12 (2006) included five wetland basins within the release area. Our assessment of CP12 (2006) found that there was nexus between these five basins in the plan and the anticipated development in the release area. The council has removed four (Basins 31, 32, 33 and 34) of the five basins from CP12 (2018), so our assessment focused on whether this is reasonable. We also considered whether the demand for stormwater management infrastructure has changed since we last reviewed the plan.

The only remaining basin in CP12 (2018) is Basin 99, which has already been constructed. However, because the size of the constructed Basin 99 is smaller than originally anticipated, CP12 (2018) also includes additional channel works to ensure it achieves the required stormwater management function at that location.

We found that the removal of the four wetland basins is reasonable and there is no additional demand for stormwater management infrastructure in the release area. We also found that

nexus is established for the additional stormwater works for Basin 99. Therefore, there is nexus for all stormwater management works in CP12 (2018).

5.2.1 There is nexus for the removal of four wetland basins from the plan

The council explained that it removed Basins 31, 32, 33 and 34 from the plan because Sydney Water has already constructed vegetated basins in their proposed location,³³ and that Sydney Water's basins satisfy the previously anticipated function of the basins in CP12 (2006). We found that removal of these four basins from the plan is reasonable.

5.2.2 The Balmoral Road Release Area does not require additional stormwater infrastructure

Information from the council suggests 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 CP12 (2018) relative to those listed in CP12 (2006).³⁴

The higher anticipated development yield in CP12 (2018) is largely driven by the changes to the type of development (ie, rezoning from R2 to R3 in the west of the release area). For higher density developments, stormwater quality treatment measures are generally provided on-site and they create minimal demand for council stormwater quality infrastructure. In addition, Sydney Water is the Trunk Drainage Authority in the release area and any additional capacity for stormwater detention is likely to be Sydney Water's responsibility.

Based on the information from the council and our observations, we found that the stormwater management infrastructure in CP12 (2018) is sufficient to meet the stormwater needs in the release area.

5.2.3 There is nexus for additional stormwater works for Basin 99

CP12 (2018) includes the cost of one wetland basin (Basin 99), which has already been constructed. The council advised that this basin has been constructed at approximately half the size that was originally anticipated because the site-characteristic resulted in the council being unable to deliver the full scale of Basin 99 within the expected timeframe and available budget.³⁵ This means that Basin 99 does not adequately address the stormwater management needs arising from the development in the release area.

Given the constraints of Basin 99, the council proposes to undertake additional waterway improvement works along the existing watercourse to address the stormwater management requirements for the catchment area. The waterway works will discharge stormwater flows from Basin 99 into the trunk drainage land owned by Sydney Water. This would achieve a

³³ Information from The Hills Shire Council, 27 February 2019.

³⁴ Information from The Hills Shire Council, 27 February 2019.

³⁵ Information from The Hills Shire Council, 14 March 2019.

greater stormwater quality and quantity management function compared with existing arrangements (ie, having an undersized basin).³⁶

We consider the council's explanation and proposal are reasonable and establish nexus for the additional stormwater management works for Basin 99 in CP12 (2018).

5.3 Criterion 3: Reasonable cost

In this section, we have assessed whether the proposed development contributions are based on a reasonable estimate of the cost of the proposed stormwater infrastructure. In assessing the reasonableness of these costs, we considered:

- ▼ The cost of stormwater works already constructed
- ▼ The basis of cost estimates for works not yet constructed.

For stormwater works already constructed, the plan includes the actual cost of construction to the base period of the contributions plan (2016-17). For stormwater works not yet constructed, the council prepared its own estimates based on previous similar works.

We found that:

- ▼ The use of actual costs for completed works is reasonable, however, the council should update the actuals to our recommended base year of the plan (2017-18). This includes an additional year of actual costs.³⁷
- ▼ The use of council-prepared costings to estimate the cost of the stormwater management works is reasonable.
- ▼ The allowances for project on-cost (ie, project management and design fees) are not reasonable.

Recommendation

- 3 Revise project management and design fees for remaining stormwater management works to a combined 15% of the base cost estimate for the works.

5.3.1 Actual costs are reasonable

Table 5.2 shows the breakdown of the actual and projected costs in CP12 (2018). This is the estimated cost of the only remaining basin in the plan.

³⁶ Information from The Hills Shire Council, 14 March 2019.

³⁷ In response to a draft version of this report, the council provided a revised works schedule and NPV model that include the actual costs to 2016-17. In these revisions, the total cost of Basin 99 remains unchanged.

Table 5.2 Stormwater management works costs in CP12 (2018) (\$2016-17)

Stormwater item	Actual (2016-17)	Projected	Total
Wetland basin (Basin 99)	17,008	1,057,992	1,075,000

Source: Works Schedule.

The council advised that Basin 99 has been completed since it submitted the plan for assessment and the actual cost incurred was \$511,714.³⁸

To assess whether the actual cost of constructing Basin 99 is reasonable, we compared the per square metre rate for construction of this basin (\$132/m²)³⁹ with the average rates for basin construction that we have assessed as reasonable in other plans. The actual rate for constructing Basin 99 (in terms of \$/m²) is at the higher end compared with the average rate of basin costs in other plans. However, the per square metre rate for construction of Basin 99 is within the range we have assessed as reasonable in other plans. We consider this is reasonable because the council constructed Basin 99 as an individual item and not part of a larger project where it could share costs.

Consistent with our recommendation in Chapter 9, when the council updates the base period of the plan to 2017-18 it should include the actual cost incurred to construct Basin 99.

5.3.2 Cost estimates for remaining works include allowances that are not reasonable

The council is intending to use the remaining \$563,286 for additional waterway improvement works (channel works) to compensate for the decrease in the size of the basin (discussed in section 5.2.3. above).

The council has estimated the cost of the remaining channel works, based on its experience with similar projects and includes allowances for project on-costs and contingencies applied to the base cost for the item.

The council used this approach when preparing the plan because it was not yet at the stage of obtaining detailed design and cost estimates. The resulting estimate does not appear to be excessive compared with channel works costs in other contributions plans we have recently assessed and we have no evidence to suggest the estimates are not reasonable.

The council has applied a 22% contingency, 20% design and 15% project management allowance to the base cost estimate for the remaining stormwater works. We consider the contingency allowance is reasonable because it is generally consistent with IPART's benchmark costs for estimates at a business review stage. However, we consider the design and project management allowances are too high.

We recommend the council revise the design and project management allowances for the remaining stormwater works to a combined 15%, which is consistent with the allowances used in the plan for other infrastructure categories. This would reduce the cost of stormwater management works by around \$68,700.

³⁸ Information from The Hills Shire Council, 16 November 2018.

³⁹ CP12 (2018), Works schedules and IPART calculations.

5.4 Criterion 5: Apportionment

CP12 (2018) does not apportion any costs to stormwater management. This is because the council has collected, or expects to collect, sufficient funds from CP12 (2006) contributions to recover the cost of stormwater infrastructure before it adopts CP12 (2018). We consider the council's approach of not apportioning any stormwater management costs in CP12 (2018) is reasonable.

The council has advised that, at the time of updating the NPV model for submission to IPART, it had received \$1,050,106 of stormwater management contributions.⁴⁰ As CP12 (2006) is still in force, the council continues to collect stormwater management revenue.

The cost of already-constructed stormwater infrastructure is \$511,714 and the council's estimated cost of the remaining channel works is around \$494,586. This means that when all works associated with Basin 99 are completed, the revenue received by the council is likely to exceed the cost of providing the infrastructure. We recommend that when the council reviews and updates the plan, it redistribute any surplus revenue to the other infrastructure categories within the plan. This will reduce contribution rates for the other infrastructure categories.

Recommendation

- 4 Redistribute the surplus revenue received for stormwater management infrastructure to other infrastructure categories, which would reduce the contributions for each of the other categories.

⁴⁰ Information from The Hills Shire Council, 20 December 2018.

6 Open space

The total cost of open space land and embellishment in CP12 (2018) is \$163.01 million (77.8% of total costs), comprising:

- ▼ \$121.90 million for land (58.2% of the total land costs in CP12), and
- ▼ \$41.18 million for open space embellishment (19.6% of the total cost of works in CP12).

This chapter presents our analysis of the plan's provisions for open space embellishment against:

- ▼ Criterion 1: Essential works
- ▼ Criterion 2: Nexus
- ▼ Criterion 3: Reasonable cost (embellishment only)
- ▼ Criterion 5: Apportionment.

We found that:

- ▼ Land for open space in CP12 (2018) and its proposed embellishment are consistent with the essential works list, although some road works fronting open space should be categorised as transport infrastructure works.
- ▼ Nexus is established for the provision of open space land and embellishment. The population estimate for Balmoral Road Release Area is now some 20% higher than that used in CP12 (2006) and the council has increased the provision of playing fields in response.
- ▼ Estimates for the cost of open space embellishment are reasonable.
- ▼ Apportionment of open space costs to new residents on a per person basis is reasonable, subject to the council adopting the revised estimate of the projected population of the Balmoral Road Release Area when applying the formula for calculating the apportionment of open space costs.

Based on our findings, we recommend adjustments to the cost of open space in the plan arising from the transfer of the costs of two roads fronting open space to the transport works category. This would reduce the cost of open space embellishment by an estimated \$2.34 million (or 5.7%), although there is no change to the total cost of works in the plan.

Our findings and recommendations to date are summarised in Table 6.1.

Table 6.1 IPART findings and recommended adjustments for open space costs

Criterion	Finding	Recommendation	Land (\$2016-17)	Works (\$2016-17)
Total cost in plan			121,898.874	41,178,122
Essential works	All land and works are on the essential works list, but some works on land zoned for open space should be categories as transport infrastructure works	Transfer the cost of works for new road construction on land zoned for open space to the transport category		-2,342,049 ^a
Nexus	Nexus is established for the land and embellishment in the plan			
Reasonable cost	Costs estimates are reasonable			
Apportionment	Approach is reasonable, subject to using the revised population estimate to determine per person contribution rates			
Total IPART-recommended cost adjustment			0	-2,342,049
Total IPART-assessed reasonable cost			121,898.874	38,836,073

^a See Recommendation 1 and section 4.1.

6.1 Criterion 1: Essential works

We found that the land and all items of embellishment in CP12 (2018) are consistent with the essential works list. The types of open space embellishment in CP12 (2018) are set out in Table 6.2.

The schedule for open space works in CP12 (2018) also includes the cost of works for roads fronting two parcels of open space in the Balmoral Road Release Area. We consider that these costs should, more accurately, be attributed to the transport infrastructure category. This issue is addressed in section 4.1.

Table 6.2 Open space embellishment in CP12 (2018)

Items on the essential works list
District open space Playing fields, amenities buildings, playing courts, playground equipment, car parking, pathways, park furniture, lighting, planting, irrigation and drainage
Local open space Playground equipment and shade sails, seating and other park furniture, pathways, tree and shrub planting
Open space links Paths and cycleways, tree and shrub planting, signage, lighting, fencing, pedestrian bridges

Source: THSC, CP12 (2018) pp 28-30 and CP12 Cost estimate support information.

6.2 Criterion 2: Nexus

In assessing whether there is nexus between the amount of land for open space and recreation purposes and the number and types of facilities which are to be provided for active and passive recreation in CP12 (2018) and development in the release area, we considered:

- ▼ The technical study relied on by the council to establish nexus for open space in CP12 (2006) and in CP12 (2018)
- ▼ Findings and recommendations from our assessment of CP12 (2006), and the Minister's response to these recommendations
- ▼ Any changes made by the council to CP12 (2018) in light of the Minister's response
- ▼ How the council amended the plan to account for increased demand for open space facilities arising from the higher projected population in the release area.

CP12 (2018) includes a total of 35.80 hectares of open space, comprising:

- ▼ 27.66 hectares for district open space
- ▼ 4.42 hectares for local open space
- ▼ 3.72 hectares for open space links (Greenway Links).

Embellishment includes playing fields (8), and courts for netball, tennis and basketball.

To establish the need for open space provision and facilities in CP12 (2006), the council relied on the report, *Recreation Needs Analysis and Public Open Space Provision for Balmoral Road Release Area* (October 2003), which it commissioned from RMP & Associates (RMP Report). It refined RMP's recommended provision having regard to revised population estimates,⁴¹ environmental and topographical constraints, detailed facility planning, and the proposed structural layout of development within the Balmoral Road Release Area (ie, the Indicative Layout Plan).⁴²

CP12 (2018) assumes a net increase in the residential population of the Balmoral Road Release Area of 15,633, which is 2,621 (20.1%) higher than the estimate used in CP12 (2006). Updated

⁴¹ The anticipated population was 16,000 when the RMP Report was prepared. With finalisation of precinct planning, the anticipated population was reduced to 13,012.

⁴² CP12 (2018) p 28.

advice from the council indicates the estimated population should be 15,728.⁴³ However, the amount and location of land open space and its embellishment in CP12 (2018) is unchanged since CP12 (2006), although it has increased the provision of playing fields.

We found:

- ▼ The overall rate of provision of open space land of 2.28 hectares (ha)/1,000 residents is reasonable. Although the quantity is below the Growth Centres' benchmark of 2.83ha/1,000, we recognise the council has limited opportunities to increase the amount of land, but it has improved the quality of embellishing the land for recreational use by the extra residents.
- ▼ The recreational facilities to be provided are appropriate to meet the needs of the new residents, taking into account the demand arising from the higher estimated population resulting from the increase in the anticipated development yield.

6.2.1 The amount of land zoned for open space is unchanged

Both CP12 (2006) and CP12 (2018) include 35.80 hectares of land for open space. For the estimated population of 13,012 in CP12 (2006), this represented an overall rate of provision of 2.75 ha/1,000 residents. With a higher population of 15,728 in CP12 (2018) and no change in the amount of land, the rate is 2.28 ha/1,000, which is significantly below the Growth Centres Code benchmark of 2.83 ha/1,000.

In our assessment of CP12 (2006), we found there was a potential over-provision of open space land and recommended the council remove some land and facilities in greenway parks, and re-evaluate its land acquisition schedules to reduce the level of provision attributed to the plan. The Minister endorsed these recommendations, but the council did not adopt either when revising CP12 (2018). We consider these recommendations have been overtaken by the increase in estimated population in the Balmoral Road Release Area, and recognise the greenway links are an important element in the open space network providing amenity, recreational value and accessibility within the release area and to adjacent precincts.

6.2.2 The council has made changes to proposed open space embellishment

The types and number of specific facilities such as playing fields, courts, playgrounds, car parking and amenities buildings are broadly consistent with the recommendations in the RMP Report,⁴⁴ and with benchmarks in the council's own Recreation Strategy (2007).⁴⁵

The council refined and increased open space facilities in CP12 (2018) in response to the higher than anticipated development yield in the Balmoral Road Release Area. It intends to expand the provision of playing fields, by including a double playing field rather than a baseball field in Kellyville Park.⁴⁶ The council advised us that a new configuration for the location and size of the playing fields within Kellyville Reserve also allows for better management and use of the entire complex.

⁴³ Information from The Hills Shire Council, 27 February 2019. See also Chapter 3.

⁴⁴ See RMP Report, pp 41-42.

⁴⁵ See Stratcorp Consulting, Recreation Strategy Prepared for Baulkham Hills Shire Council, 2007, p 41.

⁴⁶ CP12 (2018), p 29.

Furthermore, in the context of Shire-wide planning for active open space, and in consultation with the relevant State sporting organisations, the council has designated the Kellyville facility for rugby league and similar codes, and revised its allocation of codes originally intended for Kellyville Reserve to other available and suitable reserves within the Shire.

We consider the council has taken into account the needs of the additional residents and the changing demands for facilities required by the different types of organised sporting codes in determining to provide additional playing fields in CP12 (2018).

6.3 Criterion 3: Reasonable costs

In assessing whether the costs of open space embellishment CP12 (2018) are reasonable, we considered:

- ▼ The recommendation from our assessment of CP12 (2006) and the Minister's response to these recommendations (for rates of on-costs and contingency allowances)
- ▼ The cost of open space embellishment already constructed
- ▼ Estimates of the cost of works not yet constructed, particularly the use of IPART's benchmark costs and the allowances for project on-costs and contingencies.

For embellishment already constructed, the plan includes the actual cost of construction to the base period of the plan (2016-17). In Chapter 9, we recommend that the council update the base year of the plan to 2017-18 and include an additional year of actual costs.

For embellishment not yet constructed, the council has used a combination of estimates prepared by external quantity surveyors (QS estimates), council-sourced estimates and unit rates from IPART's Benchmark Costs Report.

We found that:

- ▼ The 'actual' costs of construction in the plan are reasonable
- ▼ The sources used to estimate the cost of embellishment that is not yet constructed are reasonable
- ▼ Allowances for project on-costs (project management and design) and contingencies for the cost of embellishment that is not yet constructed are reasonable.

6.3.1 Actual costs are reasonable

The council has incurred only 9.9% of the total cost of open space embellishment in CP12 (2018). Table 6.3 sets out the amount of costs already incurred by the council and the estimated outstanding expenditure on open space embellishment.

The completed works are a pedestrian bridge associated with a greenway link, and one local park. The council has let contracts for the construction works based on competitive tenders and has provided evidence of expenditures for these works. We are satisfied that the actual costs in the plan reflect the costs incurred by the council, and are reasonable.

Table 6.2 Open space embellishment costs in CP12 (2018) (\$2016-17)

	Actual	Projected	Total
Greenway links		2,235,663	2,235,663
Pedestrian bridges for greenway links	3,474,345 ^a	3,860,383	7,334,728
Local link		541,116	541,116
Local parks	384,851	2,683,333	3,068,184
District parks (excl new road costs)		25,656,382	25,656,382
TOTAL	3,859,196	34,976,877	38,836,073
Percentage of total costs	9.9%	90.1%	100%

^a This pedestrian bridge spans a 6-lane arterial road.

Note: The cost of new roads to be constructed in two district parks for access to open space facilities has been transferred to the transport infrastructure category: see Recommendation 1, section 4.1.

Source: CP12 (2018) Work Schedule and IPART calculations.

During our review, the council advised us that it has completed construction of three local parks for which it used cost estimates when preparing the plan. The final expenditure for embellishing these reserves is known. The estimated costs were based on the council's tender rates, an approach we consider reasonable (see section 6.3.2 below), and the actual costs are very close to the estimates which indicates they too, are reasonable. The costs are shown in Table 6.4.

Therefore, when the council is updating the base costs of the plan to 2017-18, in accordance with Recommendation 8 (see Chapter 9, section 9.2), it should include the actual costs incurred for these three parks.⁴⁷

Table 6.3 Estimated and actual costs of three local parks in CP12 (2018) (\$2016-17)

Local park	Cost estimate in CP12 (2018)	Expenditure incurred	Difference in cost
BRLP4	566,355	532,882	-33,473
BRLP5	414,895	403,600	-11,295
BRLP6	382,605	426,323	43,717
Total	1,363,856	1,362,805	-1,051

Note: Numbers may not add due to rounding.

Source: Information from The Hills Shire Council, 7 November 2018.

6.3.2 Sources used to estimate the cost of remaining works are reasonable

The council has used a variety of approaches to estimate the costs of the 18 items of open space embellishment in CP12 (2018) which it is yet to deliver, as shown in Table 6.5.

⁴⁷ For the purpose of estimating the impact of our recommendations on the contributions rates in CP12, we have included actual costs up to 2017-18 provided to us by the council. In response to a draft of this report, the council also increased its estimated cost of some remaining works. We did not include these cost increases in our modelling of contribution rates for this Final Report.

Table 6.4 Approaches to estimating base costs of open space embellishment

Open space use	Costing approach
Greenway links (7 items)	IPART benchmark costs (7 items)
Greenway links pedestrian bridges (1)	Actual of similar (1)
Local link (1)	IPART benchmark cost (1)
Local parks (5)	Council-prepared estimate based on combination of council estimates, Asset System costs and IPART benchmark costs (1)
	Tender of similar (1)
	Tender rates (3)
District parks – sports fields (4)	Council-prepared estimate based on combination of council estimates, Asset System costs and IPART benchmark costs (2)
	QS estimate (1)
	IPART benchmark costs and Rawlinsons (1)

Note: The numbers in brackets refer to the 18 items of open space embellishment for which cost estimates are included in CP12 (2018) Work Schedule.

Source: CP12 (2018) Work Schedule and Information from The Hills Shire Council (for CP13 (2018), 1 March 2019).

A **QS estimate** was used for Arnold Avenue Sports Complex Reserve, based on a Draft Master Plan.

Tender rates, or tender rates for similar works were used for four local parks. Three of these have now been constructed. The reliability of this approach is demonstrated by comparing estimates with actual costs as shown in Table 6.4.

Council-prepared estimates, used for local and district parks, involve specifying the range of items of embellishment and quantities, and applying estimates of the unit rate for each item and/or sub-item. Some unit rates are derived from IPART's Benchmark Report.⁴⁸ Others are from the council's asset management system or another council-based estimate. The sources comprise:

- ▼ Estimates based on previous similar works
- ▼ Estimates provided to the council by a consultant in relation to a similar project
- ▼ Rates in Rawlinsons guide⁴⁹
- ▼ The unit replacement cost from the council's Asset System.⁵⁰

These are valid sources for the council to use, and the overall square metre costs for the different types of open space use are reasonable when compared with the rates in other contributions plans we have reviewed.

IPART benchmark costs are used to estimate:

- ▼ The costs of embellishing the greenway links and the local link, and

⁴⁸ IPART, *Local Infrastructure Benchmark Costs – Final Report*, April 2014 (IPART's Benchmark Report).

⁴⁹ A guide to unit rates for the construction industry published annually.

⁵⁰ Rawlinsons, a construction cost consultant and quantity surveyor, publishes an annual guide to building and construction costs, *Rawlinsons Australian Construction Handbook* 2015.

- ▼ Specific components of the council-prepared cost estimates for two district parks and a large local park.

We considered how and why the council used IPART's benchmark costs, if alternative costing approaches were reasonably available, and whether the resultant cost estimates were reasonable.

For the greenway links and the local link, the IPART benchmark costs of a cycleway and tree planting were used, in effect, as a proxy for the cost of embellishing the links with other landscaping, signage, lighting and fencing, which the plan itself states will also be provided. Comparing the square metre rate for these areas of open space with the rates for passive open space generally in other contributions plans we have recently seen indicates that the resultant overall rate in CP12 (2018) for greenway links is reasonable compared with rates for passive open space embellishment seen in other plans.

Benchmark costs are otherwise used for such things as playing fields, floodlighting, landscaping, amenities buildings, car parking, playgrounds, pathways, and smaller items such as seating, tables and bubblers. The council explained its use of IPART benchmark costs generally on the basis that, prior to release of our Information Paper,⁵¹ it understood that:

in the absence of designs and costings ... the use of IPART benchmark costs for these items was best practice and IPART/Department expectation.⁵²

We consider that, given the stage of planning for the open space parks and sporting complexes, and the absence of site-specific designs for each of the parks and sports reserves fields, it is reasonable for the council to use a rate derived from an IPART benchmark cost.

6.3.3 Allowances for project on-costs and contingencies are reasonable

Allowances for project on-costs and contingencies in CP12 (2018) for open space embellishment are set out in Table 6.5.

In line with our assessment of CP12 (2006), the Minister required the council to revise the allowance for contingencies for all capital works to a maximum of 15%, and the project management and design fees to 15% combined.

However, in reliance on IPART's *Benchmark Costs Report*, the council has applied a contingency allowance of 20% for most items, and 15% where the cost estimate is based on a tender of a similar item or tender rates.⁵³

No allowances for project management or design are applied where IPART benchmark costs are used as these rates include a fixed percentage mark-up for contractor's indirect costs, margin and council on-costs. All other allowances for project management, design and contingency, are consistent with the Minister's request to be a maximum of 15% combined.

⁵¹ IPART, *Local Infrastructure Benchmark Costs – Information Paper*, October 2018.

⁵² Information from The Hills Shire Council, 27 February 2019.

⁵³ See Table 6.6. IPART's *Benchmark Costs Report* recommends the appropriate contingency allowance for open space works is a rate of 20% for works at the Strategic Review (planning) stage, and 15% for works at the Business Case (design) stage: see p 61.

We consider the allowances applied to open space embellishment for project on-costs and contingencies are reasonable.

Table 6.5 Allowances applied to base cost estimates for open space embellishment in CP12 (2018)

Open space use	Costing approach	Project management	Design	Contingency
Greenway links (7 items)	IPART benchmark costs (7 items)	0%	0%	20%
Local parks (6)	Council-prepared estimate (1)	7.5%	0%	20%
	Tender of similar (1)	7.5%	0%	15%
	Tender rates (3)	7.5%	0%	15%
District parks – sports fields (4)	Council-prepared estimate (2)	0%	0%	20%
	QS estimate ^a (1)	7.5%	7.5%	20%
	IPART benchmark costs and Rawlinsons (1)	0%	0%	20%

^a A note in CP12 (2018) Work Schedule specifies the cost estimate excludes allowances for design and contingencies, ie, still at strategic stage.

Note: The numbers in brackets refer to the 18 items of open space embellishment included in the CP12 (2018) Work Schedule.

Source: CP12 (2018) Work Schedule TAB Capital works + Land.

6.4 Criterion 5: Apportionment

CP12 (2018) apportions all open space land and embellishment costs to the new residential population of Balmoral Road Release Area on a per person basis. The council assumes the demand for open space land and embellishment in the plan is generated only by the residential development in the release area.

We consider the approach to apportionment in CP12 (2018) is reasonable.

This finding is subject to the council adopting the revised estimate of the projected population of Balmoral Road Release Area when applying the formula for calculating the apportionment of open space costs. Since submitting CP12 (2018) for review, the council has advised that the estimated population should be revised from 15,633 to 15,728.⁵⁴ This issue is discussed in Chapter 9, and reflected in Recommendation 11.

⁵⁴ Information from The Hills Shire Council, 27 February 2019.

7 Community services

CP12 (2018) includes \$2,847,925 for the cost of acquiring strata space within the Vinegar Hill Memorial Library, which has been constructed in the Rouse Hill Regional Centre to serve the needs of new residents in the Kellyville/Rouse Hill release areas. The council intends to acquire a total of 850 square metres (m²) of strata space,⁵⁵ the cost of which is apportioned between the contributions plans for North Kellyville Precinct (CP13) and the Balmoral Road Release Area (CP12) on the basis of their anticipated populations.

This chapter presents our analysis of the plan's provisions for community services against:

- ▼ Criterion 1: Essential works
- ▼ Criterion 2: Nexus
- ▼ Criterion 5: Apportionment.

Our assessment is that:

- ▼ The strata space for expansion of the library is consistent with the essential works list.
- ▼ Nexus is demonstrated for the additional library space for the residents of the Balmoral Road Release Area.
- ▼ The council's approach to apportioning the cost for strata space is reasonable, subject to it making a minor adjustment.

Based on our finding against the apportionment criterion, we recommend a minor adjustment to the relative share of costs allocated to CP12 (2018) and CP13 (2018), and the apportionment of costs within CP12 (2018). These changes are required because of a small change in the council's calculation of the expected population of the Balmoral Road Release Area, as discussed in Chapter 9.

In Chapter 9 we present our analysis of the cost of strata space along with other land costs. We make a recommendation for the council to revise the cost of the strata space, based on updated valuation advice. We estimate that this would reduce the cost of strata space in CP12 (2018) by \$699,893 (or 24.6%), taking into account the revised apportionment *between* CP12 (2018) and CP13 (2018).

Our findings and recommendations for community services in CP12 (2018) are summarised in Table 7.1.

⁵⁵ This includes an additional 250 square metres since our 2011 assessments of CP12 (2006) and CP13 (2010). The additional area is to address the demand from the higher than previously expected residential development yield in each catchment.

Table 7.1 IPART-recommended adjustments for community services

Criterion	Finding	Recommendation	Land costs (\$2016-17)
Total cost in plan			2,847,925
Essential works	Strata space for expanding the library is consistent with the essential works list		
Nexus	Nexus is established for the additional strata space for the library		
Reasonable cost	See section 9.1 The cost estimate is not reasonable as it is not based on recent valuations of strata space	See section 9.1 Revise the cost of the strata space, based on updated valuation advice	-699,893
Apportionment	Approach to apportionment is reasonable, subject to using the most up-to-date population estimates for both the Balmoral Road Release Area and the North Kellyville Precinct	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
Total IPART-recommended cost adjustment			-699,893
Total IPART-assessed reasonable cost			2,148,032

Note: We intend to make similar findings and recommendations in relation to CP13 (2018).

7.1 Criterion 1: Essential works

When assessing CP12 (2006), we accepted that space within a strata development is consistent with the statutory definition of land for the purposes of the essential works list.⁵⁶ This approach was accepted by the Minister and, where relevant, we have accepted this approach in all subsequent assessments where a council has included the cost of strata space in the cost of 'land'. We maintain this position in the context of our current assessment, for the reasons below.

There are sound planning principles for locating community facilities within a strata property in a local or town centre with good access for the greatest number of community members who will use them (ie, given its proximity to public transport facilities and other types of public infrastructure, strata space may be the best and most accessible location for community facilities). Locating community facilities in strata space in a local or town centre may also help activate that centre in the early years of a precinct's development when other services are yet to be delivered. Furthermore, strata space may also be a more cost-effective option to acquiring space for community facilities than a separate parcel or lot of land – particularly in urban renewal or infill areas where land is scarce.

⁵⁶ IPART, *Assessment of The Hills Shire Council's Contributions Plan No 12 – Balmoral Road Release Area*, October 2011, p 27.

7.2 Criterion 2: Nexus

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.⁵⁷

Since the two plans were originally adopted, the anticipated population in both the Balmoral Road Release Area and the North Kellyville Precinct has increased. CP12 (2018) includes the costs of additional floor space in the proposed library to cater for the higher estimated populations. We consider the increase in floor space of 250m² is reasonable, given the increase in population.

7.3 Criterion 5: Apportionment

CP12 (2018) apportions the land acquisition costs for the library expansion between CP12 and CP13 using the respective population estimates, at the time the plan was prepared, for the Balmoral Road Release Area and the North Kellyville Precinct. This approach is consistent with the recommendation we made when assessing CP12 (2006).

We consider that this approach is reasonable and that the population estimates the council uses in CP12 (2018) are sound, subject to a minor increase in the anticipated population of the Balmoral Road Release Area. This adjustment to the forecast population was provided by the council to IPART, and is discussed in Chapter 9.

The revised population estimate would increase the share of the cost of the library strata space allocated to CP12 (2018) from 43.2% to 43.3%. The council should then use the latest population estimate to allocate costs within CP12 (2018) and thereby determine the per person contribution rate for community services.

Our estimate of the adjustment to the land acquisition costs in Recommendation 7 (Chapter 9) and Table 7.1 is based on our assessment of CP12 (2018)'s revised share of the cost of strata space for the library expansion based on the updated valuation.

Recommendation

- 5 Adjust the land acquisition costs for the library expansion apportioned to the residents of CP12 (2018) to reflect the respective shares of demand from the Balmoral Road Release Area and the North Kellyville Precinct, using the most up-to-date population estimates for each precinct.

⁵⁷ AEC Group, *Rouse Hill Library and Community Centre Report*, July 2004.

8 Plan administration

CP12 (2018) includes \$1.25 million for plan preparation and administration costs. This amount is 1.5% of works costs, consistent with the benchmark we proposed in the *Local Infrastructure Benchmark Costs Report* (April, 2014).

We assessed the provisions for plan preparation and administration against:

- ▼ Criterion 1: Essential works
- ▼ Criterion 2: Nexus
- ▼ Criterion 3: Reasonable cost
- ▼ Criterion 5: Apportionment.

We found that:

- ▼ Plan preparation and administration is consistent with the essential works list.
- ▼ There is nexus between these costs and the development in the release area.
- ▼ Apportionment between residential and non-residential development is reasonable.

In relation to Criterion 3, we consider the council's approach of estimating plan preparation and administration costs as 1.5% of the cost of works in the plan is reasonable, subject to it being based on the IPART-adjusted cost of works.

Based on our findings and recommendation to adjust the total costs of works in CP12 (2018), we estimate the cost of plan administration would reduce by \$0.1 million (8.6%).

Our findings and recommendation are in Table 8.1.

Table 8.1 IPART-recommended adjustments for plan administration

Criterion	Finding	Recommendation	(\$2016-17)
Total cost in plan			1,253,765
Essential works	Plan administration is on the EWL		
Nexus	Nexus is established		
Reasonable cost	Calculating costs using IPART's benchmark of 1.5% of the costs of works is reasonable.	Reduce administration costs to be 1.5% of the revised cost of works.	-108,019
Apportionment	Apportionment is reasonable		
Total IPART recommended cost adjustment			-108,019
Total IPART assessed reasonable cost			1,145,746

8.1 Criterion 1: Essential works

Plan preparation and administration costs are on the essential works list. The Practice Note explains:

Plan administration costs are those costs directly associated with the preparation and administration of the contributions plan. These costs represent the costs to a council of project managing the plan in much the same way as the project management costs that are incorporated into the cost estimates for individual infrastructure items within a plan.

Plan administration costs may include:

- background studies, concept plans and cost estimates that are required to prepare the plan
- project management costs for preparing and implementing the plan (eg the employment of someone to co-ordinate the plan).⁵⁸

Plan administration was included in the essential works list when the Practice Note was amended in February 2014. Although our assessment of CP12 (2006) recommended the cost of plan administration be removed, it was unnecessary for the council to amend the costs in the plan in this way when preparing CP12 (2018).

8.2 Criterion 2: Nexus

We consider there is nexus between plan preparation and administration activities and the expected development in the Balmoral Road Release Area. This is because these activities are related to the provision of local infrastructure to meet the needs of new development in the release area.

⁵⁸ Department of Planning and Environment, *Local infrastructure Contributions Practice Note*, January 2019, p 16.

8.3 Criterion 3: Reasonable cost

Plan preparation and administration costs were added to the essential works list in 2014, after we recommended the Minister consider such a proposal in our assessment of CP12 (2006). This is the first time the council has reviewed CP12 since the change to the Practice Note.

CP12 (2018) includes a cost of \$1,253,765 for plan administration, which is 1.5% of the total cost of works in the plan.

We consider that 1.5% of works costs is a reasonable estimate of the plan's preparation and administration costs over the lifecycle of the plan, subject to it being based on the IPART-adjusted cost of works.

Recommendation

- 6 Calculate the cost of plan administration for CP12 (2018) based on 1.5% of the IPART-adjusted reasonable cost of works.

8.4 Criterion 5: Apportionment

CP12 (2018) states that plan administration costs are to be apportioned on a per person basis to new development in the Balmoral Road Release Area. We consider this approach is reasonable, as CP12 (2018) only applies to residential development in the area.

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.

Our assessment of the cost of land in the plan found that the council has already acquired 90% of the total area of land in the plan. 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 the Balmoral Road Release Area.

We examined the council's modelling approach and the assumptions it has made in the financial model for CP12 (2018). We found that the council's approach to accounting for actual costs and revenues is reasonable and its approach to estimating the future costs and revenues is also reasonable. However, we found that using 2016-17 as the base period does not accurately reflect the revenue and expenditure to date. We also identified that the council should update the forecast timing of expenditure and revenue receipts in the model.

We found that CP12 (2018) satisfies the consultation assessment criterion (Criterion 6).

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

- ▼ The occupancy rates, dwelling yields and projected population for the release area that are outlined in the plan are not accurate and should be updated
- ▼ The timeframe for reviewing contributions plans, to ensure the contribution rates accurately reflect the reasonable costs the council incurs in providing local infrastructure for new development.

9.1 Criterion 3: Reasonable cost – land

CP12 (2018) includes \$124.75 million for land acquisition, as shown in Table 9.5. This represents 59.5% of the total costs in the plan. The council has already acquired around 90% of the land in the plan, following an early acquisition strategy that the council advises has allowed it to acquire land at lower cost.

Table 9.1 Land costs in CP12 (2018) (\$2016-17)

Infrastructure category	Total area (ha)	Total cost in plan (\$)	Area acquired (ha)	Cost of land acquired (\$)	Area yet to be acquired (ha)	Cost of land yet to be acquired (\$)
Transport						
Stormwater						
Open space <i>As a % of total</i>	36.59	121,898,874	33.05 (90%)	92,959,068 (76%)	3.55 (10%)	28,939,806 (24%)
Community services <i>As a % of total</i>	0.09	2,847,925			0.09 (100%)	2,847,925 (100%)
Total <i>As a % of total</i>	36.68	124,746,799	33.05 (90%)	92,959,068 (75%)	3.63 (10%)	31,787,731 (25%)

Source: CP12 works schedule and IPART analysis.

The plan does not include any transport land or stormwater land acquisition costs. This is because the council already owns the land required for transport infrastructure and because Sydney Water is responsible for trunk drainage work within the precinct and is the acquisition authority for the relevant land. The council's stormwater works are located within open space land.

The council uses different approaches to costing land, depending on whether it has already acquired the land or not.

We found that:

- ▼ The costs of land already acquired in the plan are reasonable.
- ▼ For land yet to be acquired:
 - The council's method of estimating the cost of land is reasonable, except for community services land (strata space).
 - The council's application of average land values is 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 CP12 (2018) is reasonable.

Recommendation

- 7 Revise the cost of acquiring strata space for the library expansion allocated to CP12 (2018) using a square metre rate of \$5,750, which we estimate would reduce the cost in CP12 (2018) by \$699,893.

The cost of the land already acquired in CP12 (2018) is the actual cost of each acquisition, that is, the sum of the nominal (non-indexed) costs. Unlike many other councils, 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.

9.1.1 The cost of land yet to be acquired is reasonable except for community services land

CP12 (2018) includes \$31.79 million for land that has yet to be acquired, including:

- ▼ \$28.94 million for open space land, and
- ▼ \$2.85 million for the acquisition of strata space for community services.

The council uses different methods of estimating the costs of land that it has yet to acquire in each category.

Open space land yet to be acquired

The council has estimated the cost of open space 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 release area⁵⁹
- ▼ 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.⁶⁰

For CP12 (2018), the council has also applied an allowance of 1.5% to cover the fees that the council may have to pay in association with land acquisition costs, such as:

- ▼ Valuation costs, and
- ▼ Legal and survey costs.

We consider that the council's method for estimating the costs of open space land yet to be acquired in the plan and its application of average land values are reasonable.

Community services land

CP12 (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 the Rouse Hill Town Centre, the cost of which is apportioned between two contributions plans on the basis of the estimated population of the two precincts, with (43.2%) allocated to *CP12 Balmoral Road Release Area* and (56.8%) to *CP13 North Kellyville Precinct*.

The cost in CP12 (2018) of strata space for the library expansion is \$2,847,925. This is calculated using an estimate of \$6,875/m², excluding GST (in 2007 dollars), indexed by CPI to 2016-17 (ie, \$7,641/m²), with a 1.5% allowance for acquisition fees.

The council has used the same valuation to calculate the cost of community services land in CP12 (2018) as it used in CP12 (2006). Our 2011 assessment of CP12 (2006) found that the valuation used by the council to estimate the cost of the library expansion was out-of-date.

⁵⁹ CivicMJD, *Review of Land Values for Contributions Plan No.12 – Balmoral Road Release Area (BRR)*, 26 March 2018.

⁶⁰ We note that none of the open space land that has yet to be acquired in the release area is constrained, therefore the cost of land only varies according to its underlying zoning.

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 the potential to expand the existing operations at the Rouse Hill Library has since lapsed and the council 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.⁶¹

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.⁶² This value is \$1,891/m² less than the value the council relied upon to calculate the cost of community services land in CP12 (2018), suggesting that the original valuation may have included fit-out costs.

We recommend that the council revise the cost of acquiring strata space for the library expansion using the rate of \$5,750/m² rather than the rate of \$7,641/m² currently in the Work Schedule. We estimate that the cost of acquiring the strata space for the library expansion in CP12 (2018) would reduce by an amount of \$699,893, from \$2,847,925 to \$2,148,032. This amount includes a minor adjustment to account for the increase in the share of the costs allocated to CP12 (2018) from 43.2% to 43.3% arising from the revised population estimates used in CP12 (2018) and CP13 (2018) (see Recommendation 5).

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.

⁶¹ Information from The Hills Shire Council, 1 March 2019.

⁶² Information from The Hills Shire Council, 24 May 2019, Letter to The Hills Shire Council from Independent Property Valuations, dated 21 May 2019.

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.⁶³

We examined the council's modelling approach and the assumptions it has made in the model for CP12 (2018). We found that:

- ▼ The council's approach to accounting for actual costs and revenues is reasonable.
- ▼ The council's approach to estimating the future costs and revenues is reasonable, except:
 - that using 2016-17 as the base period does not accurately reflect the revenue and expenditure to date, and
 - the model overestimates the impact of compounding in its escalation factors.

Recommendations

- 8 Roll forward the base period in the model by one year to 2017-18 and in doing so:
 - Include an additional year of actual revenue and expenses, including any interest expense/revenue
 - Update the discount rate to 4.1%
 - Update and recalculate the cost escalation factors, as shown in Table 9.2.
- 9 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.
- 10 Update the forecast timing of revenue receipts to take account of the actual revenue received and number of development applications approved.

9.2.1 Base year of the plan/model

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

For CP12 (2018), the base period is 2016-17. In our view, rolling forward the base year by one year to 2017-18 would result in more accurate values for revenues and expenditure – both actual and future values. We have identified that the council has incurred lower actual costs during 2018 compared with the estimates for certain infrastructure items. Also, rolling 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.

9.2.2 Historical (ie, actual) revenue and expenditure

The current version of CP12 was adopted by the council in 2006. Since 2006, the council has purchased significant amounts of land and collected contributions from around half of the

⁶³ *Modelling for local infrastructure contributions in a present value framework*, August 2018, pp 1-2.

initially anticipated development in the catchment.⁶⁴ In the model for CP12 (2018), the council recorded the actual revenues and costs up to 2016-17.

Actual expenditure includes a debt servicing cost \$15.56 million, which is the cost of borrowing internally from its contributions plan accounts. The annual borrowing cost is prorated to each category of infrastructure based on the total cost of land and works for that category.

The interest costs/income are calculated for each period up to the base year. The council has calculated and booked interest expense on a monthly basis based on the average portfolio interest rate that it received from its term deposits for the month.⁶⁵ The implied interest rates used to calculate the borrowing cost are in line with the general interest rate trends for the overall period and we consider the approach used to record debt servicing costs is reasonable.

Consistent with our recommendation to roll forward the base period of the plan, the council should update the cost of transport, stormwater and open space works with the actual costs incurred to 2017-18.

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 CP12 (2018).

Timing of expenditure is based on expectations of purchasing land and delivering infrastructure

The council explained that 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, land acquisition progress and delays.⁶⁶

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

- ▼ The CP12 (2018) NPV model includes \$3,172.66 for the acquisition of open space land in year 2025. The council confirmed that this residual amount is not required.

⁶⁴ The contributions revenue includes NSW 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.

⁶⁵ Information from The Hills Shire Council, 31 March 2019.

⁶⁶ Information from The Hills Shire Council, 12 February 2019.

- ▼ Some of the works that were identified to be completed by 2018 have not yet 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's assumptions of when the council receives future revenue is based on the expected development path for the remaining development in the release area. We consider the council's assumptions are reasonable.

We recommend the council update the forecast timing of revenue receipts in the NPV model to take account of the actual revenue received and number of development applications approved.

The council escalates the costs of works from 2017-18 onwards

The council applies various escalation factors to future expenditure. The escalation factors for land and works costs are the 15-year annual average growth rates (June 2003 to June 2017 inclusive) of several Australian Bureau of Statistics (ABS) indexes.

We consider using a 15-year period for calculating the average growth of the escalation factors is reasonable, as a 15-year period generally would smooth the cyclicity effects of these indices. However, we identified that the council's calculation of escalation factors does not properly account for compounding.

To calculate the escalation factors in the model, the council takes a simple average of four quarters of data to arrive at a figure for annual change, then takes a simple average of the annual averages in each respective index. In an increasing time-series with variation between periods, a simple linear average will overestimate growth in the series.

The council should instead use a geometric average, which will account for the compounding effect of percentage changes over time. The cost escalation factors updated to June 2018 presented in Table 9.2 have corrected this issue.

Our recommendation for the council to roll-forward the base period of the models by one year, to 2017-18, would mean the escalation factors are calculated using more recently available data and would result in more cost reflective infrastructure contributions.

In particular, we note that the escalation factor of 6.77% for land acquisitions used by the council may not reflect the recent downward trend in market prices for land. If the 15-year period were rolled one year forward to June 2018, the escalation factor for land lowers to 5.22%.⁶⁷ The other escalation factors are also lower, although the change is much smaller (see Table 9.2).

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 consider this is reasonable.

⁶⁷ This also accounts for compound annual growth over time, as discussed above.

Table 9.2 Cost escalation factors for land and works

Type of infrastructure	Index used	15-year average to June 2017 ^a	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 works	ABS PPI for road and bridge construction – New South Wales	3.47%	3.36%

^a These are the escalation factors used in the NPV models for CP12 (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 the value of future revenues, which represents the midpoint of the Reserve Bank of Australia's inflation target of 2-3%. The future values of revenues are then discounted to the present values using IPART's local government discount rate in the model (see below). We consider this approach is reasonable and consistent with the guidance in our 2018 Technical Paper.⁶⁸

The council uses a discount rate of 4.3%

The council uses IPART's local government discount rate of 4.30% to discount all the escalated cash flows to their present values at the base period.⁶⁹ This is consistent with our recommendation in our 2018 Technical Paper to use the IPART calculated discount rate.

When the council adopts our recommendation to roll forward the base period to 2017-18, it should also use IPART's latest published discount rate (which was 4.1% for February 2019).⁷⁰

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 assess whether the proposed timing of infrastructure delivery appears realistic and gives stakeholders enough information for them to understand the council's priorities. 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.

⁶⁸ IPART, *Modelling for local infrastructure contributions in a present value framework*, August 2018, p11 (2018 Technical Paper).

⁶⁹ IPART, *Local Government discount rate*, published February 2018.

⁷⁰ IPART, *Local Government discount rate*, published February 2019.

9.4 Criterion 6: Consultation

We must assess whether the council has conducted appropriate community liaison and publicity in preparing the contributions plan.

The council publicly exhibited the plan between 22 May 2018 and 22 June 2018 and received no submissions. We consider the council's process for consulting on the plan satisfies the consultation criterion.

9.5 Criterion 7: Other matters

We are required to assess whether the plan complies with other matters we consider relevant. Our assessment of CP12 (2018) identified two other relevant matters:

- ▼ The occupancy rates, dwelling yields and projected population for the release area that are outlined in the plan are not accurate and should be updated.
- ▼ The timeframe for reviewing contributions plans, to ensure the contribution rates accurately reflect the reasonable costs the council incurs in providing local infrastructure for new development.

We consider the council should amend CP12 (2018) to update the dwelling, occupancy and population figures as they affect the apportionment of costs and contribution rates in the plan.

Our assessment of CP12 (2018) highlights the desirability of councils undertaking a comprehensive review of contributions plans on a regular basis.

Recommendation

- 11 Amend the plan to update the dwelling, occupancy and population figures for the release area, and the indicative residential contributions.

9.5.1 Dwelling, occupancy and population figures in the plan are not accurate

We identified that the draft plan submitted for assessment included inaccurate occupancy rates, dwelling yields and projected population for the release area. The council has provided updated figures for the plan (see Table 9.3, below).

Table 9.3 Updated dwelling, occupancy and population figures for CP12 (2018)

Dwelling type	Total dwellings	Occupancy rate	Population
Dwelling houses	1,559	3.35	5,222
Integrated housing	1,146	3.00	3,438
Multi-unit housing (Residential flat buildings)	2,539	2.00	5,079
Multi-unit housing (All other)	1,088	2.70	2,936
Seniors	255	1.20	306
Total	6,587		16,980
Existing			1,252
Total (less existing)			15,728

Source: Information from The Hills Shire Council, 27 February 2019.

The draft plan submitted for assessment showed:

- ▼ 6,713 dwellings in the release area – the council subsequently advised that this should be 6,587 dwellings (126 fewer dwellings)
- ▼ An additional population of 15,633 persons – the council subsequently advised that this should be 15,728 additional persons (95 more people)
- ▼ Occupancy rates that differed from those in Table 9.3.

The council should amend the plan to update it with the more accurate dwelling, occupancy and population figures for the release area.

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 costs they incur in providing local infrastructure.

The *Environmental Planning and Assessment Regulation 2000*:


- ▼ Allows 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.⁷¹
- ▼ 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.⁷²

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

The council revised CP12 in a number of ways, including responding to IPART's recommendations for CP12 (2006), updating land acquisition costs, revising some cost

⁷¹ *Environmental Planning and Assessment Regulation 2000* cl 32.

⁷² *Environmental Planning and Assessment Regulation 2000* cl 33A(1).



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, removal of the station precincts, dwelling yields in approved development and occupancy rates derived from recent census data.⁷³ The impact of the higher population estimates was reflected in some additional open space embellishment, although the council did not revisit the technical studies through which nexus was established for the land and infrastructure in the plan.

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.

Where changes to the underlying assumptions in a plan regarding planning controls, dwelling yields and occupancy rates materially change the population estimates, councils should:

- ▼ 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 a plan, for example when an alternative funding source (such as a Special Infrastructure Contribution) is identified for works in the plan. Where a council adopts a more efficient strategy for infrastructure provision than identified in the original technical study, it may be able to delete unnecessary works from the plan.

In other cases, there may be a need to add works to the plan to accommodate an increase in population estimates.

⁷³ See The Hills Shire Council, Business paper, ordinary meeting of 24 April 2018, pp 191-196.

A 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.

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.

B 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 *CP12 (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, 4.1, 5.1, 6.1
1(d)	The formulas to be used for determining the section 7.11 contributions required for different categories of public amenities and services.	Section 2.19
1(e)	The section 7.11 contribution rates for different types of development, as specified in a schedule in the plan.	Section 1 & Appendix C
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).	Appendix D (map) & Appendix A (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	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> .	No such conditions mentioned in the plan.

3	<p>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.</p>	Section 2.18
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C CP12 (2006) – IPART recommendations and Ministerial advice

For CP12 (2006), the Minister strongly suggested that the council review IPART's recommendations and incorporate them into any future review of this contribution plan. The Minister also asked the council to provide the then Department of Planning and Infrastructure⁷⁴ with an application for gap funding showing the impact of IPART's recommendations on contribution rates.

Table C.1 Minister's advice to the council on CP12 (2006)

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 \$1,833,220, representing administration costs, from the total costs of essential works in CP12	Yes	No longer relevant– Practice Note has been amended.
2. The council should remove the land and facilities for part of Greenway Link 1 and all of Greenway Link 2 from the provision for open space and recreation land in CP12. The current total land and capital costs for these works is \$2,519,947.	Yes	Both greenway links remain in CP12 (2018). However, anticipated population in the area has increased, which reduces the potential for over-provision of open space land underpinning this recommendation.
3. The council should re-evaluate its land acquisition schedules to determine whether it can reduce the amount of land yet to be acquired for open space and recreation to more reasonable levels.	Yes	Amount of land has not reduced. However, the anticipated population in the area has increased.
4. The council should revise its stratum costs for the Rouse Hill Regional Centre library expansion, using the latest data.	Yes	No – see discussion in section 9.1.2
5. Where possible, the council should pursue commercial provision of bus shelters in lieu of development contributions for CP12.	Yes	No longer relevant – bus shelters are on the essential works list
6. The council should review CP12's capital costs for transport amenities and services using up-to-date cost estimates.	Yes	Yes – for most transport items.

⁷⁴ Now DPIE.

7. The council should revise the allowance for contingencies for all capital works down to 15%. A total of \$6,730,482 should be removed from the cost of works in CP12.	Yes	No – addressed in chapters for each infrastructure category
8. The council should revise the project management and design fees for all capital works to 15% combined.	Yes	Yes, except for stormwater management.
9. 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.
10. The council should review and improve the readability of the NPV model used in CP12, in particular, by articulating the assumptions used in the model and providing a summary of the outputs.	Yes	Yes – required amendments included in the current plan.
11. The council should revise its infrastructure priorities and timeframes using actual expenditure and the latest forecasting data.	Yes	Yes – further updates recommended in this review.
12. The council should pursue alternative funding to ensure that the Rouse Hill Regional Centre library expansion is completed within a reasonable time after acquisition of the stratum space.	Yes	Not required – strata space not yet purchased.
13. The council should update the apportionment factor for the library expansion using the additional population approach based on the latest population estimates for CP12 and CP13.	Yes	Yes – needs to be further updated based on the revised population of the Balmoral Road Release Area.
14. The council should review its apportioning of transport costs to reflect demand from the non-residential development in BRRA and reduce the residential contributions accordingly.	Yes	No longer relevant – employment land has been excised and there is little non-residential land.
15. The council should review its apportioning of stormwater management costs to reflect demand from the non-residential development in BRRA and reduce the residential contributions accordingly.	Yes	No longer relevant – employment land has been excised and there is little non-residential land.
16. 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 council alone. The council was not required to adopt a revised plan after IPART assessed CP12 (2006).
17. 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	
18. Administration costs should be defined to include:	No	

<p>– the costs that councils incur in preparing the contributions plan, including preparation of studies to identify the needs of the proposed development</p> <p>– the costs that councils incur in reviewing and updating contributions plans and managing contributions receipts and expenditures.</p>		
19. 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 guidance on use of real figures. The council uses the discount rate calculated by IPART.
20. 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	
21. 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%.
22. 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	
23. 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	
24. A whole-of-government review of the requirements for open space and other land uses that sterilise land for development should be undertaken.	No	
25. The system of recouping the cost of stormwater management works should be given further consideration in light of potential inequities between different areas.	No	