



19 February 2025

NSW Independent Pricing and Regulatory Tribunal
Via [Have your say | IPART](#)

Attention: Carmel Donnelly PSM, Tribunal Chair

Dear Ms Donnelly

Review of IPARTs approach to assessing contributions plans

Thank you for the opportunity to provide feedback on the Discussion Paper – *Review of our approach to assessing contributions plans* (November 2024) and the *draft Benchmark costs for local infrastructure* placed on public exhibition from 25 November 2024 to 7 February 2025.

Please note that the comments contained within this letter are technical officer-level comments only, as the matter has not been reported to Hornsby Shire's elected Council.

The review of IPARTs assessment approach and benchmarks for local infrastructure costing is supported. Attachment A to this letter responds specifically to the 18 questions posed in the exhibited Discussion Paper.

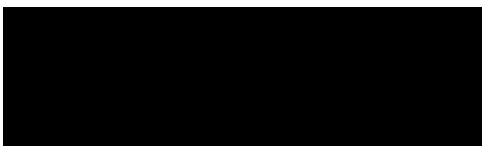
While not part of this Discussion Paper, the \$20,000 and \$30,000 caps on infrastructure charges and the restrictive nature of the essential works list should also be reviewed.

The \$20,000 cap has not been revised since being introduced 16 years ago, in 2009. CPI and inflationary pressures have consistently eroded the purchasing power of this \$20,000. In today's value you would need \$29,422 to fund infrastructure that could have been funded by \$20,000 in 2009. This directly impacts local government's ability to fund the infrastructure required to support additional housing and population.

Compounding this issue, the lack of inclusion of community services infrastructure (embellishment) in the Essential Works List is a disincentive for councils to consider an IPART reviewed plan as a viable alternative if infrastructure costs exceed the \$20,000 cap.

I would like to reiterate Council's support for IPARTs review and further reviews of the contributions system and advise of our willingness to collaborate if we can be of assistance.

Yours sincerely



Steven Head
General Manager

TRIM Reference: F2024/00352

ATTACHMENT A

1. What do you think could be improved about how IPART assesses contributions plans?

While Council has no direct experience with the process not having submitted a contributions plan to IPART previously, it is agreed that the current 12+ month timeframe to review plans as mentioned in the exhibition material is excessive and not conducive to timely implementation of new/revised plans. IPART's goal to reduce this timeframe is supported.

2. Do you support using a suitable land value index to update land costs in your CP? Is there any other guidance about our assessment of land acquisition costs that would support your preparation of CPs?

The use of CPI All Groups Sydney index is considered appropriate for land already acquired.

For land yet to be acquired the use of an index that reflects the fluctuations in cost of acquiring land at the LGA or suburb level and/or land type (e.g. as used by the Valuer General - residential/commercial/industrial/rural/other) would be supported, as opposed to CPI.

It is well documented that there has been an increasing gap in plans between original land valuations, CPI indexing and eventual acquisition price.

For example, a report released by the NSW Valuer General [New land values for Greater Sydney | NSW Government](#) for the Hornsby LGA advised of a 38.5% increase in unimproved industrial land values over a 12 month period from 1 July 2023 to 1 July 2024. The annual CPI increase for 2023-24 was 5.1%. If council were to have such industrial land in its s7.11 plan for acquisition, there would be a significant shortfall when the land was eventually acquired.

The Valuer General's submission dated 30 August 2023 to IPART on the Draft Blacktown City Council Schofields Precinct Contributions Plan states that an annualised land value index for each respective property type is more appropriate than quarterly indexing and that these are available on their website www.valuergeneral.nsw.gov.au. Annual indexing for land value is supported.

Additionally, as per Recommendation 1 in the IPART Final Report: Assessment of Contributions Plan No. 24 – Schofields Precinct (2022), Blacktown City Council, October 2023 there is merit in identifying within a contributions plan that should the Land Value Index proposed no longer be available, that indexing revert to CPI All Groups Sydney. This would be an appropriate recommendation.

In summary, the use of a Land Value Index (LVI) is supported, whether bespoke for the individual council/suburb and/or land type or freely available (such as via the Value General website). Whether an IPART reviewed contributions plan or not, use of a suitable LVI indexed annually is appropriate, together with a notation in the plan that if this is no longer available that it reverts to the CPI All Groups Sydney.

Another consideration that should be factored into the land acquisition process is contamination and rehabilitation following acquisition. Nearly all land acquired by councils is contaminated in some form, some involving significant and costly rehabilitation to remove/rehabilitate contamination. Often the contamination is only suspected, and council cannot gain access to undertake testing to ascertain the quantum as this could affect the purchase price for the seller, so this can only be an estimated factor into the acquisition process. Guidance from IPART would be helpful in this regard.

3. Do you support IPART using Urban Development Program growth forecasts as the agreed measure for population forecasts when assessing contribution plans?

For Hornsby the UDP shows a 6-year housing supply target from 2023-24 to 2028-29 of 2,600 dwellings. At present these seem a reasonable approximation of anticipated development activity – based on past development activity council expects an additional 3,076 dwellings over a 6 year period.

Conversely, housing targets are dependent upon achievement of dwellings in Transport Orientated Developments (TODs). If development in the TODs comes online early, the housing targets are likely to be realised, otherwise the targets will not be realised. Further, TODs tend to have their own separate contributions plans and as such should be considered outside the general growth that occurs across an LGA.

Tentative support for the UDP is provided as it is uncertain as to whether the UDP will be updated to include the NSW housing targets and hence be higher than actual likely dwelling numbers.

4. Do you have any feedback on our proposal to provide guidance to councils on our assessment of reasonable timeframes in CPs?

Ideally, infrastructure for housing growth would be provided upfront (or early) so that development can benefit as early as possible. However, funding through contribution plans is not available until development has occurred and for significant infrastructure this means that it cannot be built until well into the life of a plan.

There is an argument that councils could provide infrastructure upfront and then recoup the cost through plans. This is problematic as it assumes that councils can predict exactly when and where the need arises and can afford to forward fund such infrastructure, whether via General Revenue or by taking out loans.

Guidance from IPART should centre around the prioritisation of infrastructure provision. This should be based on a set of identified principles that include factors such as safety, environment and amenity.

5. Do you have any feedback on our proposal to develop guidance on how we identify and assess the Practice Note criterion 'other relevant matters'?

If higher infrastructure specifications are being considered, as suggested in the Discussion Paper (e.g. longer design life or large capacity), these costs should be borne by the proposed development, not separately by council.

Councils tend to work to a longer design life for certain infrastructure (e.g. bridges) whereas the life of other infrastructure such as play equipment can relate to the manufacturer's specifications and usage patterns. Guidance on design life could be useful, particularly to avoid unnecessary concerns as to whether a council has over-engineered an infrastructure item and hence costed it too high. This could be particularly useful regarding infrastructure not costed in the Draft Benchmarks Report.

Development of guidance on design life for infrastructure would be supported.

6. Are there any other areas of IPART's assessment of contributions plans that you would like guidance on?

N/A

7. Do you support our proposal for IPART to convene regular forums about our CP assessment process? Should these be separate forums for councils and developers?

Opportunities to engage with IPART would be beneficial for councils considering preparing a plan that exceeds the cap, to better understand the process and timing.

Combined forums should be trialled so that messaging remains consistent for councils and developers and the opportunity this may present to remove barriers between the two groups.

8. Would you support IPART holding a stakeholder workshop on the CP when we receive the council's plan for assessment?

Early engagement benefits any project and is likely to speed up the process and lead to a better relationship between stakeholders over time.

9. Would you support IPART inviting submissions on the CP as soon as we receive the council's plan for assessment in addition to submissions on our draft reports?

It is suggested that this should be as a follow-up from a stakeholder workshop, rather than a wider exhibition period at this early stage. Such submissions should be used by the relevant council and IPART for early consideration as to whether the plan should be amended and if so, a wider exhibition period should follow later in the process.

10. Do you support a performance-based approach to assess nexus for open space, consistent with the Draft Greener Places Design Guide?

The performance-based approach outlined in section 1.4 of the draft guide appears more appropriate than rigid adherence to the performance indicators provided in that section. While the indicators could be an easier method to assess the nexus for open space, achieving the intent behind each criterion is more important as there can often be several ways to do so.

11. Do you have any feedback about the list of local infrastructure benchmarks? Are there any other infrastructure items that you think should be included?

The list of infrastructure items is comprehensive and supported, however, the items in the open space category do not include the installation of bins (a necessity when embellishing open space). It would be beneficial if this was a separate listed item.

12. Do you have any feedback about the updated draft individual infrastructure benchmarks?

The rates generally appear consistent with relevant projects that it has undertaken recently. However, the costs for traffic signals appear lower than previous experience – the placement of signals in infill areas is often problematic, requiring significant design input and relocation of services.

13. Do you have any feedback on our proposal to adopt the updated draft benchmarks for individual local infrastructure items?

See below specific comments in relation to the draft benchmarks report:

5.2.3 Methodology (s) to account for site location specific factors

- The statement *“The site constraints for greenfield works may include several of the above items, however the likelihood of encountering these issues is lower.”* is inaccurate.

- Rationale: while it is recognised that under greenfield it states “*Substantial distances to connect to existing utilities and services, to enable operation of the asset;*” as a valid specific constraint, from an infrastructure perspective even greenfield sites need to be connected to the existing world and that interface point can often be the most challenging and costly element for a greenfield development.
- Furthermore, depending on the scale of the greenfield development, significant upgrades could be required to existing infrastructure, at the cost of the greenfield development.
- “Potential archaeological and heritage impacts.” should also be shown as a constraint for infill works and not just greenfield works. The impacts are possible for both.

5.2.11 Future Reviews and updates

- The proposed 12 months IPART process for cost escalations and a review every two years is supported given the changing nature of the environment and world economics impacting on supply and demand costs. The suggested incorporation of feedback from councils is also welcome.

There is not enough emphasis on the impact of contamination as a factor affecting cost for infrastructure provision. Most infrastructure projects involve the removal/rehabilitation of some form of contamination, and this can be a significant component of cost on a project.

14. Would our updated individual infrastructure benchmarks be useful to you in preparing your contributions plan, particularly at an early stage?

If accurate, the use of benchmarks to cost standard items for inclusion in work schedules when preparing or reviewing contributions plans would be of assistance to Council.

The benchmarks will reduce the risk of items being under valued and hence insufficient funds collected to build the infrastructure. Conversely, an over-valued item would require revision of the plan to allocate the funds. The benchmarks will be useful in developing contribution plans, regardless of whether there is an intent to seek a review from IPART due to it being above the cap.

15. Do you have any feedback about the draft aggregate benchmarks?

See below the following specific comments in relation to the draft aggregate benchmarks:

7.2.1 Range of aggregate Construction Costs

- The ranges in tables 10 and 11 appear so broad as to make them almost impossible to reference. This points to notations in 7.2.3 regarding more robust outcomes in relation to subcategories and more data collection and analysis.
- The statements “*Construction Costs are based on the Contribution Plans, and the actual costs of completed projects have not been included*” and “*Therefore, it is reasonably anticipated that future Contribution Plans may be outside of the range.*” also suggests that data provided may not be that useful.

16. Do you have any feedback on using the draft aggregate benchmarks to assess reasonable costs in a CP?

If the intent is as mentioned, to establish outliers in work schedules so that these can be investigated further, then the benchmarks should serve a purpose in reducing timeframes for IPART in reviewing contributions plans, which would be supported.

17. Do you have feedback on the methodology used to develop the draft aggregate benchmarks?

There are inherent difficulties with the use of such broad aggregate ranges, as has been pointed out in the Draft Benchmarks Report, but as a first-brush assessment tool they can be seen as having a place in the assessment process.

18. Would you be willing to provide work schedules or other relevant information to us to support the development of our aggregate benchmarks?

Work schedules from our current s7.11 contributions plan is available on our website [Development Contributions | Hornsby Shire Council](#) and further information can be provided if it may be of assistance to IPART.