

Indexation of local infrastructure contribution rates under review

The Independent Pricing and Regulatory Tribunal (IPART) is seeking stakeholder views on methods to index developer contribution rates for periods between reviews of an adopted contributions plan.

IPART assesses local infrastructure contributions plans that propose contributions above \$30,000 per lot or dwelling in identified greenfield areas and \$20,000 per lot or dwelling in other areas. These are the contributions developers pay to local councils for the infrastructure required to support the development.

IPART has been approached by a number of stakeholders seeking clarity on how contribution rates should be indexed to ensure they remain reasonable over time. IPART is now seeking feedback on a range of different possible approaches, in particular those relating to changing land values.

Chair of IPART's Local Government Committee Deborah Cope said escalating developer contribution rates by a representative index allows them to change broadly in-line with changes to the cost of land and works the council is providing.

"Without indexing contribution rates, councils might not recoup enough revenue to build the infrastructure for future residents," Ms Cope said.

"To date, most plans assessed by IPART have elected to index contribution rates using the Australian Bureau of Statistics Consumer Price Index."

"However, in several plans we have recently assessed or are assessing, councils have proposed using a land or property value index to adjust contribution rates for the cost of land in the plan."

On average, land costs represented 40 per cent of the costs in the contribution plans IPART assessed between October 2011 and September 2018.

"We acknowledge that there is more than one approach to indexing contribution rates, and the preferred approach may vary depending on the context of development," Ms Cope said.

"We are seeking stakeholder input to help understand why councils have chosen different approaches and whether the differences are reasonable. We hope this will enhance the efficiency and consistency of our decision making, and enable us to provide guidance to councils that are preparing contributions plans."

Stakeholder feedback on the options for indexing contribution rates and other issues raised in the paper is due by 3 May 2019. Copies of the discussion paper are available on IPART's website.