

SUBMISSION TO NSW INQUIRY INTO COASTAL INFRASTRUCTURE PROVISION

The terms of reference are understood to be:

1. Key coastal population and urban consolidation trends in NSW
2. Short and long term needs of coastal communities for basic infrastructure (such as roads, power, water and sewerage) and human services infrastructure (such as hospitals, schools, aged care centres and sporting facilities)
3. Coordination of commonwealth, state and local government strategies to deliver sustainable coastal growth and supporting infrastructure
4. Best practice methods to plan, manage and provide infrastructure to coastal growth areas, and
5. Management of social, environmental and economic considerations associated with infrastructure provision in coastal growth areas

Council supports the Inquiry into Coastal Infrastructure Provision and the advocacy of the national Sea Change Taskforce promoting government understanding of the unique pressures on coastal local governments in the provision of basic infrastructure such as roads, water, waste and public facilities, as well as the changing mix of services required by the demographic shift dominated by 'sea changers'.

Refer to attached schematic illustrating the relationship.

Background – Eurobodalla Shire Council

Eurobodalla Shire	2004	2021 (est)
<i>Population:</i>		
- permanent	35,000	50,000
- visitor (at peak)	50,000	70,000
- non resident owners	39% (8500)	20% (7600)
Average occupancy	2.3pp	2.0pp
Properties (residential)	18,000	35,000
General Rate Yield (ratepegged)	\$12.8m	\$18.2m npv
<i>Pensioner properties:</i>		
- number	4,870	7,500
- rebate	\$1.78m	\$2.8m npv
<i>Asset Base:</i>		
- roads, bridges, paths	\$138.7m	\$158m npv
- water, sewer, drainage	\$206m	\$356m npv
- buildings	\$31.1	\$42m npv
<i>Depreciation:</i>		
- roads, bridges, paths	\$2.5m	\$2.9m npv
- water, sewer, drainage	\$4.5m	\$7.5m npv
- buildings	\$0.5m	\$0.8m npv

Planning Approach

Eurobodalla Shire is participating in a pilot with DIPNR in preparing a suite of planning strategies to accommodate the anticipated growth and permanent visitor population and subsequent pressure on existing infrastructure and services. In many ways it reflects the approach of the Metro Strategy.

The main elements of that approach to planning include:

- Urban settlement strategy
- Structure plans
- Place statements
- Infrastructure strategies
- Development servicing plans

Refer to the attached schematic illustrating the relationship of those planning elements.

Urban Settlement Strategy (USS)

Council's intent is to appropriately accommodate people into urban and rural places without compromising the natural elements that attracted their decision to reside or invest in the area. It recognises that it needs to provide opportunity for people to be employed to generate adequate disposable income to spend in the local and sub-regional economy. With a dynamic local economy not bolted to tourism and retirement only, investment choices can then be made to respect the natural environment and ecological systems that typify our Nature Coast. The USS promotes reduction of through traffic along the coastal edge to reduce urban and ecological conflicts.

The USS separates urban places with natural areas capable of continuing functional ecological processes and equally provide amenity to the permanent and visiting population. However, separate mechanisms need investigation to ensure the development community adequately provides the mix of infrastructure and services required for the generations likely to invest in the area. This is important also to protect and enhance the viability and safety of main streets and public domain.

Council has developed a structured approach to drafting its strategies and plans and has crafted a path on four planks. Specific research and simulation modelling is proposed in the following areas:

Employment lands: to establish the siting and capacity of employment lands (commercial and industrial) in the shire; then the targeting of business and industry that can be retained or expanded. ABS employment multipliers will be applied to those industry types to enable the calculation of jobs created or available per household. Current thinking is 0.5 jobs per household is notionally required to sustain the local economy and minimise spend leakage.

Residential lands: through the research behind the Coastal Capacity Plan (CCP), the environmental constraints on land will be defined to identify land capable of residential (urban and rural) development. Lot sizes and appropriate dwelling sizes and densities can be established for those lots. Then based on ABS dwelling occupancy trends, an indicative population (permanent and visitor) capable of being supported by residential land stocks can be calculated.

Natural resource: the CCP and research behind the Southern Rivers Catchment Management Authority (SRCMA) blueprint, the established state government river water quality objectives and council's Integrated Water Cycle Management Plan has enabled the definition of the natural resource capacity of riparian systems and vegetation in the shire. That capacity informs the extent to which urban and rural water supplies can be harvested and the extent of clearing for human settlement, in turn establishing a population capable of being supported by those natural systems.

Infrastructure: finally based on those supported population profiles, the local government provided infrastructure, services and facilities will be sized, designed and placed to respect the land and water natural capacity and the opportunity to employ the population to support the payment for that infrastructure, facilities and services. Refer to attached schematic illustrating the relationship of regional planning strategies to urban strategies, structure plans and contribution plans.

Public Land Assembly

Local Government and State Government have the opportunity, perhaps the mandate, to supplement and strengthen positive planning instruments through:

- Publicly led land development
- Land assembly
- Land banking
- Incentives rewarding over-compliance with strategic objectives relating to good design, additional public domain and sound structural location of investment

This is supported by other State agency policies on 'centres' and 'access'. Such policies within DIPNR and DOH are gaining momentum and directs urban investment and thereby activity, into defined spatial nodes. This in turn improves access to broadly defined welfare services (including employment and recreation) while localisation produces both ecological and social benefits.

Both those policies support the decentralisation of investment and activities to urban district (or second order) centres. Integrated transport and land use planning would reinforce accessibility and inter-connectivity of those centres.

Centres Policy promotes placing services and infrastructure at centres accessible by the majority of regional populations, having regard to socio-economic disadvantage.

However, it appears that policy is not manifest with State funding or priority setting for health, transport, water and sewer infrastructure on the coast.

In the Eurobodalla Shire, Council has taken the position of identifying parcels of land capable of aggregation and assembly on a regional basis that can be developed to facilitate or catalyse public domain works or public services. In the absence of State government commitment to provide an upgraded health service and transport system in the Shire, Council is exploring the opportunity to use its land and facilitate a PPP or other venture to provide an acute in-patient care health facility as an anchor to support other co-located 'feeder' developments such as specialist rooms, rehabilitation centre, three-stage aged care facility, indoor aquatic facility and the like.

The 'feeder' developments attract the gaze of the private sector. In this way, it is anticipated Council may advance the ranking of those public services normally provided by State government, provide a better mix of public services and in the longer term, receive a share of returns in that land assembly to invest in other property strategically located in urban centres to accommodate the changing demographic demand of a growing coastal population.

By applying planning tools such as accessibility analysis, it is anticipated that such land assembly will generate critical mass to provide the commercial incentive to invest in additional and expanded private bus services to and through those urban centres, accessing those new public facilities. Equally settlement strategies and structure plans outlined elsewhere in this submission should be designed to accommodate future road reserves and transport corridors now rather than retro-fitting those corridors in built-up urban areas. This in turn alters vehicle loads on road networks, changes maintenance profiles, but creates greater connectedness between villages on the coastal strip.

This concept can apply on green field or brown field sites suitable for government investment or intervention.

There is a role for local Councils acting as catalyst with State government to upgrade the health services available to local communities as well as the retail options to discourage retail and health leakage out of the local government area.

In turn, this reduces traffic on arterial roads, reduces potential accident rates, dislocation of families in visiting relatives in hospitals and therefore health costs to the broader community.

Transport Planning

Recent community visioning survey and wellbeing surveys undertaken by Council have indicated the key priorities among the community are fundamentally transport, health and sustainability.

Planning for transport needs to recognise that the history of the coast has generally been for residential development and holiday use and therefore was subject to sprawl or ribbon development historically. That has not been supported by planning for transport. Coordination between tiers of government to enable long haul and local bus transport is required. However future planning should be designed to contain urban sprawl to maximise connectivity and serviceability of existing and upgraded infrastructure, and provide the social health and retail mechanisms to enable residents to do most of their business and seek most of their services from their town or local government area.

The issue of connecting local communities through changing the long haul bus routes so that there can be, in the absence of public transport, private busses to provide linkages between the towns; and perhaps integrated ticketing systems using local bus systems and shuttle services and taxis, should be explored. This is currently being explored by the Eurobodalla Transport Work Group.

Retail Planning

Council facilitated the relocation of the Batemans Bay Primary School to open up the previously constrained Batemans Bay CBD for retail and commercial expansion. By acquiring land appropriately demographically located in the now expanded Batemans Bay urban area, Council's construction of a brand new school on behalf of the Department of Education returned the CBD land previously occupied by that school for retail development.

This has enabled the elevation of Batemans Bay to a sub-regional retail centre (as recognised in recent retail hierarchy studies conducted by Hill PDA on behalf of DIPNR) generating more employment, increasing household wealth and disposable income, expanding retail choice in the local government area and reducing retail leakage out of the Shire. This has had the subsequent flow on of additional rates to Council in converting a former non-rateable crown property into a commercial property as well as the negotiated investment of public domain works as a result of that retail development in the Batemans Bay CBD. This included streetscaping worth \$1.2m and carparking additional to that required by the development (400 public carspaces) and other beautification works.

Such initiatives between local government, state government and private sector should be encouraged.

Structure Plans

Structure Plans are under preparation for each of the major urban centres to reflect the planned shift in urban (residential, commercial, recreational, industrial) uses that are capable of attracting development investment with suitable economic footprints on green field and brown field urban sites.

The character in terms of the built form, the relationship to the natural form and the mix of building design, colours and textures are also built into a Structure Plan. Any development proposed by other tiers of government should have respect of those Structure Plans and the character and design of local places.

It is suggested local councils determine such government developments.

In looking at that context the key urban elements of views, pedestrian and vehicular connectivity, commercial and entertainment capacity, and residential density are considered alongside siting of key retail and public domain sites.

That planning approach supports the reduction in dependence in cars, promotes footpath and cycleway path transport and provides a real alternative to travelling outside local areas for shopping or specialist care services.

Structure Plans intentionally should indicate the siting of public domain and institutional uses such as hospitals, schools, community centres, art and culture centres and the like that are considered to be required in a planning context to support the anticipated future population (permanent and visitor) with the anticipated demographic mix. This in turn requires the negotiation with State government to coordinate plans for timing, siting and funding for those uses in a local government area. Unfortunately while local governments plan on a 20 year horizon for land use and infrastructure, and prepare budgets on a minimum 5 year horizon, that level of commitment is not matched by policy or funding by other tiers of government.

Refer to the section below on Development Contributions regarding the means to finance public domain and institutional uses required as population grows, not after it has happened.

Development Assessment

To assist the processing and level of investment of new developments, once Structure Plans are in place and master plans are prepared for green field or brown field developments that respect those Structure Plans, then any subsequent developments lodged in accord with those master plans could be considered as complying development without investing in detailed research and consultation.

In this way it is important that State government (and thereby its agencies governing natural resources, infrastructure, cultural heritage and health) are engaged and sign off on those Structure Plans and master plans, and development assessment streamlined.

Often the perceived lack of scientific data (flora and fauna, water ecology, etc) limits or slows development and infrastructure assessment. Through the combination of Comprehensive Regional Assessment (CRA), undertaken with the Regional Forests Agreements, and the Comprehensive Coastal Assessment (CCA) undertaken with the coastal SEPP, and research by Department of Environment and Conservation (DEC) in

the coastal zone on biodiversity, the scientific and spatial knowledge of the coast should be extensive.

Applying an 80/20 rule, gaps in knowledge or spatial datasets should be identified so that base line data and mapping can be shared by consent authorities, and new developments required to add to that body of knowledge as part of their proposals.

Place Statements

Critical to retaining or developing a sense of community is planning to retain or create character in urban centres or rural areas. Creation of community, including sense of participation and safety, nurtures a sense of volunteering amongst the community and in turn potentially reduces maintenance and servicing costs to the local government. Similarly the engagement of a healthy community has potential to reduce public health costs and allows the population to age successfully without significant demand on the government purse.

With the community engaged in defining the character they wish to retain or develop through Place Statements, which includes the mix of urban and natural elements, assists their sense of wellbeing.

Infrastructure Strategies

Council has been at the forefront of developing head strategies that support urban populations. These include the groundbreaking Integrated Water Cycle Management Strategy (IWCMS) and Waste Minimisation Strategy. These strategies are designed to manage the urban and ecological footprints by reducing the draw on natural resources and waste generated by urban activity. Refer to Council's website http://www.esc.nsw.gov.au/IWCMP/Council_briefing_paper.pdf

The IWCMS was the first in making judgements on engineering solutions ranked by Triple Bottom Line (TBL) and ultimately prioritised on the value of economic investment and financial contribution by developers and consumers. Modern accounting principles apply in net present value and return on investment enabled a sound platform to calculate the level of investment required of current population and future population for new or upgraded infrastructure or facilities. Refer to the attached TBL ranking table.

Council combined the current (traditional) functions of water and sewer funds into a 'Water Cycle Fund' (WCF) in principle from 2004/05. In addition the maintenance and construction of stormwater drainage, together with the catchment monitoring and maintenance costs associated with the harvest of water and discharge of sewer and stormwater into catchments/creeks would be financed from the new WCF.

The Fund would be financed from access fees, usage charges, discharge fees (sewer), excess load (trade waste) fees, septage charges and development contributions required

by best practice pricing, in addition to grants, investments returns, and other capital financing (such as loans and reserves).

The traditional pricing system includes a water access and consumption charge and sewer charges based on water meter sizes. The new system outlined below refines that system to include usage charges for water, sewer and trade waste, based on metered water consumption or loads entering the sewer. Dividends will be used to finance drainage and catchment expenditures.

It is expected the Water Cycle Fund will meet the costs of:

- harvesting, reticulating, storing and treating water
- collecting, reticulating, treating and discharging sewerage, reclaimed water and septage
- collecting, reticulating, treating and discharging stormwater
- catchment quality monitoring, erosion control in waterways from which our water is harvested or discharged, and
- the capital costs of construction or renewal of those assets

Similarly social, environmental and economic considerations associated with infrastructure provision can be accommodated using a similar TBL ranking to reflect pressure or loads on existing infrastructure; environmental pressures created by or upon that infrastructure; maintenance requirements in accord with life cycle asset management; and the value of making an investment in renewal or new infrastructure to offset future maintenance demands (refer priority pointscore system).

Integrated Planning

As outlined above it is important that local government is seen as a partner with State government and its agencies in provision of infrastructure and related services. The Cost Shifting Enquiry (Hawker Report) identified a range of services shifted to local government without adequate funding. It appears State governments may also attempt to transfer the collection of developer contributions or infrastructure levies onto local government to finance State investment in regional and arterial infrastructure.

The notion outlined earlier of participation and sign off via State agencies in settlement strategies and structure plans (and associated public infrastructure and public domain works) is important to streamline assessment of infrastructure proposals, and the financing of infrastructure and services to support future populations.

Monitoring Success and TBL Reporting

It is important to monitor the success of sizing, timing and financing of infrastructure and facilities through review of planning mechanisms, demographic change, community wealth and urban footprints. There are a range of technological tools becoming available

to track and forecast change in urban footprints, green space, vehicle and energy demands, waste generation, water demand, and education and health placements.

The Department of Local Government (DLG) is exploring the merit of integrating the State of Environment Report (SOER), Condition of Public Works (COPW) and Social Plan (SP) currently required of local government in NSW. Produced on a 4-yearly cycle, the comprehensive Condition/Pressure/Response assessment of the natural, built and social environments and the responses appropriate to the resources or objectives of a local council, provide an ideal resource and platform to plan for infrastructure and services and calculate the scale and timing of infrastructure to manage the risk to those referred and built environments.

In return, those priorities can be reflected and updated in Structure Plans and Development Contribution Plans. Merged into perhaps a 'State of the Shire or City Report' the issues of Air Quality, Climate and Climate Variability, Conserving Biodiversity, Land Quality, Water Quality, Waste, and Community Wellbeing and Coastal required of local governments should be used to mirror that required by CMA and State Governments. Streamlining of indicators may facilitate the aggregation of data and measures from local through to regional and state scales. Refer to Council's website at:

http://www.esc.nsw.gov.au/mplan/main_issue.asp?tabID=1&issueID=3

It is suggested that streamlining of Indicators and data collected be pursued, and that planning and reporting by State agencies and local governments be organised, or capable of organisation, into the Issues above. This in turn may present as the TBL report for governments.

Triple Bottom Line (TBL) Accounting

A change in the accounting mentality of Treasury is urged to have regard to long term maintenance costs of new assets and the relative costs of taking a short term financial view of infrastructure and facilities rather than their longer term flow on effects.

Modern accounting standards to government (eg AAS27) allow for the consideration and disclosure of financial and non-financial information. Applying principles derived from System of Integrated Environment and Economic Accounts (SEEA) and the Environment Expenditure disclosures required of Australian Bureau of Statistics (ABS) Surveys of local government, it is reasonable to expect at least a TBL ranking of social, economic and environmental cost or benefit of infrastructure projects or services (refer to the infrastructure strategy section on IWCMS).

Unfortunately it appears that there is no political or bureaucratic imperative to extend costing beyond initial construction or service provision in line with AS4536 Life Cycle Assessment or AS4360 Risk Management Standards.

Nor does it appear, the downstream accident, health, pollution, biodiversity loss, or greenhouse unit risks or costs are calculated into decisions to invest or withdraw from infrastructure or service provision.

Eurobodalla Shire Council and University of Southern Queensland are working on a tool titled 'Sustainability Simulation Model' to visually represent historical and future change based on current urban practice. A visual tool similar in presentation to 'SimCity', the model captures current trends in land take-up, water consumption, energy consumption, waste creation and change in urban spatial footprint. The model projects those trends across time to illustrate impacts on condition and capacity of natural resources (water, timber, habitat) and public infrastructure (roads, buildings, water, sewer, health).

The model is designed to input a range of variables (or interventions) that a local government or regional authority can use to manage demand and consumption of those natural and built resources through land use planning, natural resource planning, water, energy and waste demand management and infrastructure planning.

The trigger is population change – by demographic (children, youth, family, senior) and type (permanent and visitor). Using Australian Bureau of Statistics sources such as Census and demographic projections, calculations can be made of residential land demand, vegetation change, arterial and collector road, path, and water and sewer demand, open space demand and community facility.

The projections can be date-stamped at say 5-year intervals, to judge the success of those plans and recalibrated with new or adjusted variables based on new local government interventions or plans. Significantly, the simulation model is capable then of use in any local government and aggregation into catchment management authority level. The model has gained the support of the Southern Councils Group with Eurobodalla Shire Council nominated as the lead agency in its development.

The model can also be developed in its next stages to look retrospectively at the change in natural and built capital in a spatial context – again illustrating the change in natural to built landscapes to date.

Refer to attachment on simulation model.

Financing Infrastructure Facilities and Services for Local Government

Public Private Partnerships (PPPs)

Following State Government initiatives and regulated by the yet to be finalised guidelines, PPPs present an opportunity to accelerate the provision of public infrastructure and facilities through investment in accord with the ESD principle of 'intergenerational equity' and 'improving the valuation and pricing of social and ecological resources'.

This means that utilising technology and innovation accessible by the private sector, the provision/construction cost, maintenance and renewal of infrastructure and facilities can be amortised as an annual charge to a local council and recouped through the income sources of that council. It provides a transparent means to disclose the cost of providing those facilities and the revenues required to pay for same.

Infrastructure Fund

Eurobodalla Shire Council has initiated a new approach to identifying the gap between traditional or current methods of maintenance and the costs of maintenance and renewal of existing infrastructure and facilities, against the resources required to maintain and renew those assets to contemporary industry or design standards.

While recognising coastal councils are subject to significant green field residential growth where infrastructure internal to those subdivisions are provided at the cost of the development, the rate of loss of serviceability and increase in load or pressure on existing infrastructure and facilities is not met by that development nor recovered through current systems of development contribution plans. It is acknowledged rates received from dwellings developed in subdivisions do contribute towards the ongoing maintenance of existing infrastructure but does not compensate for the inherited gap nor the widening gap as a result of growth pressures.

Eurobodalla Shire Council successfully sought a variation from the Minister for Local Government to increase its general rate yield by 10% in 2003/2004 and proposes a similar variation in 2005/2006. This would yield \$2.6 million to maintain, renew and rehabilitate existing roads and bridges infrastructure and buildings. This represents 75% of the depreciation expense (recognised as the financial equivalent of the loss of serviceability of an asset), or expressed in a different way, the notional value of maintenance and renewal of infrastructure required to maintain the assets to existing condition.

Those funds are 'ring-fenced' into an 'Infrastructure Fund' where projects and assets subject to special maintenance and renewal are publicly disclosed in Council's Management Plan and recorded in the Annual Report. The success of that additional investment in renewing existing infrastructure and facilities may be assessed in the 'Condition of Public Works Report' required of NSW councils.

It is suggested that all coastal councils be granted an opportunity to invest a similar percentage in renewal and rehabilitation of existing infrastructure and facilities to progress towards maintaining the serviceability and condition of those assets for current and future permanent and visiting populations.

For Eurobodalla Shire Council, scheduled Section 64 and Section 94 projects to upgrade or expand the infrastructure base to accommodate growing populations are expected to add \$170 million to the asset base in the next 10 years, with a subsequent annual charge of \$13 million for debt servicing and \$1.7 million in maintenance.

That \$170 million, 88% of which is water, sewer and stormwater projects, adds 40% to the written down cost of existing infrastructure assets. It is expected only 40% of the water, sewer, stormwater project costs will be recovered through development contributions and grants, while only 10% of the general infrastructure projects will be recovered through similar sources.

Rate Pegging

It should be recognised that local governments face similar pressure to other governments in terms of a declining revenue base due to an ageing and migrating population in coastal areas that become subject to pension rebates and service concessions.

Unlike other States, NSW local councils are subject to rate pegging. Highlighted in the Hawker 'Cost-Shifting Inquiry', developing or growth councils are often constrained due to a historical low rate base.

Many of the coastal local government areas now subject to significant sea change growth pressures were formerly dominated by rural, fishing or forestry industry with small village populations. That historical rate base was relatively small compared to existing urban centres such as Orange, Dubbo, Wagga, etc. As a result of rate pegging the growth of the rate yield has been modest and the gap between other regional centres and coastal areas has widened. For example the Eurobodalla Shire general rate is 20% below the State average.

Pensioner Rebates

The number of properties subject to pension rebates at Eurobodalla Shire Council is 24%, and growing at a rate of 5% each year. Each year \$1.78 million is written off as pensioner rebates, reducing the annual purchasing power of rates by 8%. Only 55% of that is recovered through State Government subsidy.

Assuming Eurobodalla Shire Council is atypical of other coastal local governments, the seniors demographic represents a third of the local population and over 50% of local home ownership.

It is projected, based on current growth in pensioner ownerships, that a further \$500,000 per year will be written off with rebates – the equivalent of resealing two kilometres of road a year.

Maximum pensioner rebates of \$250 for general rates and \$87.50 each for water and sewer charges have not (thankfully) been indexed for several years. However from an affordability and equity perspective, any rate increase is felt fully by all ratepayers, including pensioners.

It is suggested, as a minimum, pensioner rebates be fully subsidised by State Government for coastal councils.

Development Contribution Plans

As outlined earlier regionally significant, (ie State government infrastructure and facilities) should be disclosed in the Regional Strategy, while public facilities and/or human services may be described or sited in the relevant settlement strategy or Structure Plans for the local government area.

Accepting the mix of infrastructure and facilities identified in the Structure Plans required to support the anticipated permanent and visiting populations, development contribution plans can reflect the priorities for provision of those facilities upon reaching 'triggers' due to development activity or population growth.

The use of Structure Plans launches the opportunity to collect development contributions or construct public domain, infrastructure, or facilities through development agreements (similar to the Victorian model) through advancing those works to accommodate future populations.

This may enable the collection of contributions also on behalf of State government for those regional public facilities and infrastructure, as well as local government.

However it is noted that in recent revision of the Section 94 development contribution regulations under the Environmental, Planning and Assessment Act, there has been State government commentary supported by the housing industry, that development contributions collected by local government was exorbitant. This is despite local experience that while Section 94 charges have remained the same, land rate prices have exploded on the coast, significantly reducing the percentage Section 94 charges represents as a cost on the land to be recovered by the developer.

It is intriguing that there are indications emerging that State government seeks to recover contributions through local government towards state or regional infrastructure through levies on developments for roads, water systems and waste. It may be argued this presents an economically feasible mechanism to collect those funds on behalf of State government (provided appropriate management fees are extracted by local government) similar to recent proposals for local governments to collect levies on behalf of the Rural Fire Services. A similar example may be illustrated with the surcharge on development application fees collected by local government for state government under the former Plan First regime.

The methods used in the calculation of contemporary development servicing plans DSPs under Section 64 of the Local Government Act requires a 30 year financial model be prepared on the back of an IWCMS to calculate the sizing, timing and financing of the upgrade of existing infrastructure or the provision of new infrastructure to accommodate new populations.

The new or upgraded infrastructure is calculated in net present value (NPV) terms discounted by contributions from existing ratepayers and forecast to reflect future ratepayer contributions to the point that average bills charged to those ratepayers are affordable and equitable. This principle is important in ensuring existing ratepayers do not bear the brunt of upgraded infrastructure that benefits a future population.

In a separate submission to State government on their review of Section 94 legislation, the following is suggested for consideration by this Coastal Infrastructure Inquiry:

- Development contribution plans should be the result of public facilities and public services identified through a rigorous planning regime. This includes the cascading of employment, natural resource, transport, infrastructure and social planning from regional strategies through to urban settlement strategies and spatially illustrated in structure plans
- While it is not expected regional strategies will nominate the siting of new public infrastructure or facilities, it should nominate the quantum and timing or triggers for such facilities or services in local government areas
- Structure plans should nominate the siting of existing and proposed public facilities and infrastructure scaled to the life of that structure plan, while the commentary should describe the mix or range of public services (primarily health, education and transport) proposed to be provided in those settlements, potentially based on population triggers
- Works programs associated with Section 94 contribution plans should be revised to recognise the current and changing demographics of coastal local government areas
- That revision should include the design of infrastructure and facilities to be adapted at later stages in the facility life for uses contemporary to that demographic in future years – eg conversion of a school into adult education or meeting place. This supports the principle of sustainability in recycling existing infrastructure and reducing the loss of embodied energy in those structures
- Such projects should be modularised to enable the staging of projects
- That enables the construction by developments (by negotiated agreements) of projects in modules or stages to reflect with the additional demands generated by that development
- This may be accommodated by providing development and density incentives in return for public domain, works or facilities additional to that required by the development
- Should development agreements not be capable, then contributions should be calculated in accord with contemporary net present value and reduction accounting mechanisms similar to those contemplated with Section 64 development servicing plans
- This should be organised in such a way to shift the liability on a future population and the council of the day to meet the gap in the cost of that public infrastructure or service not adequately met by the indexed value of contributions received years before. In many current contribution plans in NSW the level of contribution capable

of receipt from developments is around 10%, thereby creating a 'liability' of 90% not represented on a council's balance sheet for provision of a future facility or service

- Development contribution legislation should also be amended to enable the provision of 'soft' or human services in lieu of hard infrastructure. It may be argued that, on the basis that infrastructure and facilities are designed to be adaptable and modular as outlined above, that the quantum of public infrastructure and facilities may be finite. For example, where a development may not be capable of providing adequate carparking, yet the structure plan supports the reduction of vehicle movements inside a CBD to improve the liveability of that centre, the development could alternatively provide a shuttle service commuting employees and patrons from perimeter parking to and through the CBD
- All contribution plans and negotiated agreements should be priced to reflect not only the initial cost of construction and provision of service, but the lifecycle cost of maintenance and renewal of the asset or the replacement or modification of that service

Refer to attached slides on Development Servicing Plans.

Grants Assistance

As much as local governments can plan and design for infrastructure for future permanent populations, the recovery of the cost of that infrastructure and services will be borne by residents and ratepayers.

However, visitor and non-resident ratepayers, often with differing and peaking service demands, do not directly contribute to a local government's revenue base. Most infrastructure, by State Government standards, must be designed to meet around the 85th percentile of peak daily demand – ie to accommodate visiting or non-resident populations, yet at the local governments and resident/ratepayer cost.

The percentage of State Government contributions to major infrastructure, such as water and sewer is declining, shifting the cost to current and future water consumers or dischargers.

It is suggested a greater share of GAG be allocated as a 'disability factor' to coastal councils, or the federal government provide a share of GST, as a progressive tax and collected through visitor purchasing, direct to local councils for the specific purpose of infrastructure and service renewal.

Dividends

Many coastal councils operate water and sewer utilities Best Practice guidelines now enable dividends to be derived from those business specifications. It is important the State Government does not covet those utilities or the dividends they derive. Those dividends are capable of investment in drainage or catchment management/water quality

projects aimed at reducing sediment, pollutant or discharge loads in natural water body systems, in turn reducing operating and deferred maintenance costs of the utilities assets.

Eurobodalla Council has indicated in its Management Plan that 'Dividends' may also be used in the following means through the General Fund, by resolution of Council:

- as economic development or employment generation seed funding
- additional pension or hardship relief subsidies

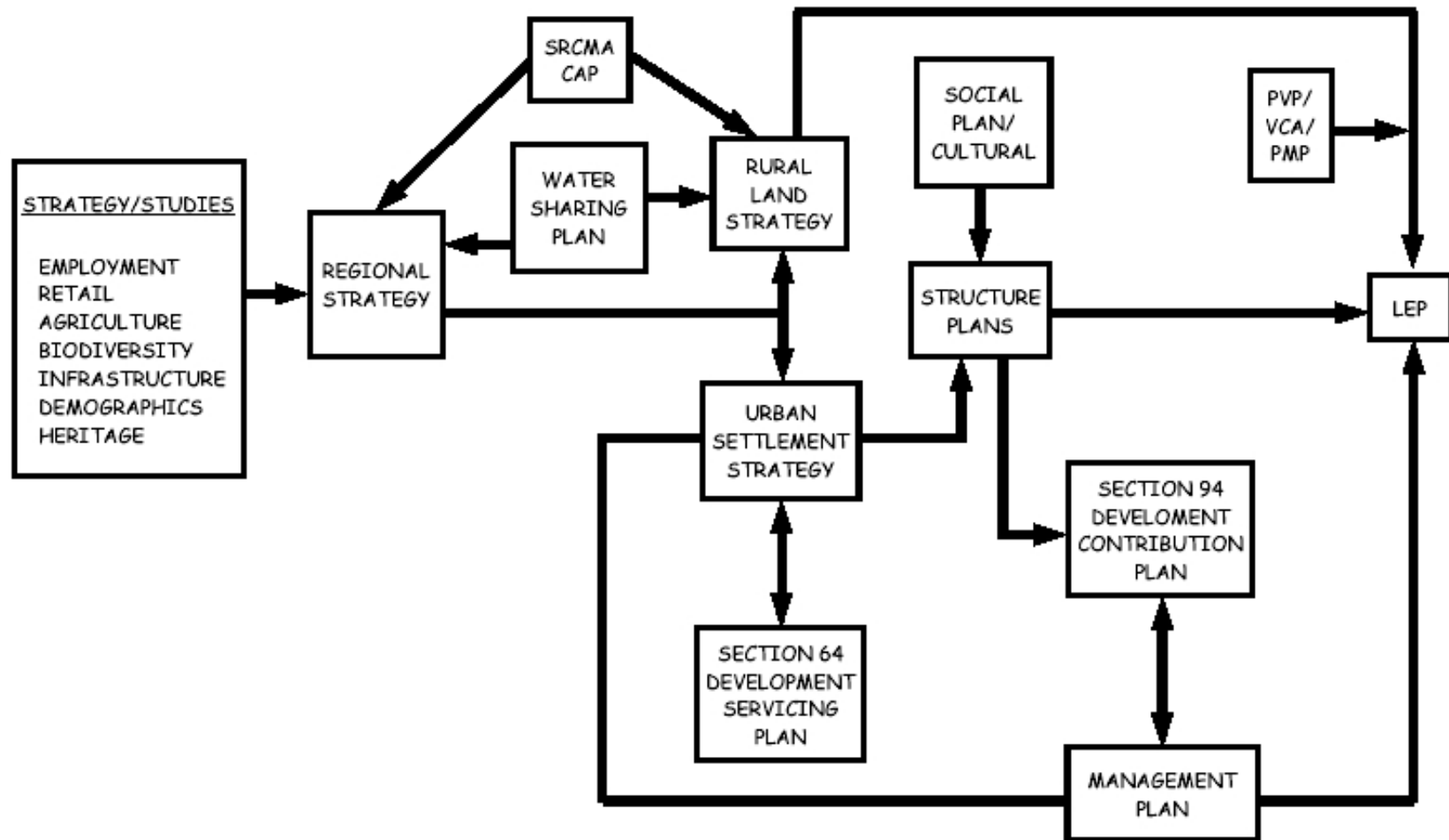
Opportunities may be created to offer discounts or rebates from the Environment Levy to farmland properties who have ventured into recognised voluntary conservation agreements, or riparian or remnant vegetation fencing for example aimed at improving biodiversity. The environment levy rebate may also be used to service an interest free loan from Council to provide suitable capital (matched by other grants and property owner funds) to undertake those works. An audit process to validate the use of those funds may be required.

Similarly, it is proposed once the Section 64 developer servicing plan is prepared, that discounts by reduction of Equivalent Tenements (ET) be calculated for water sensitive urban design aimed at reducing hydraulic loads on the sewer or stormwater systems

QUESTIONS

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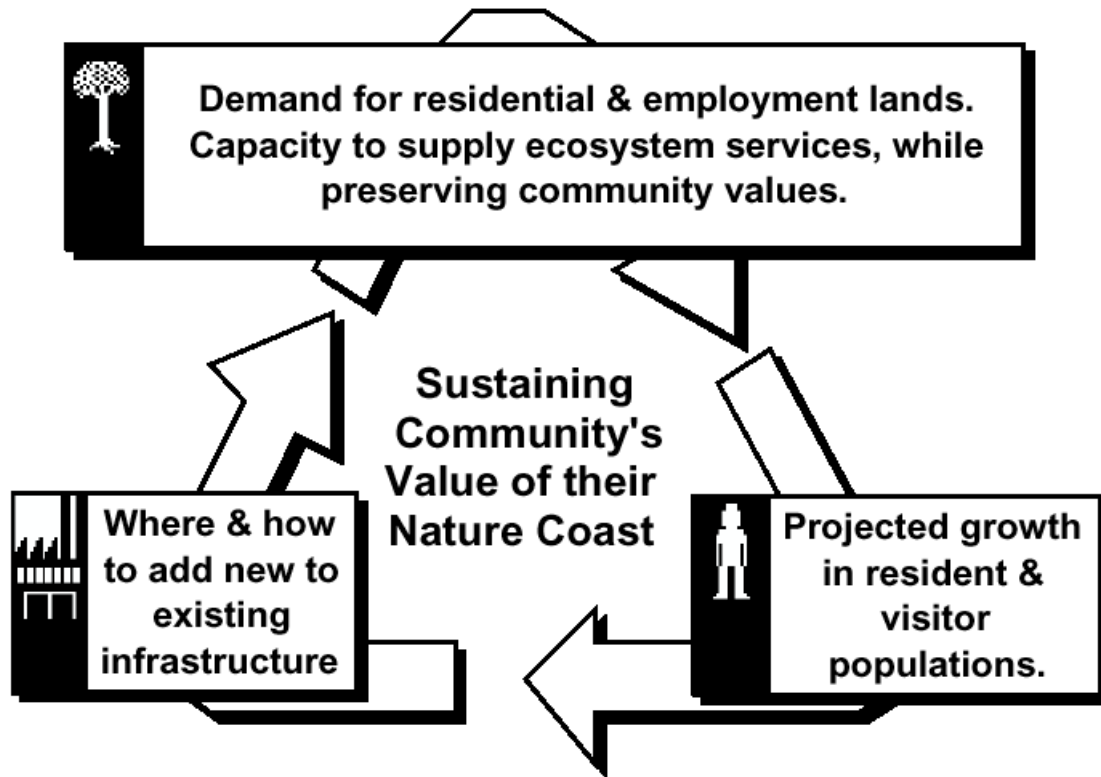
ATTACHMENT – SCHEMATIC OF PLANNING FRAMEWORK



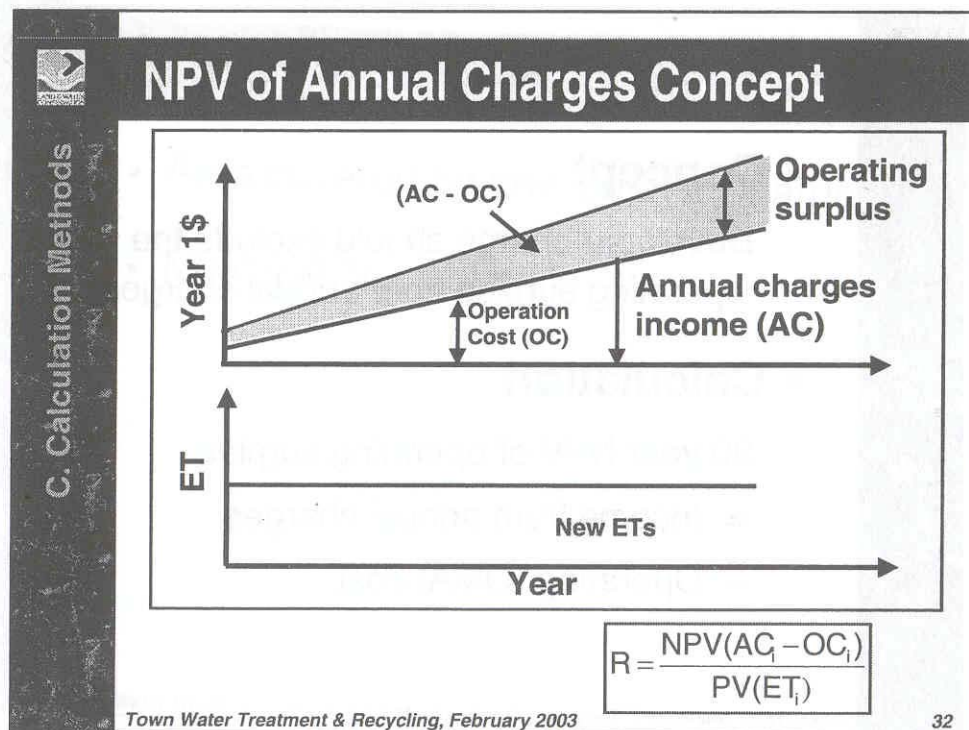
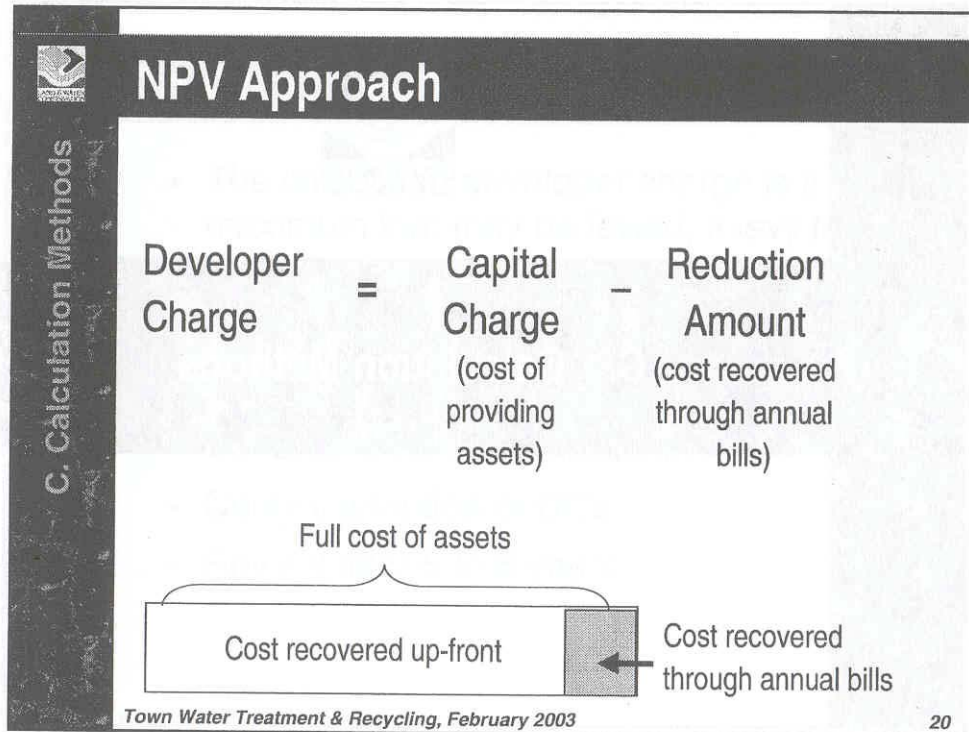
ATTACHMENT – TBL RANKING

			Integrated Scenarios							
			0	1	2	3	4	5	6	7
			Traditional	DM	DM + RWT	DM + RWT	DM + RWT	DM + RWT + Agri.	DM + RWT + Agri. + reuse + pot.	6 + EF Substitution
ENVIRONMENTAL										
Ensure the efficient use of the fresh water resource	0		1	2	2	2	3	3	3	
Minimises water extractions and protects low flows	0		1	2	2	2	3	3	3	
Minimises green house gas emissions	3		3	3	2	2	1	1	1	
Minimises pollutants being discharged to the aquatic environment	1		1	1	1	1	2	2	3	
Minimises urban stormwater volumes	0		0	1	1	2	2	2	3	
Ensure sustainable practices	0		1	2	2	2	3	3	3	
Environmental Sum	4		7	11	10	11	14	14	16	
Environmental Rank	8		7	4	6	4	2	2	1	
SOCIAL										
Improves security of town water supply	0		1	2	2	2	3	3	3	
Improves the quality of drinking water	0		0	0	2	3	3	3	3	
Improves urban water service levels	1		1	2	2	3	3	3	3	
Increase public awareness of urban water issues	1		2	3	3	3	3	3	3	
Minimises non-compliance to legislation	3		3	3	3	3	3	3	3	
Protects public health	2		2	2	3	3	3	3	3	
Social Sum	7		9	12	15	17	18	18	18	
Social Rank	8		7	6	5	4	1	1	1	
ECONOMIC										
NPV @ 7% in \$m	Water Supply	110.3	64.2	73.1	74.7	76.8	76.8	77.3	71.2	
	Sewerage	79.7	26.1	30.7	30.7	31.4	40.8	40.8	40.8	
	Stormwater	8.5	0	0	0	0	8.5	8.5	11.7	

ATTACHMENT – SIMULATION MODEL



ATTACHMENT – DEVELOPMENT SERVICING PLANS





Direct NPV Method

- **Concept**

As capital charge is based on the capital cost of new works, it should exclude the renewals component of annual charges.

Other exclusions are works to improve standards and part of net debt.

- **Calculation**

= PV (renewals expenditure)

+ PV (works for improved standards)

+ Part of net debt

Town Water Treatment & Recycling, February 2003

33



Return on Investment Factor

- **The cost of early investment and recovery of cost over time**
- **Allows for discounting of future income**

$$\text{Capital Charge} = \text{Capital Cost} \times \text{ROI Factor}$$

Town Water Treatment & Recycling, February 2003

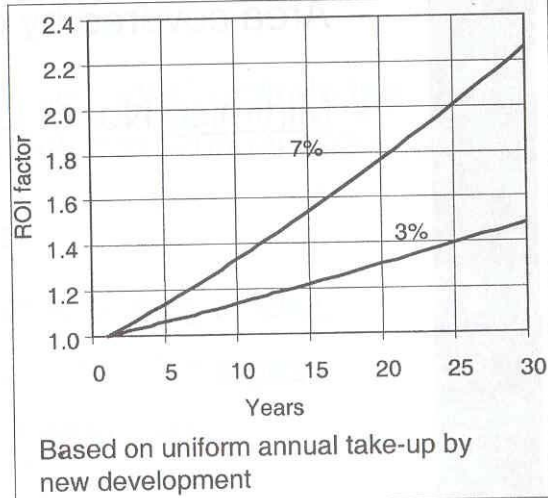
24



Return on Investment Factor

ROI is function of:

- discount rate
- time to full take-up
- rate of take-up



Purpose of Developer Charges

- Provide funding for infrastructure required for new urban development
- Provide signals regarding the cost of urban development and encourage less costly forms and areas of development