



Our reference: 8882579
Contact: Natalie Stanowski
Telephone: 4732 7777

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IPART
PO Box K35
Haymarket Post Shop NSW 1240
ipart@ipart.nsw.gov.au

Indexation of Local Infrastructure Contributions Rates

Penrith City Council's development contributions plans and planning agreements are critical in meeting the local infrastructure needs of our growing community. Currently Councils plans fund over \$670 million in infrastructure. Councils welcomes the ability to provide feedback to IPART in respect to the indexation of contribution rates.

In response to IPART's discussion paper the following responses to questions are provided:

1. In what circumstances should contributions plans adopt an index other than the CPI (All Groups) for Sydney to adjust contribution rates? Is there a need for different approaches in different contexts (eg. greenfield vs infill or metro vs non-metro)?

In line with the view of IPART, indexation of development contribution rates should balance the trade-off between administration (time, expense etc.) against accuracy when estimating future costs. Council's current treatment of indexation is:

- Residential Property Prices (RPP) – Sydney (ABS RPP (previously EHP) Index Reference 6416.0) to index development contribution rates relating to land (e.g. Drainage Land)
- Consumer Price Index - All Groups Sydney (CPI) (ABS CPI Reference 6401.0) to index development contribution rates that relate to cost of works.

2. What indexes, other than CPI, might be appropriate for adjusting:

- **Contributions for the cost of works (ie, construction of transport and stormwater management infrastructure and open space embellishment)?**
- **Contributions for the cost of land required for local infrastructure?**

The preferred alternative being the ABD Producer Price Indexes (PPI) appears similar to CPI. After considering the additional time and reduction of efficiency in the process, there may be little to gain from incorporating this into practice.



As the RPP currently used by Council could be considered more volatile than alternative price indexes it would be prudent to review alternate indexes for use in future plans to ensure the index used best represents the item being indexed.

Allowances for negative price movements should also be considered for inclusion in future plans (refer:

<http://www.abs.gov.au/websitedbs/D3310114.nsf/home/Inflation+and+Price+Indexes+-+Use+of+Price+Indexes+in+Contracts>)

3. If a plan adopts a land value index (LVI):

- **Is it reasonable for councils to construct the LVI using independent land valuations?**
- **Should the LVI be specific to the composition of land in the plan's catchment area (precinct specific), the local government area (LGA) or a broader region (eg. Greater Sydney house prices)?**

Council uses ABS RPP to index development contributions rates relating to land. In line with the view of IPART, indexation of development contribution rates should balance the trade-off between administration (time, expense etc.) against accuracy when estimating future costs.

Indexation should relate closely to the locality of land and asset class in order to adequately respond to local circumstances, particularly within Greater Sydney. Council would consider alternatives to the RPP where the index was readily available and aligns to circumstances specifically within our locality

For further questions regarding Councils submission, please contact Natalie Stanowski, Principal Planner on [REDACTED]

Yours sincerely

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Natalie Stanowski
A/City Planning Coordinator