



Office of the Director General



Dr Michael Keating
Chairman
Review of Revenue Framework for Local Government
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Dr Keating

Submission to the IPART review of 'Revenue Framework for Local Government'

I refer to the current IPART Review of Revenue Framework for Local Government.

The purpose of this submission is to ensure IPART is aware of the current implementation of planning reform, specifically relating to development contributions as a means by which councils fund infrastructure. For this reason, this submission outlines the key principles underlying the changes to development contributions and does not address the key questions raised in the Issues Paper.

The *Environmental Planning and Assessment Amendment Act 2008* (Amendment Act) was assented to on 25 June 2008, introducing significant changes to the planning system. Most of the provisions in the Amendment Act will be commenced in stages over the next 12 months.

Schedule 3 to the Amendment Act replaces existing provisions of the *Environmental Planning and Assessment Act* (EP&A Act) for development contributions with a new Part 5B Provision of Public Infrastructure. The key principles underlying the new provisions are: delivering infrastructure, maintaining affordability and ensuring accountability.

Importantly, the Amendment Act sets out key considerations for determining, collecting and spending contributions. The key considerations are aimed at improving accountability of contribution schemes by ensuring reasonable costs and improving affordability by requiring the consideration of housing affordability in developing contribution plans. The key considerations that should influence the approach of councils to development contributions are:

- Whether the public infrastructure will be delivered within reasonable times;
- The impact of the contribution on whether the development is affordable;

- Whether the contribution based on a reasonable apportionment of new demand and existing demand;
- Whether a reasonable estimate of the cost of infrastructure been used; and
- Whether the estimates of demand for infrastructure are reasonable.

The Amendment Act establishes a two-tier system for development contributions. Councils can levy for key community infrastructure without approval, as currently allowed. The regulations will set out what is considered key community infrastructure that a council may levy. To levy for additional community infrastructure, councils will need to approval from the Minister for Planning.

Under the new provisions, councils will maintain the ability to seek direct contributions based on a contribution per unit of development (existing section 94) or indirect contributions based on flat rate levies (existing section 94A), but not both.

I note that the Issues Paper advises that IPART will take into account the impact of development contributions and the recent amendments to the EP&A Act, and makes the commitment that it will not review or make recommendations that impinge on the recent changes.

I would appreciate the opportunity for the Department to remain involved in this Review as it is progressed.

Should you have any further enquiries about this matter, I have arranged for Mr Brett Whitworth, Director Regional Coordination, to assist you. Mr Whitworth may be contacted on telephone number (02) 9228 6491.

Yours sincerely


Sam Haddad
Director General

19/9/2008.