

SUBMISSION FROM CAMDEN COUNCIL TO IPART'S DISCUSSION PAPER ON THE INDEXATION OF CONTRIBUTION RATES DATED 11 APRIL 2019

Indexation of the costs of works

Camden's contribution plans are generally indexed to the Consumer Price Index (CPI) on a quarterly basis. IPART's discussion paper has recognised that CPI is a reasonable methodology for indexing the cost of works on the basis of simplicity of administration and general market acceptance.

However, CPI is calculated using data from a wide 'basket' of goods and services and does not accurately reflect the true changes in the costs of works over a long period of time. The Australian Bureau of Statistics also publish the Producer Price Indexes (PPI) which monitor the change in costs in relation to the Road and Bridge, Non-Residential Building, and Building Construction. These indexes track the changes in output prices of the construction industries and therefore it is more reflective of the true changes of the costs of works.

Historically, indexation has not been a major factor for a number of Camden's contribution plans as a majority of the works have been delivered either through WIKAs or planning agreements. However, in the highly fragmented growth areas where Council will be required to play a proactive role in delivering infrastructure identified in contributions plans, the utilisation of cost indices that more closely reflect the actual changes in the cost of works is more appropriate and is likely to reduce the risk of under-collection of contributions.

Furthermore, it is noted that IPART has requested that Council investigate the use of PPI as part of the Phase Two review of the Camden Growth Areas Contribution Plan.

Camden Council's position - Council supports the use of PPI for the purpose of indexing the cost of works.

Indexation of land costs

Camden Council's contribution plans have historically utilised a custom Land Value Index (LVI) to account for the changes of land values over the life of the plan. This LVI is produced by a qualified land valuer and is based on comparative land sales within the categories of land identified in the contribution plans. This ensures that change in land values under the contribution plans are reflective of changes in market value for that category of land (i.e. IN1 land in a growth precinct) and the property's highest and best use (i.e. what the zoning allows).

IPART's recommendation of utilising either the established home price index or a readily available index is not supported. There is no way to ensure that these indexation methodologies reflect the unique nature of the land to be acquired under Camden's contribution plans, the different categories of land under the contribution plans, and the market conditions specific to our region.

Camden Council's position - Council does not support IPART's recommendation to use a standard index. Council wishes to continue to prepare a custom Land Value Index which reflects the actual sale price of equivalent types and categories of within the Camden LGA and surrounding LGAs.

For further information, please contact Council's Contribution Planning Team on (02) 4654 7777