

From: [REDACTED]
To: [IC Review](#)
Cc: [REDACTED]
Subject: Productivity Commission Infrastructure Contributions Review_Wollongong City Council staff comments for consideration
Date: Wednesday, 5 August 2020 4:24:56 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
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[Infrastructure Contributions Review Wollongong Council staff comments 05 08 20.pdf](#)

Thank you for the opportunity to participate in the Productivity Commission’s Infrastructure Contributions Review.

A number of Wollongong City Council staff have considered the Issues Paper and we provide over-arching comments in the table below for consideration in the ongoing review. Please also find attached a compilation of specific staff commentary in relation to each of the issues explored in the paper.

Council staff welcome the opportunity for continued involvement in the review. I ask that all correspondence on the review process continue to be directed to the General Manager, Wollongong City Council.

If you would like to discuss any aspect of this submission please call me on the number in my signature block below or contact [REDACTED]

Kind regards,

[REDACTED]

Theme	Comment
Terms of Reference	How infrastructure is funded in NSW warrants a review that is independent of the NSW DPIE. Productivity Commission terms of reference are supported.
Consultation and the Local Government	<p>Council supports ongoing engagement with Local Government during this infrastructure contributions review. Council staff are willing to be an active stakeholder in the Productivity Commission’s ongoing consultation activities.</p> <p>Local Government is often collectively viewed as being responsible for high infrastructure costs and contributions, slow infrastructure delivery and high bank balances.</p> <p>The context within which Council operates is an important consideration of the review. As you are aware, there are 128 Council’s in NSW and the situation in each is different, some are Cites, metropolitan, rural, new release areas, high tourist areas, industrial, conservation focused etc</p> <p>Local Government operates under legislation, directions, guidelines, circulars prepared by the State Government. The Environmental Planning and Assessment Act 1979, its Regulations and Ministerial directions, circulars and guidelines issued by the DPIE all guide how Council’s levy, collect and expend development contributions. The State Government has the tools to either simplify or slow down the process. Typically the State adds additional requirement to the process to “reduce delay”, whereas it</p>

	adds to the resource requirements and reduces efficiency.
User pays	The principle of user pays is supported by Council staff and should be prominent in ongoing deliberations. Nexus test at all levels including local and State is important to ensure that other members of local communities who do not benefit from infrastructure provision are not unfairly required to meet the bill.
Reduce complexity	It is agreed that the existing system is very complex and could be simplified with benefit to all stakeholders. Avoiding unnecessary complexity is encouraged. When amending the contributions process DPIE should be conscious that amendments to the process should make it easier. Changes can also make the process more complex, which should be avoided.
Equity	<p>Equitable approach to local and State infrastructure funding and contribution systems is important to ensure confidence in the system.</p> <p>Council staff feel that local development control processes are under greater scrutiny than that of Special Infrastructure Contribution (SIC) processes for example. Council is required to consider the draft Plans in a public meeting, exhibit and then consider submissions in a public meeting. Whereas a SIC is prepared, exhibited and adopted (eventually) by the State. Council is required to report on its contributions funds and publish registers for planning agreements.</p>
Wollongong Council Contributions Plans	
For context Council has 2 contribution plans:	s7.12 - Wollongong City-wide Development Contribution Plan. This Plan is reviewed annually to update the works schedule. On average Council collects and spends some \$3m annually. There is currently some \$20m in the account, as Council is planning to build new community centres and libraries at Warrawong and Helensburgh. This Plan was introduced in 2006 and has funded some 268 projects through \$42m in contributions.
	s7.11 - West Dapto Development Contribution Plan (2017). The Plan was originally introduced in 2010. A new draft 2020 Plan has been reviewed by IPART and is with DPIE for Ministerial Determination. This final review process by DPIE will take some 9 months. To date Council has collected \$54million. Council's capital expenditure spent in West Dapto is \$114million of which \$36million has come from contributions. There is currently some \$13 in the account. It is interesting to note that in May 2020 the balance was just \$3m, and then increased by \$10m in June through contributions and LIGs income.
Chapter 5	Issues identified by the Productivity Commission for further exploration with stakeholders
Local government rate pegging	<p>Council staff support further discussion of this topic.</p> <p>The ongoing discussion should ensure that rates are not a replacement for contributions (there is a risk that this will not affect price but will create inequitable rates structures)</p>
Rising infrastructure costs	<p>Council staff support further discussion of this topic.</p> <p>Council staff consider time value of money should be an ongoing discussion point. All plans should be based on NPV models and indexed more regularly (monthly, quarterly) due to period of rapid escalation. Internal borrowing models need to be clarified (Although NPV models could also be used for this purpose)</p>
Inconsistency in the application of s7.24 special	Council staff support further discussion of this topic.

infrastructure contributions	
Nexus requirements in s7.11 contributions plans	Council staff support further discussion of this topic. We consider the 'nexus' test is important at all levels including local and state (SIC or other contributions schemes) to ensure that other members of local communities who do not benefit from infrastructure provision are not unfairly required to meet the bill.
Lack of principles in s7.4 Planning Agreements	Council staff support further discussion of this topic.
Lack of transparency and certainty	Council staff support further discussion of this topic.
Misalignment between contributions payments and delivery of infrastructure	<p>Council staff support further discussion of this topic. Delivery and ongoing management of infrastructure requires further consideration.</p> <p>Expenditure for capital items needs to be restated to New Asset and associated construction costs. That is costs such as remediation of sites is not capital, traffic lights and street lights are not Local Government Assets but may be other entity assets. Clear definitions regarding what defines capital items eligible for contributions funding is required.</p>
Operation of essential works list	Council staff support further discussion of this topic.

