Council of Mayors
South East Queensland

20 December 2013

Inquiry into Public Infrastructure
Productivity Commission
LB 2 Collins Street East
MELBOURNE VIC 8003

By email: infrastructure@pc.gov.au

To whom it may concern

The Council of Mayors (SEQ) is Australia's largest regional Local Government advocacy organisation, representing the South East Queensland (SEQ) region which is home to one in seven Australians, generates one fifth of the nation's economic growth and is a powerhouse of Australia's economic future.

Five of Australia's six largest Councils are located in SEQ, and the membership of the Council of Mayors (SEQ) includes ten Councils of SEQ: Brisbane, Ipswich, Logan and Redland City Councils and Lockyer Valley, Moreton Bay, Scenic Rim, Somerset, Sunshine Coast and Toowoomba Regional Councils.

With a projected population growth of 4.4 million by 2031, SEQ faces the challenge of planning for, and delivering, the infrastructure and services needed to improve productivity and reduce cost of living pressures, whilst maintaining and improving the liveability of the region.

With this in mind, the Council of Mayors (SEQ) speaks with one united voice, aiming to:

- **Advocate** for a better planned and resourced region;
- **Influence** other levels of government to support a growing and sustainable region; and
- **Collaborate** for leading practice in service delivery for the region.

Early in 2013, the Queensland State Government commenced a review of the State's Infrastructure Charges Framework relating to urban infrastructure and developer charges. The Council of Mayors (SEQ) provided the attached response to a discussion paper published by the Queensland Government and we submit this to your review for consideration. It sets out our perspectives regarding the funding of public infrastructure in one of Australia's most rapidly growing regions.

In submitting our response to the Queensland Government discussion paper, we believe that your inquiry may benefit from consideration of this approach and from our perspective to solving this critical issue.

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Following on from this paper, the Council of Mayors (SEQ), the Queensland State Government and the Property Council of Australia (Qld) jointly engaged KPMG to undertake a review of the UK Cities Deals approach to funding public infrastructure. This review will provide a report in January 2014, reviewing how the UK Cities Deals operate and how such an approach may operate in a Queensland context. All three parties are hopeful that this review will provide valuable insight into how to solve the current funding gap in public infrastructure in Queensland.

Should you have any questions regarding our paper or wish to discuss any aspect of our position in this important policy area, please contact myself or Scott Smith of my office on (07) 3040 3479 or scott.smith@seqmayors.qld.gov.au.

Yours sincerely

Peter Olah
Executive Director

Infrastructure Planning and Charging Framework Review

Council of Mayors (SEQ) Submission

23 August 2013

Council of Mayors
South East Queensland

About Council of Mayors (SEQ)

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Five of Australia's six largest Councils are located in SEQ, and the Council of Mayors (SEQ) offers governments and stakeholders a unique opportunity to build effective partnerships across one of Australia's fastest growing regions.

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Summary

The approach taken in this submission, in response to the Department of State Development, Infrastructure and Planning's *Infrastructure Planning and Charging Framework Review* (the "discussion paper") focuses on a number of key components of the infrastructure challenge:

Economic Growth - there is a clear link between economic growth and facilitation of development. Given the current economic environment, there is a need to reduce the financial impost on development to ensure it is financially feasible and that SEQ is competitive on a national scale.

Council Financial Sustainability - the enabling of development cannot come at the cost of council financial sustainability. The first step in establishing this is to ensure council planning and spending for infrastructure is directly linked to new development. This requires accurate, consistent, transparent and effective processes that provide confidence and certainty for local government, community and industry. This needs to be done in a way that ensures reasonable infrastructure is provided and that can be simply and cheaply reviewed by a third party. The Toowoomba Regional Council approach provides a reasonable base model to begin with.

The Gap - once both of these previous items are addressed, stakeholders can be confident that the gap in funding that remains (and in most cases there will be a gap) is accurate and reasonable. Once this is achieved, the real challenge of filling that gap is possible to achieve. There are a number of options available to fill that gap and this paper highlights these without necessarily fully scoping their implementation.

Alternative Funding Sources: The problem at the core of infrastructure charging is that there is currently a limited revenue stream to fund new infrastructure. If this issue is to be solved, the paradigm of where funding comes from will need to change if the quality of community infrastructure and the desire to facilitate growth is to remain consistent with community expectations.

Overall, the Council of Mayors (SEQ) believes that if the recommendations proposed in this submission are implemented, many of the proposed options such as "deemed trunk" principles, essential infrastructure lists and mandatory refunds will not be necessary.

1 Introduction

The Council of Mayors (SEQ) is committed to a strong and viable development sector and supports initiatives that drive innovation, investment, job creation and economic growth. Whilst the impetus for economic growth is a shared priority between the Queensland Government and the Council of Mayors (SEQ), it is important to recognise the importance of achieving long-term, practical and robust solutions. Quick-wins have a tendency of achieving only short-term gains, and past attempts have shown that a lack of consideration for the "longer game" fails to achieve lasting solutions.

The Council of Mayors (SEQ) therefore sees this as an important opportunity to inform long-term policy that will have a significant impact on local government, the development industry, and ultimately, the SEQ community. The intention of this submission is to provide constructive, informed, and where possible, positive feedback to the options proposed. However, this submission also looks at what the State Government could achieve if it were to consider a broader spectrum of factors and ideas that have not been considered within the limits of this review.

The Council of Mayors (SEQ) supports the need to review infrastructure charging, as well as the need to balance development feasibility with local government financial sustainability. It is aware of issues inherent in the current system that need to be rectified. However, the Council of Mayors (SEQ) believes that wholesale legislative change is not required, nor solutions such as 'deemed trunk' provisions or essential infrastructure lists to achieve the objectives of this review. Rather, attention should be given to fixing systemic problems and ensuring confidence in the system so stakeholders can work to agree on practical solutions. The Council of Mayors (SEQ) is also aware of the responsibilities that need to occur at a local government level, including areas of consistency, reasonableness, accountability, transparency and good fiscal management.

Whilst there is concern that some of the proposed options in this review may amplify the disparity between development feasibility and local government financial sustainability, the real concern relates to the limited scope of this review which prevents a serious discussion surrounding the fundamentals of infrastructure charging. A lack of consideration for all options will lead to unforeseen ramifications and may lead to the precise opposite of the shared objective of SEQ Councils and the State Government: greater certainty and profitability for new developments, leading to consistent investment and growth.

1.1 Submission Methodology

The Council of Mayors (SEQ) acknowledges the LGAQ and individual Council submissions and in particular the detail into which these submissions have gone in responding to the discussion paper. This Council of Mayors (SEQ) submission offers a different, higher level strategic approach to that provided by the discussion paper. That said, the discussion paper contains a number of detailed recommendations which the Council of Mayors (SEQ) cannot support, and on many of these we defer to the highly detailed local government submissions addressing these concerns.

This Council of Mayors (SEQ) submission aims to synthesise the issues that are apparent and important at a regional level. These include:

1) expanding and responding to key reform options presented in the discussion paper;
2) identifying options not explored; and
3) providing practical solutions that seize the capabilities and opportunities available in South East Queensland (SEQ).

2 The Problem

It is evident that there is a funding gap between development contributions and the cost of providing development infrastructure. However, this funding gap cannot be truly understood until there is confidence and transparency in the infrastructure planning process, coupled with an honest and accurate understanding of the realistic contribution that industry can afford.

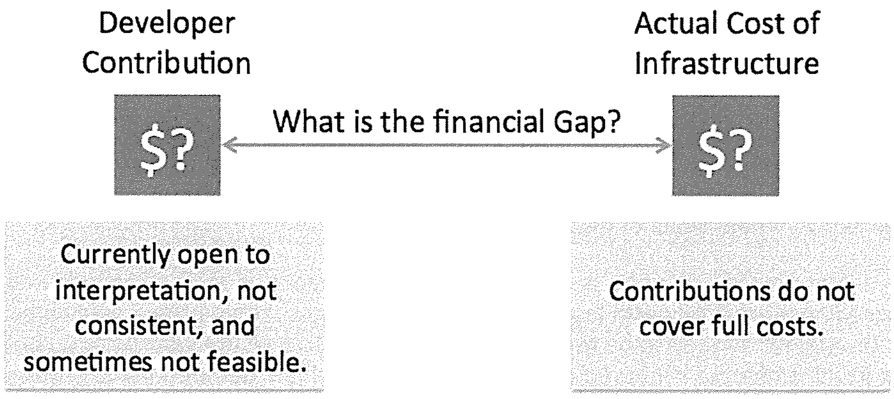

Figure 1: There is currently no agreement on the funding gap – therefore precluding the ability to develop practical solutions to fund the gap.

Once there is understanding and confidence in the funding gap, then a genuine discussion can occur on how cost is apportioned, as well as a review of alternative funding arrangements and other framework mechanisms. This needs to be informed by understanding how charges are calculated, confidence in the standards of service, and how development infrastructure planning is undertaken and then delivered.

2.1 Why is there limited confidence in the funding gap?

Arriving at a unit rate/cost for an infrastructure item against the backdrop of a number of variables and uncertainties can be a complex task. This requires considerable judgement and knowledge of infrastructure planning. This is coupled with a range of other influences, including:

- Multiple infrastructure standards;
- Limited to no independent review of calculations;
- Inconsistent application of inclusions and exclusions;
- Use of contingency factors and escalation and Net Present Value calculations;
- Inconsistency between formats and complexity of methodologies;
- Variables in planning assumptions, population projections and employment forecasting; and
- Lengthy and costly processes.

Some of these issues have led to industry claims (real or not) that local authorities charge and plan for infrastructure that does not directly benefit development, or, apply standards that "gold plate" infrastructure or "double dip" when applying charges. In some specific cases, concerns have been raised that local governments "game" Local Government Infrastructure Plans (LGIPs / PIPs), whereby infrastructure is deliberately omitted from infrastructure plans, thereby removing rights for refunds and offsets.

Many of these factors (whether realistic or not), have eroded the confidence in the science behind local government infrastructure plans and must be addressed to restore confidence in the infrastructure planning process. Many of these issues can readily be resolved with greater transparency in the infrastructure planning process, allowing for greater debate, review and improvement. By achieving greater certainty in the infrastructure charging process, more effective solutions can be developed to address the issue of local government financial sustainability.

3 The Solution

The Council of Mayors (SEQ) believes that if the following recommendations are adopted and implemented, many of the contentious and potentially unsustainable options proposed in the discussion paper, such as "deemed trunk" infrastructure, mandatory refunds, essential infrastructure list will not be necessary.

Some of the options proposed in the discussion paper appear to be "quick-fixes" but do not address systemic issues and worse still, have the potential for unintended consequences. If a holistic approach to infrastructure charging is to be undertaken, a review needs to consider a wider spectrum of issues and ideas. The Council of Mayors (SEQ) has proposed an overarching strategy to tackle the systemic issues in infrastructure planning.

3.1 Recommendations

The following recommendations aim to address the funding gap and uncertainty identified in Figure 1. They also aim to provide solutions that create greater confidence in determining the cost of development infrastructure and overall capital expenditure related to new development. This would allow for greater clarity on what the shortfall is when levying contributions from developers, whether it be from a capped charges regime or via other mechanisms such as refunds and offsets.

The proposed strategy is underpinned by five principles:

- **Transparency:** Transparency in methodology, assumptions and calculations, allowing for open debate, understanding and continual review.
- **Simplicity:** Simplifying LGIPs allows for easy maintenance, evolution, application and review.
- **Confidence:** With simplicity and transparency comes confidence. Confidence from industry, local government, state government and community. There should be confidence in LGIP methodology, unit rates, mapping, planning assumptions and associated asset management.
- **Empowerment:** Empower industry with the ability to inform LGIP methodology and charging mechanisms.
- **Equity:** Balancing development feasibility with local government financial sustainability.

The strategy proposes four key concepts:

1. **The introduction of a Best-Practice Review Model** – to assist local authorities undertake a comprehensive review of LGIPs in a consistent and transparent way.
2. **Delivery of a Standard Infrastructure Charges Model** – to provide a template for local authorities to prepare LGIPs consistently and accurately.
3. **The establishment of an Alternative Dispute Resolution Committee** – to provide an independent and low-cost panel to manage appeals and to assist with continuous improvement of the infrastructure charges framework.
4. **Further investigation of Alternative Financing Solutions** – for consideration once there is understanding and confidence in the funding gap.

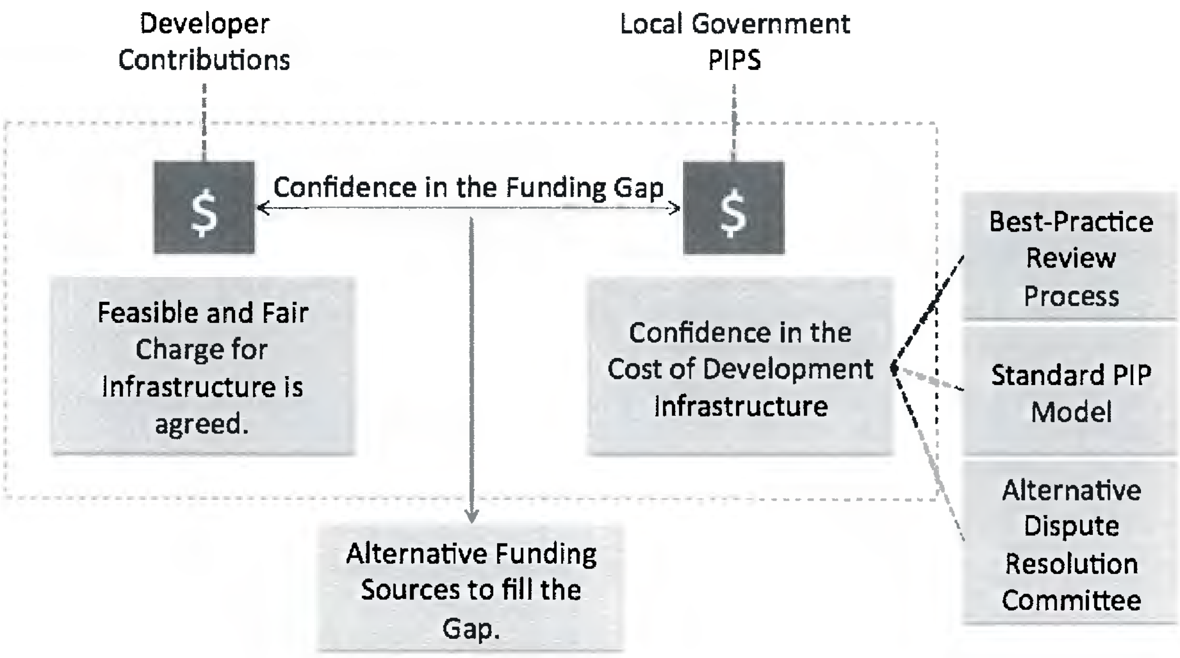

Figure 2: Illustration of the Proposed Concepts

3.1.1 Best-Practice Review Model

The Council of Mayors (SEQ) proposes that the first and most fundamental step to improving the existing system should be concerned with developing a consistent, transparent and robust methodology for Local Governments to review and account for their infrastructure planning, in particular the detailed Schedule of Works and accompanying Plans for Trunk Infrastructure (PFTI). This will allow local governments to better defend costs as well as seek accurate funding. The Schedule of Works and accompanying PFTI in LGIPs largely underpin infrastructure charging at a local government level to fund future trunk infrastructure requirements.

It is recommended that a cost-effective **Best-Practice Review Model** is developed to help inform the review of LGIPs to better understand funding deficiencies and accounting mechanisms.

The approach is broadly based on the recent experience of Toowoomba Regional Council and the approach undertaken to develop, review and agree an Infrastructure Plan. Industry bodies have been largely supportive of the Toowoomba approach and whilst not perfect, it has gone a long way to restoring confidence in the Local Government Infrastructure Planning process.

The processes used in the Toowoomba Regional Council model could be used as a starting point for developing a consistent model to be used across the State whilst accommodating regional and local variables. Demand generation rates and other variables need to be developed and considered in a Standard Infrastructure Charges Model (see section 3.1.2) with input from all stakeholders. The Council of Mayors (SEQ) stands ready to work with the industry and State Government to develop such a model.

3.1.1.1 Recommendations:

A **Best-Practice Review Model** should include the following:

- A standardised approach for identifying inclusions and exclusions and planning assumptions. This will provide standardised unit rates and clear guidance on how to use or apply unit rates. This includes whether contingencies and on-costs are calculated as part of the unit rate or whether they are charged at a different stage of the development process and by different parties;
- Comparison of proposed unit rates to other local authorities/utility agencies and construction contractors;

- A Third Party Review of Plans for Trunk Infrastructure and the Infrastructure Schedule of Works to determine the relevance of the works in relation to the catchment within which they are located. The review should consider whether assets meet the forecast growth projections, as identified by agreed planning/ population assumptions;
- Benchmark of standards against a standardised model (see 3.1.2) and other intrastate and interstate standards to ensure consistency in standards (whilst recognising localised requirements);
- Prior to adoption of a LGIP, consultation with peak industry bodies is undertaken to present the proposed financial model (sheet by sheet), final costings and proposed charges;
- Regular review of LGIPs (possibly annually) to be embedded in each local government (including an examination of the variables affecting the calculations);
- A standard report template for third-party reviewers is developed;
- A public stakeholder register is developed to improve the notification process of draft LGIPs;
- Local Governments to index and adjust unit rates annually, in accordance with an appropriate index, e.g. Rawlinsons Construction Cost Guide and/or the Roads and Bridges Index). This should be supported by a standard table showing how indexation of contributions is calculated and where to obtain indexation details; and
- A template of the type and format of information to be exhibited when reviewing a LGIP.

As a consequence of having a transparent approach, local governments can be confident in their ability to rectify potential costing issues prior to the establishment of the infrastructure charges and adoption of the LGIP. This then leads to a better understanding of the financial gap, and leaves councils in a better position to seek alternative funding arrangements.

3.1.1.2 Recommendations for Preparation and Implementation of a Best-Practice Review Model

Funding for this model should not be borne by Local Government alone and when the current funding shortfall, debt levels and potential cost of not undertaking development is considered, the cost and complexity of developing this model must be considered small and manageable. By investing in the preparation of a single model (potentially at the regional level) which provides cost-effective review processes, a consistent approach throughout the State can be guaranteed rather than leaving local authorities with the burden to fund and develop different and costly review processes.

Importantly, success in developing a Best Practice Review Model is dependent on achieving commitment from all relevant stakeholders, including industry and State Government, to assist with the funding and expertise to develop such a model.

A Best-Practice Review Model can only be mandated where:

- Input is provided by all local government authorities (including relevant internal stakeholders such as council asset owners); and
- Agreement is achieved by all stakeholders on proposed model and review methodology; and
- The development of LGIP's and subsequent review process is cost-effective and efficient for individual local governments to manage.

3.1.2 Standard Infrastructure Charges Model

For local authorities to levy contributions there must be a clear link between the proposed development and the need for the public infrastructure. Therefore, confidence in charging for infrastructure is a key driving factor for local governments. Ensuring this confidence needs to be driven at a State level to ensure consistency and rigour. State Government should take the lead on this approach and explore policy levers to drive this outcome across the State.

The Council of Mayors (SEQ) supports (in principle) the proposal for standardised infrastructure planning. However there are a range of issues that should be considered to ensure confidence in preparing a LGIP.

This includes:

- Ensuring consistent and reliable methodologies for determining **population** and **employment** projections;
- Confidence in the longevity of **revenue streams** to provide planning infrastructure;
- Confidence in local authority's **internal processes** to provide transparent and comprehensive LGIPs;
- Confidence in local authority's long term **strategic asset management plans**, including management and registration of assets (i.e. are best practice principles applied?);
- Confidence in **valuation and depreciation** of current and future assets;
- Confidence in the **accounting treatment** of current and future assets;
- Confidence in consistency with **legislative requirements**; and
- Confidence in the **quality of data** obtained for projections, valuation and future market and local area trends.

3.1.2.1 Recommendations:

- The SEQ region needs a reasonable and consistent "base data" for the costing of LGIP infrastructure;
- Develop and provide a standard template for cash flow analysis;
- SEQ Local Governments in partnership with State Government and Industry bodies should collect and report on an annual basis, data relating to:
  - Value of contributions collected;
  - Value of infrastructure constructed;
  - Value of works-in-kind;
  - Value of infrastructure agreements entered into;
  - Projected value of contributions to be collected over the next 5 years; and
  - Projected infrastructure expenditure over the next 5 years.
- Develop clear principles for preparing Infrastructure Agreements (IAs);
- Undertake a third party review of the proposed Standard Infrastructure Charges Model, and associated unit rates, DSS and methodology; and
- Develop standards for including contingencies and replacement costs.

It is acknowledged that there are variables in calculating charges (i.e. difficult soil conditions and other unknowns that may result in cost escalation in some cases). Therefore, it is important to identify factors that influence cost and apply the appropriate flexibility.

3.1.3 Alternative Dispute Resolution and Supporting Legislation

Providing for more opportunity for third parties to review, critique and inform individual LGIPs raises the need to manage appeals more effectively and fairly. The Council of Mayors (SEQ) advocates for a determinative Alternative Dispute Resolution process to manage appeals and ensure consistent and equitable resolution of disputes. This would allow for a less complicated and more cost effective appeals process that can be managed by the applicable parties.

One of the challenges in the current Infrastructure system is the difficulty involved in resolving conflicts between Councils and Applicants over conditions, charges, refunds/ offsets. While the discussion paper has attempted to address these difficulties through systemic changes, a more effective approach with minimal structural changes requires the introduction of a more effective, lower cost alternative dispute resolution approach.

Through an Alternative Dispute Resolution process, issues that arise (which seem to be the minority rather than the majority of the cases) can be resolved through an independent third party using a quick and cost effective mechanism. The establishment of a committee or group involving appropriately qualified representatives of Councils, State Government and Industry through which any challenges related to infrastructure charges can be quickly resolved will ensure that the overall system operates effectively.

For example, the concerns from applicants that some Councils may unreasonably apply conditions requiring the delivery of infrastructure items or the exclusion of items from a LGIP to avoid offsets/ credits can be bought to this group and resolved quickly and cheaply. With this in place, the likelihood of these incidents will reduce and the concerns raised by industry will be addressed. This will not involve major structural changes to the overall system and will therefore not have the potential to introduce unintended consequences. As an example, the experience in Victoria with VCAT in the development assessment space seems to work effectively due to its speed and low cost nature.

3.1.4 Consideration of Alternative Financing Options

The funding models that have historically paid for development infrastructure in SEQ are unlikely to meet the region's future needs. Relying on the narrow scope of general taxation, infrastructure charges, state and federal subsidies, debt and user charges will not be enough. If this issue is to be resolved, the paradigm of where funding comes from will need to change if the current standard of community infrastructure and the desire to facilitate growth is to remain consistent with community expectations.

It is essential to identify a long-term, sustainable infrastructure financing model that provides all levels of government, industry and the community with confidence about future infrastructure investment in SEQ.

In section 8.1.3 of the discussion paper, alternative mechanisms identified in the report are stated as only having relevance for "small scale locations or areas with clearly identified or highly specialised infrastructure requirements". Whilst the Council of Mayors (SEQ) agrees that well defined parameters need to be developed to manage such funding mechanisms, it asserts that some mechanisms have potential at be embraced at a regional level to the size and complexity of SEQ and must be considered in more detail. Indeed, the Council of Mayors (SEQ) believes that the failure of the discussion paper to genuinely consider options outside the current funding "box" is a significant shortcoming.

For example, the traditional concept of Tax Increment Financing (TIF) (as per section 8.1.2 of the Discussion Paper) of using increased tax revenue to pay for development infrastructure has been advanced internationally and applied at regional levels. The Greater Manchester City Deal (GMCD) provides a good example. The GMCD is managed through the *Greater Manchester Combined Authority* (GMCA) which is a statutory body similar to the Council of Mayors (SEQ). The GMCD works by creating a "Revolving Infrastructure Fund", allowing Greater Manchester to "earn back" a proportion of future tax revenue collected by the central government. The central government has agreed to pay the Greater Manchester Councils (10 local governments) up to £30 million per annum from future tax receipts that will flow from the economic activity enabled by the investment in agreed local infrastructure. This has been set for a specific period of time, in this case, 30 years.

The Council of Mayors (SEQ) sees a similar opportunity to develop a partnership between State Government and SEQ Councils (and potentially Federal Government) which would assist in addressing the vertical fiscal imbalance between local and State revenue. The Queensland Government is a beneficiary of local infrastructure investment through the stamp duty, land tax, payroll tax and other receipts that are generated as a result of the economic growth facilitated by new infrastructure. Given that the State Government no longer subsidises local government infrastructure, it is essential that the State identifies methods of investing in local infrastructure to assist local governments in providing long-term infrastructure for the SEQ region and beyond, at a standard acceptable to the community.

Further research needs to be undertaken to examine the applicability of the GMCD model to SEQ. Initially the Property Council of Australia and Council of Mayors (SEQ) are proposing to jointly assess the model's potential application in SEQ. It is anticipated that this will require external technical advice through a consultancy.

The Council of Mayors (SEQ) advocates that all alternative funding options need to be considered and discussed in more detail than already covered in section 8.1 of the discussion paper. This consideration needs to occur to ensure the most appropriate mix of funding sources are identified and embraced by all stakeholders. Therefore further scoping of potential solutions will need to be undertaken between all stakeholders to progress ideas.

Other examples that should be considered in this scoping exercise include:

- Growth Area Bonds;
- Urban Infrastructure Funds (bonds that are attractive to super funds through state and federal tax concessions);
- State Government direct investment in infrastructure;
- Shares/private investment, potentially managed by the Queensland Treasury Corporation;
- Interest free loans (allowing Councils to borrow funds for the upfront acquisition of land);
- Allowing Councils (and potentially groups of Councils) direct access to the global lending market for long term infrastructure borrowing;
- Benefit Area Levies; and
- A State government levy collected through rates and spent directly on new infrastructure.

3.2 Response to Key Reform Options

Introduction of an Essential Infrastructure List

The discussion paper suggests in Section 5.1 that local authorities charge and plan for infrastructure that does not directly benefit development. It also states that the existing definition for development infrastructure (under Statutory Guideline 01/09) includes infrastructure that could be considered "desirable infrastructure" such as barbecues and shade structures and therefore is not "essential" for servicing a development. The discussion paper proposes the introduction of an **Essential Infrastructure List** to refine the scope of development infrastructure to only include infrastructure that is essential to a development.

The test defined in the discussion paper to identify Essential Infrastructure is based on the principle that a direct nexus must exist between the infrastructure scope and development site. The Council of Mayors (SEQ) supports the need to refine the definition of development infrastructure, standards of service and ensure better understanding of the link between new development and impact on infrastructure to remove the unnecessary imposts on new development.

However, the Council of Mayors (SEQ) is concerned that this test does not provide for a robust identification of essential infrastructure and disregards the demand on infrastructure that is external to a development site. The removal of a range of infrastructure from the essential list may have the opposite effect to ensuring certainty and consistency within the development industry and the development assessment process.

Water Supply and Wastewater

Pipe diameter: The limitation stated in Table 1 of Appendix 5 to only include water and wastewater reticulation mains with a diameter of greater than 200mm could impact the feasibility of development in rural and regional areas. Defining a minimum size (i.e. greater than 200mm diameter) does not acknowledge the trunk function of smaller pipe sizes that are often used to service communities. This has the potential to reduce the feasibility of developing these areas as regional and rural communities are typically serviced by long lengths of smaller diameter pipes.

- In Logan City Council, water mains and wastewater mains less than 200mm in diameter comprise 2% and 7% respectively of the value of the existing and planned water and wastewater network;
- In Lockyer Valley Regional Council, in total, water and wastewater mains less than 200mm comprise 2% of the total cost of the water and wastewater network; and
- In Toowoomba Regional Council, wastewater mains less than 200mm comprise 8% of the value of the existing and planned wastewater network.

Transport Network

The discussion paper identifies essential transport network infrastructure as being:

> "*Local government roads (including associated intersections, roundabouts, bridges and culverts) excluding higher order local government roads such as arterial roads.*"

It is understood from this statement that lower order roads such as access roads and streets are included but excludes higher order roads such as arterial roads.

Lower order roads: Changes in urban development practices have seen innovative solutions to deliver more dwellings with fewer streets, or streets with higher amenity. The growing prominence of new urbanism, coupled with growing demands for more affordable housing and sustainability has seen new ways of providing streets and integrating services and infrastructure to accommodate higher densities that are well designed whilst addressing environmental issues.

Stormwater management, on-street parking and rear-loaded dwellings (accessed by laneways) are key elements in changing trends and have changed the way streets are traditionally designed, particularly in greenfield sites. As well as this, there appears to be more nonconformity with existing road/street cross-section design standards such as servicing and access arrangements, pedestrian infrastructure and the use of laneways to access and service dwellings. Most of this occurs on lower order roads.

If lower order road networks are to be considered essential infrastructure, this would require local authorities to include lower order roads within priority infrastructure planning. Local authorities are not best placed to perform this role as it is difficult to determine the most efficient layout of the lower order road network for future greenfield development sites. This would either limit a developer's plan for subdivision and lot layout and ability to maximise yield on a site, or, make local government planning of lower order roads redundant if the provision of lower order road infrastructure is subject to change.

This lack of certainty also makes it difficult to quantify cost if local authorities were required to fund their provision. As well as this, due to the large number of local order roads, this would have a significant financial impact on local authorities to fund the provision of lower order roads.

Any lower order road that is not planned to be provided by a local authority may be subject to "deemed trunk" provisions under proposed changes and therefore funded by local government via an offset and refund to the developer. This represents a significant risk to local government financial sustainability, and potentially an open-ended liability.

Higher order roads: There is a recognised nexus between development and the need to upgrade arterial roads, even if these roads are located a significant distance from the development site. This was supported in case law by the *Queensland Planning and Environmental Court in Hickey Lawyers (a firm) & Ors v Gold Coast City Council [2005] QPEC 22*. As well as this, the recommendations mean that local authorities will not have the ability to issue conditions to require land for necessary road widening, and will also hamper their ability to condition development with respect to the restriction of access, setbacks and intersection spacing in order to protect future, higher order functions of roads.

Land for Parks and Community Facilities Network

Adequate and diverse parkland and open space plays an essential role in any new or existing community. There is a fairly consistent approach across local government in regards to the provision and location of open space as well as size, shape and function. However, existing planning policy and priority infrastructure planning tends to place minimum size constraints on creditable parkland with the intention of ensuring adequate and usable space for a specific amount of people per hectare.

Local Government Planning Scheme policies generally do not allow for creditable open space that is under 0.5 of a hectare per 1000 people. Generally a minimum of 10% recreational parkland is required in developments. Some Local Governments accept 7% recreational parkland on top of dedicated sports parkland.

This is where residential development proposals may conflict with existing local government parkland requirements as the traditional use of open space is challenged. Current requirements generally focus on two broad activities of "active recreation" and "sport" which do not necessarily take into account other activities and functions that may be required of parkland.

Emerging trends across the state have seen parkland and open space shift from a standalone component in a development, to an integrated land use within the urban form that perform multiple functions. Parkland and open space can serve other functions such as:

- **Passive recreation** – activities that do not require large space or a high level of embellishments, but basic features such as shade, grass, and easy access;
- **Public amenity and aesthetics** – scenic outlooks and landscaping to increase scenic amenity along streets and neighbourhoods, adding to the value of property and land;
- **Open space on difficult topography** (undevelopable land) – can serve as green space and links/corridors to conservation areas and wildlife reserves;
- **Traffic management** – breaks in road networks to manage/reduce traffic volumes/speeds;
- **Buffers to other land uses** – noise retention and transitioning between conservation areas and urban areas;
- **Utility land** – drainage or infrastructure reserves such as pump stations, and telecommunication infrastructure; and
- **Stormwater management** – integrating Water Sensitive Urban Design (WSUD) and landscape design within usable public open space.

Many of the above activities can often be combined and integrated into developments to provide multifunctional open spaces but are often not considered creditable parkland due to existing policy restrictions. This removes the incentive for integrating diverse open spaces in new developments.

Higher densities and the ensuing reduction in private open space in many new developments places higher demand on public open space and embellishments. Therefore, it is fair to assume that good quality public open space, where provided, will be utilised at a higher rate where there are higher densities with less private open space. This is where future value capture of new development should be explored to assist with closing the funding gap for providing good quality and multipurpose open space.

The key concern for local government in delivering parks infrastructure has primarily been concerned with the maintenance requirements of public open space and the associated cost once parkland is donated.

Some common examples of maintenance issues include:

- Lawn mowing and appropriate grades and minimum dimensions (i.e. some policies require 1:4 grade for mowing);
- Access into parkland for maintenance and emergency vehicles; and
- Ensuring usable open space that is not subject to constant flood inundation.

However, further investigation to move beyond just costs to consider future tax value, community benefit, utility and amenity suggests that increased maintenance may be justified in specific circumstances. Some successful examples both within Urban Development Areas (UDAs) and outside of UDAs have demonstrated that additional value can be derived from challenging existing policy. These examples have demonstrated that parkland can provide multiple functions at both a street and neighbourhood context as well as at a district level.

As well as this, the development industry has the ability to adopt new ideas quickly in response to market demand and deliver innovations in parkland and open space that may not be possible under static policy settings.

The proposed essential infrastructure list excludes all embellishments for parks and community facilities land other than works required to make the site suitable for its intended use such as earthworks. This appears to be a simplistic and probably unworkable approach for ensuring feasible developments unless supported by alternative financing sources.

Is it recommended that the following issues be considered when addressing conflict with policy and standards:

- Parkland size is not necessarily a direct correlation with its utility;
- Maintenance access requirements for parkland and underground services need to be protected;
- Many parkland embellishments have the capacity to increase the utility of parkland. For example, lighting can significantly increase the usable hours of parkland with the added benefits of assisting with crime prevention. This should be included in an essential infrastructure charges list;
- Flexibility to provide creditable parkland where providing integrated stormwater management; and
- Promote a mix of park types and community facilities to minimise duplication of parkland embellishments within a catchment and associated maintenance costs.

Stormwater Network

On June 2011, as a result of the *Building Revival Forum*, the Queensland Government announced a number of major actions to address issues currently facing the building industry. One of these actions was the Development Assessment Process Reform – Operational Works and Large Subdivision (DAPR-OWLS) project, a Council of Mayors (SEQ) initiative aimed at reducing the assessment timeframes for large subdivisions and the majority of operational works applications. The project team surveyed over 1,000 development applications across high growth Queensland councils to inform project solutions.

The file survey identified that on-site stormwater management (quality and quantity) were the two most common issues for residential subdivision developments applications, and second most common issue for operational works applications (only surpassed by earthworks issues). Large residential subdivision applications (with 20 or more lots) that incurred an issue with stormwater quality/quantity saw an increase in average development assessment timeframes of 64 business days (an 18% increase from an average of 364 business days to 428 business days) and a median increase of 36 business days (seven and a half weeks). Therefore, it was observed that there was a correlation between applications that had on-site stormwater management issues and increased assessment timeframes.

The Council of Mayors (SEQ) is concerned that the removal of regional stormwater solution mechanisms will have a significant impact on development assessment timeframes as well as restricting the provision of good quality regional water management solutions. The Council of Mayors (SEQ) acknowledges that the current charging system is vulnerable to double dipping (charging for and conditioning a development for infrastructure that serves the same purpose). Therefore, it is important to rectify this issue without forfeiting flexibility and good quality outcomes.

The most efficient and cost effective method for achieving the State's Interest of healthy waterways for a particular development area depends on local factors such as topography, soil type, catchment hydrology, land ownership patterns and development size. By having an inflexible approach whereby only on-site treatment is considered, the potential for more efficient and often less costly catchment based solutions is lost. In such instances, the developer loses out financially by having to find the land for treatment within a development site, and the council loses by inheriting an inefficient and therefore costly-to-maintain system into the long term post-development. This issue may lead to local authorities conditioning community title schemes to redistribute the maintenance burden. Moreover, this approach flies in the face of the move, at state and local level, to amore efficient and effective whole of water cycle management approach across SEQ catchments.

The Council of Mayors (SEQ) proposed solution is to provide consistent clear wording that allows for maximum flexibility, allowing for a mix of on-site treatment and catchment based solutions.

The following wording for the Essential Infrastructure List is proposed:

*For stormwater **quantity**:*

- *condition on-site treatment to a standard of non-worsening; or*
- *charge contribution for an identified catchment based solution equivalent to cost of on-site treatment to a standard of non-worsening.*
- *condition on-site treatment to a given standard and charge contribution up to the non-worsening standard for an identified catchment based solution.*

*For stormwater **quality**:*

- *condition on-site treatment to a standard of non-worsening; or*
- *charge contribution for an identified catchment based solution equivalent to cost of on-site treatment to a standard as determined by an endorsed Total Water Cycle Management Plans (TWCMP) in accordance with the EPP (Water) for a local government area.; or*
- *condition on-site treatment to a given standard and charge contribution up to the non-worsening standard for an identified catchment based solution.*

Note that where a Council has moved to a voluntary offsets policy, whereby the developer can opt to contribute to an identified catchment based solution rather than the development condition, legal opinion has been obtained that this cannot occur under the existing wording of the Sustainable Planning Act 2009 (SPA). It is important therefore to list the alternatives as described above under Essential Infrastructure so that these can be referenced to the *SPA/Planning for Development Act*.

Recommendations

The Council of Mayors (SEQ) recommends that the Essential Infrastructure List recommendation not be implemented, in favour of a more robust and reliable LGIP process. If, however, an Essential Infrastructure List is to be implemented, the Council of Mayors (SEQ) recommends that:

- Road network should either be based on function (i.e. traffic distribution) similar to the water and wastewater network, or by hierarchy. If based on hierarchy, the test should include any:
    - Collector roads;
    - Sub-arterial roads; and
    - Arterial roads.
- Lower order roads such as access roads and streets be excluded from the essential infrastructure list;
- Higher order roads such as arterial roads should be included in the essential infrastructure list; and
- Need to improve science around determining how development impacts on infrastructure – especially catchments.

Introduction of "Deemed Trunk" Principles and their effect on conditioning, offsets and mandatory refunds

The discussion paper suggests that some local authorities are failing to identify trunk infrastructure within their LGIP, and thereby requiring the developer to provide the infrastructure as non-trunk and therefore not eligible for refunds. The discussion paper proposes the introduction of "deemed trunk principles" to overcome this problem.

Deemed Trunk: The Council of Mayors (SEQ) does not support the introduction of "Deemed Trunk" principles. The "deeming" of trunk infrastructure has significant negative financial implications for local government. These financial implications will arise as a consequence of having to provide offsets and refunds for unplanned or out of sequence infrastructure which is "deemed trunk infrastructure". This raises serious concerns for local government's ability to meet its legal financial planning, reporting and accountability obligations under the *Local Government Act 2009*.

Local Governments have a legal obligation to ensure sustainable development and management of assets and infrastructure, and delivery of effective services. However, this will be inhibited if the impost of new and out of sequence development is solely carried by local government's existing revenue sources.

A trunk network which is provided in an unplanned manner and not budgeted under its Capital Works Program (CWP) will not deliver the optimal or most cost effective network unless supported by other revenue sources.

This approach has the potential to force local governments into reconsidering the appropriateness of out-of-sequence development, and therefore moving to block or refuse development with significant trunk infrastructure, which is contrary to the objective of this review.

	Recommendations: • Discard the proposed test for deeming trunk infrastructure in favour of a more robust and transparent LGIP process along with a quick and cost effective alternative dispute resolution facility; • Strategic infrastructure planning and supporting land-use planning needs to be robust and consistent. Where a site is not expected to be developed for a period of time, then there should be some consistent and transparent science and evidence to support this; • Should this remain a feature of the new system, further consultation should be undertaken concerning the development of an appropriate test for deeming infrastructure as trunk that has not been identified in the infrastructure plan (i.e. If development is not consistent with planning assumptions, trunk infrastructure can be conditioned and can be offset at an agreed cost (if defined as the size of trunk infrastructure in DSS) with the potential to be supported by an alternative dispute resolution process). A test should also consider whether the trunk network would require the infrastructure in absence of the proposed development. • Third party review of LGIP planning be required to ensure that adequate trunk infrastructure planning has been conducted by a local authority to service the infrastructure area.
Standardised Infrastructure Planning and Third Party Review • Standard methodology for apportioning costs; • Standard schedule of works model; and • Standard demand generation rates	The Council of Mayors (SEQ) supports greater scrutiny of LGIP methodology, DSS, and priority infrastructure areas before adoption. However, this needs to be an efficient and consistent process which is supported by clear timeframes and consistent terms of reference (refer to Section 3 The Solution). The discussion paper proposes that a standardised process for calculating planned charges be introduced. This includes an independent assessment of planned charges to ensure a balance of local government financial sustainability and development feasibility before a ministerial determination is made. If local authorities do not have a supporting LGIP, then it is acceptable for a charge to be "low, nominal". However, smaller local governments should have access to LGIP templates and standard methodologies to assist with cost-effective and consistent LGIP preparation. **Recommendations**: • Implement the solutions provided in Section 3.
"Actual cost" value for offsets and Cross Crediting	Whilst the concept of providing a more streamlined and fair charging regime is a shared objective, caution should be applied when implementing new solutions to avoid exposing local governments to new liabilities, uncertainties and administrative burdens. The discussion paper proposes an option that allows the value of infrastructure to be offset or refunded based on its "actual value" or "planned value" as stated in a LGIP. This provides an applicant with the option to choose between the actual value and planned value when receiving offsets, as long as the infrastructure is procured in accordance with the approved local authority procurement process. This exposes local authorities to further risk as there is no incentive for applicants to choose the actual cost should it be under the planned cost. The Council of Mayors (SEQ) suggests that further investigation should be

undertaken to determine the most appropriate solution for individual councils. This includes assessing the relevance of differentiating between actual and planned charges if the infrastructure planning process is more transparent, robust and open to debate prior to endorsement.

Other options may include the Toowoomba Regional Council approach. This would require the value of infrastructure supplied by an applicant to be offset or refunded, based on an estimate of the construction obtained by the developer. The estimate would be provided by the developer to the local authority prior to commencement of the works. A procurement process for obtaining this estimate could be specified by the State government and might require for example the need to obtain three quotes for the work. If the local authority agrees with the estimate, the works could be undertaken and offsets and refunds would be payable based on the estimated cost. This would provide an incentive to the developer to ensure that the works are undertaken efficiently and within the estimated budget. However models such as this may not be relevant or feasible for all local governments and development sectors.

Cross Crediting: The risk with mandating cross-crediting of offsets would see local authorities needing to borrow more money in the interim to bridge-fund planning trunk infrastructure, and therefore increasing costs. It would also incur additional administrative costs associated with the tracking of offsets between network funds. The Council of Mayors (SEQ) supports cross-crediting as a viable mechanism within the broader infrastructure framework, but recommends that it remain optional for local authorities.

4 Conclusion

Queensland is not the only state faced with the challenge of funding local infrastructure. Past attempts to fix this issue in Queensland have seen a lack of consideration for the larger picture. Failure to achieve long-term solutions continues to create "change fatigue" and uncertainty for both the development industry and local government.

As a major driver for resolving the challenge of infrastructure funding, economic development delivers benefits to a number of stakeholders including, Local Government, community, developers and the State Government. While the focus is often on Local Government as beneficiaries of increased rates, the State Government is a large benefactor of increased development activity through increased stamp duties, payroll tax, land tax, and so on. The solutions proposed in the discussion paper have a strong focus on changes at the Local Government and community level, some changes at the developer level and little if any change at the State Government level.

This submission by the Council of Mayors (SEQ) takes a positive approach aimed at addressing this challenge. However, it requires commitment, effort and support from all stakeholders without placing the burden too heavily on one group over another. With this in mind, for the solutions to be effective, State Government needs to bring something to the equation with financial, policy and process support.

Now more than ever is a time for Local Government and State Government to work together with Industry and focus on problem solving and the prudent use of long-term investment to achieve the best possible outcomes for the community.

4.1 Recommendations:

- **Reconsider the options proposed in the discussion paper and instead, take the higher level approach proposed in this submission, thereby negating the need for the majority of the low level, detailed changes proposed in the discussion paper.**
- **State Government to substantially fund and drive the development of a standard Best Practice Review Model for Local Government Infrastructure Plans.**
- **State Government to substantially fund and drive the development of a standard Infrastructure Charges model for Local Government Infrastructure Plans.**
- **Standard models to be supported by an efficient and low cost Alternative Dispute Resolution capacity.**
- **A broader consideration of alternative financing options involving the industry, Local and State Governments to fund the gap.**

4.2 Council of Mayors (SEQ) Contact:

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