

**Submission
No 9**

**INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO
FUND INFRASTRUCTURE AND SERVICES**

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A long standing, financial structural flaw remains that places unreasonable restrictions on the use by Local Government of Developer Contributions. Essentially, these funds are collected to provide additional infrastructure and facilities in response to increased density and population. However, the legislative restrictions placed on the use of these funds place a handbrake on their use and act as a disincentive for Local Government to use the funds for the purpose for which they were collected. This results in large amounts being held on account, investment income, yet lying dormant on the books.

The problem can be easily resolved. It requires an amendment to legislation allowing Councils to allocate a percentage of Developer Contributions towards the maintenance and renewal of the asset created out of the funds. This pre determined amount would be invested and attached to the asset created and be used for the purposes of maintaining the asset created. This will also greatly assist in strengthening Councils' Balance Sheets in regards to depreciation schedules as the income generated will be brought to book as a funding injection into the depreciation.

An example might be the building of a completely new, additional Library, fully funded from Developer Contributions. Once built, the new asset essentially becomes a financial drain on Council, not only from an operational cost perspective, but from a depreciation and maintenance perspective. If an additional amount of say 25% of the construction costs was allocated from Developer Contributions and invested, with the capital amount and investment returns allocated to the specific asset, it would not only provide an incentive for Local Councils to deliver the facility, but greatly assist in its maintenance.

This proposal will not completely solve the problems faced by Local Government in asset maintenance, but will make a significant positive impact on new infrastructure delivered via Developer Contributions. As things currently stand, there exists a financial impediment for Local Government to deliver and maintain such infrastructure.