



File no: F16/2696

12 January 2021

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

**Attention:** Ms Julia Williams

Dear Julia,

### **Review of open space embellishment costs in Marsden Park - CP21**

Thank you for your invitation to comment on IPART's targeted assessment of revised open space embellishment costs in Blacktown City Council's revised *Section 94 Contributions Plan No. 21 - Marsden Park* (CP21). We appreciate the opportunity to comment on the 2 draft recommendations before the publication of the final report.

#### **IPART's draft recommendations and our comments**

1. Revise the reasonable cost of open space embellishment in CP21 to \$148.9 million, by updating the cost of each embellishment item to the IPART-assessed reasonable cost.

**BCC comment** – *we are happy to revise the reasonable cost of open space embellishment to the final amount determined by IPART. However, we note that this amount (\$148.9 million) may change in the final report as a result of the information in our submission.*

*We refer to our correspondence with IPART after the publication of its draft report, where we advised that it appeared that the allocation for a playground had been removed from Reserve 994. Council's proposed allocation of a playground for Reserve 994 remained consistent with the scope proposed for this reserve in 2016.*

*We also advised IPART that the allocation of an AFL synthetic field had been removed from Reserve 995 as this embellishment item was outside of IPART's targeted assessment. This was understood. However, the removal of this embellishment item had excluded any provision of any playing fields to support active recreation at Reserve 995.*

*We explained that we would be interested in having a double playing field embellishment item included within the scope of Reserve 995, as it was consistent with the scope proposed for this reserve in 2016.*

#### **Connect - Create - Celebrate**

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All correspondence to: The Chief Executive Officer - PO Box 63 - Blacktown NSW 2148

IPART officers confirmed that they considered it reasonable to include a playground in Reserve 994 and double playing field in Reserve 995. They advised that they would present this position to its Local Government Committee for consideration in preparing the Final Report.

2. Revise the reasonable cost of open space embellishment in CP21 to \$148.9 million, by applying allowances as a percentage of construction cost only.

**BCC comment** – IPART's draft report states that Council had cumulatively applied allowances – for preliminaries, margin and overheads, contingency and design fees in its revised works schedule. IPART state that this approach differs from the approach to calculating allowances used in most other plans that it has assessed, and leads to unreasonably high costs for allowances for open space embellishment. It considers that allowances should be estimated as a percentage of the construction cost only, and should not be cumulative.

Council's revised open space embellishment costs were prepared with the assistance of Altus Group quantity surveyors. As such following IPART's findings, we referred IPART's report to them and asked them to comment on IPART's statement that, 'cumulative application of allowances leads to unreasonably high allowances (page 2 and 3, Table 1.1).

Altus Group firstly suggested the following Wording amendment for clarification:

*The base cost that the draft report is calling the "Construction Cost" of which the percentages are calculated should more accurately be called the "Construction Trade Cost" and the Construction Cost (or more accurately the "gross construction cost") would include Preliminaries and Margin.*

*The Gross Construction Cost would be in comparison to a price that would be received from a Builder – of which the widely used percentages for contingency and design fees are derived from benchmark data.*

Allowing for this wording change for clarification they note the following comments on what they believe is a reasonable basis for calculation.

Allowance	Altus Suggested Approach	Explanation / Reasoning
Construction Trade Cost	Based on measured estimate of Trade Cost	
Preliminaries	Calculated as a % of (Construction Trade Cost)	
Margin & overheads	Calculated as a % of (Construction Trade Cost + Preliminaries)	This will differ from builder to builder and will come down to builder's commercial decision on whether they will apply a Margin to Preliminaries or not, in our experience where we have had the visibility on application of margin, it is more often the case than



<b>Allowance</b>	<b>Altus Suggested Approach</b>	<b>Explanation / Reasoning</b>
		<i>not that Margin is applied to the trade cost and also to the preliminaries.</i>
<i>Construction Cost (or Gross Construction Cost)</i>	<i>Construction Trade Cost + Preliminaries + Margin and Overheads</i>	
<i>Contingency</i>	<i>Calculated as a % of (construction trade cost + preliminaries + margin &amp; overheads)</i>	<i>In our opinion it is more accurate to base this on the gross construction cost (or construction trade cost + preliminaries + margin &amp; overheads) as the % required for contingency would most likely be derived or advised from historic benchmark data based on the gross construction cost as opposed to the construction trade cost only.</i>
<i>Design fees</i>	<i>Calculated as a % of (construction trade cost + preliminaries + margin &amp; overheads)</i>	<i>Similarly, in our opinion it is more accurate to base this on the gross construction cost (or construction trade cost + preliminaries + margin &amp; overheads) as the % advised for design fees at 10% will likely be derived from historic benchmark data based on the gross construction cost as opposed to the construction trade cost only.</i>

On this basis and with clarification, the Altus Group believe that Council's application of allowances is reasonable.

We respectfully ask that IPART consider our comments on both matters above before finalising its final report.

If you would like to discuss any matter raised above, please contact me directly on [REDACTED]

Yours faithfully

[REDACTED]  
Dennis Bagnall  
Manager Developer Contributions