



# IPA Infrastructure Guideline 2/08—Infrastructure charges schedule

Working draft

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DRAFT



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#### **Disclaimer**

The provisions outlined in this draft guideline are intended as a working draft. They do not necessarily represent the views of the Minister and do not commit the Minister to a particular direction for action.

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## A working draft

Local governments about to prepare a priority infrastructure plan (PIP) or in the early stages of development are encouraged to use this working draft of the *IPA Infrastructure Guideline 2/08—Infrastructure charges schedules* to progress their PIPs.

The working draft incorporates feedback from extensive consultation on the regulatory guidelines in July and August 2008.

It also incorporates the standard infrastructure charges schedule, which was released for consultation in July 2008 and finalised in November 2008.

The Department of Infrastructure and Planning is continuing to develop several important components of the *IPA Infrastructure Guideline 2/08* and the *IPA Infrastructure Guideline 1/08—Priority infrastructure plans*. We are working with the Queensland Competition Authority on financial advice and are developing a comprehensive PIPs template for faster-growing local governments. We also want to include any further feedback on this working draft.

In this way, local governments may move forward with their draft PIPs and the department can accommodate further important input. Local government, industry and other state agencies can also raise concerns about the application of the provisions in this working draft to a particular PIP.

Once the IPA Infrastructure Guidelines 1/08 and 2/08 are finalised and released, all PIPs based on an infrastructure charges schedule about to be developed or in the very early stages of development will be assessed against them.

The department's case managers will work closely with local government PIP co-ordinators to help them continue to develop and finalise their PIPs.

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## List of acronyms

CPI	Consumer price index
DIP	Department of Infrastructure and Planning
DSS	Desired standard of service
EP	Equivalent persons
ET	Equivalent tenements
ICS	Infrastructure charges schedule
IDAS	Integrated development assessment system
IPA	<i>Integrated Planning Act 1997</i>
PFTI	Plans for trunk infrastructure
PIA	Priority infrastructure area
PIP	Priority infrastructure plan
QCA	Queensland Competition Authority
RICS	Regulated infrastructure charges schedule
RIP	Roads implementation program
SOI	Statement of intent (for Department of Main Roads)



# Terms and definitions

The definitions in the following section will help you interpret the guidelines. Definitions for statutory terms are shown as provided in the relevant Act. In some instances, these guidelines may elaborate on statutory definitions.

## **Additional trunk infrastructure costs**

(Refer to IPA sections 5.1.25 to 5.1.32.) This means the cost of supplying infrastructure to development that:

- a. is
  - inconsistent with the assumptions about the type, scale, location or timing of future development stated in the PIP, or
  - located wholly or partially outside the PIA
- b. would impose additional trunk infrastructure costs on the infrastructure provider taking into account:
  - infrastructure charges or regulated infrastructure charges levied on the development
  - trunk infrastructure supplied or to be supplied by the applicant in respect of the development.

## **Base date**

This means the date from which a local government has estimated its projected infrastructure demands and costs.

## **Charge rate**

This means the dollar rate per demand unit for the trunk infrastructure

## **Charge area**

This means the area to which a charge rate applies.

## **Demand unit**

This means the standard unit of demand that applies to each type of infrastructure to express the demand represented by different types of lots or uses.

## **Desired standard of service**

(Refer to schedule 10 of the IPA.) This means the standard of performance stated in the PIP for a network of development infrastructure.

## **Development infrastructure**

(Refer to schedule 10 of the IPA.) This means:

- a. land or works, or both land and works, for:
  - urban and rural, residential, water-cycle management infrastructure, including infrastructure for water supply, sewerage,



collecting water, treating water, stream managing, disposal of waters and flood mitigation or

- transport infrastructure, including roads, vehicle lay-bys, traffic control devices, dedicated public transport corridors, public parking facilities predominantly serving a local area, cycle ways, pathways, ferry terminals and the local function, but not any other function, of state-controlled roads or
  - public parks infrastructure supplied by a local government, including playground equipment, playing fields, courts and picnic facilities or
- b. land, and works that ensure the land is suitable for development for local community facilities, including:
- community halls or centres
  - public recreation centres
  - public libraries.

### **Establishment cost**

(Refer to schedule 10 of the IPA.) This means:

- a. the cost of preparing an infrastructure charges schedule, including the desired standards of service and plans for trunk infrastructure used to calculate the charges stated in the infrastructure charges schedule
- b. ongoing administration costs for the infrastructure charges schedule for the infrastructure
- c. for future infrastructure—all costs for the design, financing and construction of the infrastructure and for land acquisition for the infrastructure
- d. for existing infrastructure:
  - the residual financing cost of the existing infrastructure
  - the cost of reconstructing the same works using contemporary materials, techniques and technologies (current cost)
  - if the land acquisition for the infrastructure was completed after 1 January 1990—the value of the land at the time it was acquired, adjusted for inflation.

### **Infrastructure**

(Refer to schedule 10 of the IPA.) This means land, facilities services and works used for supporting economic activity and meeting environmental needs.

### **Infrastructure agreement**

(Refer to IPA section 5.2.1.) This means an agreement about payment for, or supply of, infrastructure.



### **Infrastructure charge**

This means a charge calculated for a premises for a trunk infrastructure network identified in an Infrastructure Charges Schedule.

### **Infrastructure charges notice**

(Refer to IPA section 5.1.8.) This means a notice requiring the payment of an infrastructure charge levied on premises.

### **Infrastructure charges register**

(Refer to IPA section 5.7.2.) This means a register of all infrastructure charges levied by a local government.

### **Infrastructure charges schedule**

(Refer to schedule 10 of the IPA.) This means a schedule adopted by a local government that states the following for each infrastructure network identified in the schedule:

- a. the establishment cost
- b. the proportion of the establishment cost to be funded by charges
- c. the method used by the local government to calculate the charge rate or charge rates
- d. the area or areas in which a charge applies
- e. the proportion of the establishment cost to be funded by charges, apportioned to each area in which a charge applies
- f. the estimated demand for infrastructure for each area in which a charge applies
- g. the charge rate for each area in which a charge applies
- h. the types of development to which a charge applies and
- i. how the charge to be levied on a premises must be calculated.

### **Infrastructure provider**

(Refer to schedule 10 of the IPA.) This means a local government that is the assessment manager, and supplies trunk infrastructure for development or has an agreement with another entity that supplies trunk infrastructure to the local government area.

### **Local function charge**

This means a charge a local government levies for the local function use of the state-controlled road network.

### **Non-trunk infrastructure**

(Refer to schedule 10 of the IPA.) This means development infrastructure that is not trunk infrastructure.



## **Planning assumptions**

Means that part of a priority that identifies projections of future urban growth and the assumptions of demand for each trunk infrastructure network,

## **Planning scheme**

This means the planning scheme for a local government area prepared in accordance with the IPA requirements.

## **Plans for trunk infrastructure**

(Refer to schedule 10 of the IPA.) This means the part of a priority infrastructure plan that identifies the trunk infrastructure networks that exist, or may be supplied, to service future growth in the local government's area to meet the desired standard of service stated in the plan.

## **Priority infrastructure area**

(Refer to schedule 10 of the IPA.) This means the area that:

- a. is used, or approved for use, for any or all of the following:
  - residential purposes, other than rural residential purposes
  - retail and commercial purposes
  - industrial purposes
  - community and government purposes related to a purpose mentioned above and
- b. that will accommodate at least 10 years, but not more than 15 years, of growth for any of the purposes mentioned in paragraph a above
- c. It also includes an area not mentioned above that:
  - the local government decides to include in the area and
  - is serviced by development infrastructure.

## **Priority infrastructure plan**

(Refer to schedule 10 of the IPA.) means the part of a planning scheme that:

- a. identifies the priority infrastructure area
- b. includes the plans for trunk infrastructure the local government intends to supply, or for which infrastructure charges will be levied
- c. identifies, if required by a supplier of state infrastructure with a relevant jurisdiction:
  - a statement of intent for state-controlled roads or
  - the roads implementation program under the *Transport Infrastructure Act 1994*, section 11 and
- d. states the assumptions about the type, scale, location and timing of future growth on which the plan is based



- e. states the desired standard of service for each development infrastructure network identified in the plan and
- f. includes any infrastructure charges schedule.

### **Refund agreement**

Means an infrastructure agreement that provides for a local government to refund a proportion of the cost of infrastructure provided by a developer through infrastructure charges collected from other users of the infrastructure.

### **Regulated infrastructure charge**

(Refer to IPA section 5.1.18.) This means a charge calculated for a premises for a trunk infrastructure network identified in a Regulated Infrastructure Charges Schedule

### **Regulated infrastructure charges notice**

(Refer to IPA section 5.1.18.) This is a notice requiring the payment of a regulated infrastructure charge levied on premises.

### **Regulated infrastructure charges register**

(Refer to IPA section 5.7.2.) means a register of all regulated infrastructure charges levied by a local government.

### **Regulated infrastructure charges schedule**

(Refer to IPA section 5.1.16.) means a schedule adopted by a local government that states the regulated charges for the establishment cost of trunk infrastructure in the local government's area.

### **Standard infrastructure charges schedule**

This means a schedule attached to this infrastructure guideline that includes mandatory provisions for the preparation of an infrastructure charges schedule.

### **Statement of intent**

Means a statement about the state-controlled road, including proposals for providing transport infrastructure included in the roads implementation program under the *Transport Infrastructure Act 1994*, section 11.

### **Trunk infrastructure**

Means development infrastructure that is identified in a priority infrastructure plan as trunk infrastructure.

### **Ultimate development**

Means the year in which the extent of development allowed by the planning scheme is anticipated to be achieved.



# 1 Introduction

This guideline has been prepared in accordance with the *Integrated Planning Act 1997* (IPA) and outlines how to prepare or amend an infrastructure charges schedule (ICS). It provides relevant supporting information and must be read in conjunction with IPA and the *IPA Infrastructure Guideline 1/08 Priority Infrastructure Plans*.

## 1.1 The role of the department

The Department of Infrastructure and Planning is wholly responsible for reviewing priority infrastructure plans and infrastructure charges schedules.

This includes:

- the priority infrastructure area
- reviewing the assumptions about residential and non-residential growth
- the conversion of these assumptions into demand for infrastructure
- the desired standards of service
- the appropriateness of the proposed trunk infrastructure required to service future growth.

In 2007, the IPA was amended to allow the Minister for Infrastructure and Planning to seek advice from the Queensland Competition Authority regarding any local government's proposed infrastructure charges schedule.

The minister will consider reports from the Queensland Competition Authority, the department and other state agencies.

## 1.2 QCA review

The Queensland Competition Authority is an independent statutory authority established under the *Queensland Competition Authority Act 1997* (QCA Act). It provides independent, objective advice on pricing and access to services to guide Queensland's industries and government.

When reviewing an infrastructure charges schedule, the Authority refers to IPA and IPA Infrastructure Guidelines and advises the minister on:

- the proposed establishment costs of trunk infrastructure in the infrastructure charges schedule
- how the proposed establishment costs have been apportioned to users.

The assessment does not relate to other charges, such as prices for ongoing services, which are imposed by local government. The assessment will be unsuitable for regulatory purposes, such as monopoly prices oversight or third-party access under the QCA Act. These require a more precise and detailed assessment of costs and pricing practices.



Further details of the Authority’s role are outlined in the fact sheet—*Review of infrastructure charges schedules by the Queensland Competition Authority*—available from the department.

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## 2 Preparing an infrastructure charges schedule

### 2.1 Background

An infrastructure charges schedule is part of the priority infrastructure plan, which in turn is part of the planning scheme.

Planning details that relate to the provision of trunk infrastructure—for example, desired standards of service and plans for trunk infrastructure, are contained in the main body of the PIP.

The infrastructure charges schedule:

- provides a transparent account of the establishment cost of the trunk infrastructure being charged for
- indicates when new trunk infrastructure is likely to be provided
- quantifies demand generated by existing and future users
- shows how costs will be apportioned to users through the calculation of charge rates
- states the infrastructure charge rates by charge area for each network
- shows how the infrastructure charge levied on premises will be calculated..

A suggested format for the infrastructure charges schedule is provided in Appendix 1 of this guideline.

The IPA infrastructure charging provisions are based on the following principles to ensure infrastructure charges are levied transparently, equitably and efficiently.

- Charges are limited to infrastructure that provides direct, private benefits to users.
- Charges are limited to basic and essential services and facilities where consumer choice is constrained for health and safety reasons or where compelling savings exist for long-term provision costs.
- Charges are formulated according to plans for the infrastructure's supply.
- Charges are formulated according to reasonable performance requirements (desired standards of service) for infrastructure. The design and construction standards must minimise the whole-of-life costs of supplying the infrastructure.
- Infrastructure costs must be apportioned equitably among all infrastructure users



## 2.2 Charges for state-controlled roads

A local government with a contiguous urban area of more than 60 000 people must charge for the local function use of the state-controlled road network in that area. For urban areas with fewer than 60 000 people, a local government may levy a local function charge and, if it does so, must comply with these guidelines.

See Appendix 1 for details of how charges for state-controlled roads must be addressed.

Local function is defined in two parts as follows:

Part 1—all trips that start and end, and have at least part of a trip, on a state-controlled road in the subject local government area.

Part 2—the part of trips along a state-controlled road, where one end of the trip is in an adjacent local government area, and the proportion of the number of Part 2 trips is greater than 15 per cent of the number of Part 1 trips per day.

A local government must calculate a local function charge using the same road-charging methodology used for their own roads.

The establishment cost for the local function of state-controlled roads (existing and future) is:

- the cost for a local government to build a road to accommodate only local function use
- equivalent to the local government costs of building a road to accommodate the local function use of that state-controlled road only, in accordance with the local government's desired standards of service, design requirements and construction costs.

Local function charges must only recover the (local equivalent) cost of the actual capacity of state-controlled roads consumed by new development.

The following must not be included in the local function charge for a state-controlled road:

- the state function of the state-controlled road network
- the land for the existing, state-controlled road network
- the proportion of toll revenue allocated to capital (construction) and redemption costs.

## 2.3 Establishment costs

An infrastructure charge may only be levied for the establishment cost of a trunk infrastructure network identified in the priority infrastructure plan (see IPA section 5.1.7).



### 2.3.1 Definition of establishment costs

Establishment costs for infrastructure include (see IPA schedule 10):

- the cost of preparing an infrastructure charges schedule, including the desired standards of service and plans for trunk infrastructure used to calculate the charges stated in the infrastructure charges schedule
- ongoing administration costs for the infrastructure charges schedule
- for future infrastructure—all costs for designing, financing and constructing the infrastructure and acquiring land for the infrastructure
- for existing infrastructure:
  - the residual financing cost of the infrastructure
  - the cost of reconstructing the same works using contemporary materials, techniques and technologies (current cost)
  - if the land acquisition for the infrastructure was completed after 1 January 1990—the value of the land at the time it was acquired, adjusted for inflation.

### 2.3.2 Calculating establishment costs

The following apply when calculating establishment costs:

- Ongoing administration costs are the costs associated with preparing, maintaining and administering infrastructure charges schedules, such as updating charges schedules, maintaining the infrastructure charges register and issuing charge notices. These also include costs associated with preparing and maintaining plans for trunk infrastructure and determining the desired standards of services.
- The costs of preparing and administering priority infrastructure plans and infrastructure charges schedule must not exceed 2 per cent of the establishment cost unless justified and approved by the department.
- Land acquisition costs are the costs of acquiring land for trunk infrastructure. This must not include land gifted to local government but may include land contributed in lieu of a charge or as a condition of development approval as previously allowed prior to adoption of a priority infrastructure plan.
- For calculating the current value of previously purchased land, the original purchase price is to be indexed using the Consumer Price Index (all groups, City of Brisbane or weighted average). For future land acquisition values, other indices can be used or developed in accordance with these guidelines.
- Design and construction costs must be estimated based on standards that the local government would apply if it were constructing the infrastructure itself. In applying these standards, the local government should minimise the whole-of-life costs of supplying the infrastructure.
- The existing network must be valued at current cost. This assumes that appropriate asset maintenance and replacement programs are in place and



that the network is in ‘as new’ condition, having been kept that way by ongoing funding from business activity charges or local government rates. It follows that infrastructure charges must not be levied for the cost of works if they are required to rehabilitate, maintain or replace aged or obsolete components of the trunk infrastructure network. Where additional capacity is being provided as part of the rehabilitation, only the cost of that additional capacity may be funded through infrastructure charges.

### 2.3.3 Standard infrastructure charges schedule

See Appendix 2 for mandatory provisions on what may be included in the establishment cost of trunk infrastructure.

## 2.4 Proportion of establishment cost funded by charge

Infrastructure charges fund a proportion of the establishment costs associated with providing trunk infrastructure.

The following apply when estimating the proportion of the establishment cost to be funded by an infrastructure charge (see IPA section 5.1.6):

- The costs of supplying development infrastructure to external users must not be transferred to other users via infrastructure charges. These funds must be sourced from revenue other than infrastructure charges.
- Grants and subsidies received or known to be receivable in the future at the time the infrastructure charges schedule was made, must be removed from the proportion of the establishment cost funded by charges. However, if a grant or subsidy is later received that was not anticipated when the infrastructure charges schedule was made, it is considered a windfall benefit to the community. Administrative difficulties would usually prevent these charges being refunded.
- Toll revenue allocated to capital (construction) and redemption costs, must be removed from the proportion of the establishment cost funded by charges.

In addition, a local government may decide to recover a smaller proportion of the establishment cost through infrastructure charges. Where this is the case, this proportion must be funded through recurrent revenue such as local government rates. A local government must identify in the infrastructure charges schedule the proportion of the establishment cost it intends to recover through infrastructure charges.

## 2.5 Area in which charge applies

Infrastructure charges may apply to all or part of a local government area. The area covered by a charge will be determined by the extent to which the local government area is serviced by trunk infrastructure and the cost recovery objectives of local government.



## 2.6 Who must pay infrastructure charges

An infrastructure charges schedule must state which types of lots or uses—for example residential, commercial, industrial—are liable for infrastructure charges. The infrastructure charges schedule must state how the charge must be calculated for various lot or use types in each charge area (see IPA section 5.1.6). A detailed explanation of the various charge rates must be included in the supporting material.

### 2.6.1 Demand units

An infrastructure charges schedule must identify the standard demand units for the various infrastructure types and provide equivalence tables that show how many demand units are expected to be generated by each lot or use type.

Infrastructure demand for residential and non-residential uses should be expressed using demand units such as:

- water and sewerage—demand generated per equivalent person (EP) or equivalent tenement (ET) per day
- transport—number of trips generated per day, or other unit of demand determined by the local government
- stormwater quantity—the fraction of impervious area
- stormwater quality—the area of development by type and resulting pollutant load
- public parks and land for community facilities—number of people.

The equivalence tables included in the infrastructure charges schedule should express the demand expected to be generated by a certain lot or use type as a number of demand units per dwelling, per hectare of developable land, per floor area for non-residential uses or other relevant measure. These tables are used to assess the impact of development and to calculate infrastructure charges levied on development.

### 2.6.2 Infrastructure charge rate

The charge (rate) for each infrastructure type in each charge area (catchment) must be stated in the infrastructure charges schedule as a monetary amount per demand unit (e.g. cost per EP), with the value determined in the base year. This must also be stated in the local government's infrastructure charges register.

The infrastructure charges schedule must identify the method for indexing the charge (rate) and the indices used to set the increased amounts for the charge rates. Local government can regularly apply relevant indices to the value of the charge rates in the infrastructure charges register to account for inflation.



## 2.7 Apportioning costs

### 2.7.1 What is fair apportionment?

The IPA states that an infrastructure charge must not amount to more than the establishment cost of the trunk infrastructure network (identified in the priority infrastructure plan) that can be reasonably apportioned to the premises charged for.

This takes into account:

- the usage the premises or
- the capacity of the network allocated to the premises (see IPA section 5.1.7).

### 2.7.2 Costs to be apportioned equitably

The costs of trunk infrastructure networks must be shared equitably among all users who benefit or stand to benefit from the infrastructure. This ensures that development collectively contributes to the establishment cost of trunk infrastructure and that developments that trigger the need for additional network capacity are not required pay more than their share.

Infrastructure charges are levied according to the estimated benefit that a user derives from a trunk infrastructure network. This beneficial relationship must be quantified and is best done by grouping users into areas of benefit. This can be achieved by determining those areas where the cost of providing infrastructure to users is similar. In the first instance, service catchments may provide an appropriate area within which the costs of infrastructure can be reasonably apportioned to the users of the infrastructure.

While a local government may want to define a large number of charge areas to more accurately reflect costs, it must also consider how it would administer charges.

Too many charge areas makes administration difficult. Too few charge areas leads to unacceptable cross-subsidisation, so that the charges levied on a particular development don't accurately reflect the true cost of servicing development in that location.

For this reason, a local government may combine service catchments when calculating its charge rates. To assist local government with this task, the standard infrastructure charges schedule prescribes a maximum number of charge areas.

Unless otherwise justified to, and approved by, the department, the following conditions apply:

- For urban areas with an ultimate planned population less than 100 000, the maximum number of charge areas per network should be 10.
- For urban areas with an ultimate planned population of between 100 000 and 200 000, an additional charge area may be added for each 12 500 of the population or part thereof beyond 100 000.



- For urban areas with an ultimate planned population in excess of 200 000, one charge area may be added for each increase in population of 20 000 or part thereof.

Where combining service catchments to form one charge area, a guiding principle should be to combine areas of similar cost to reflect an appropriate apportionment of cost.

Charge areas may extend across all or part of a local government's area, depending on the extent of the area serviced by the infrastructure network (see IPA section 5.1.6). Hence an infrastructure charge may also apply to areas outside the priority infrastructure area.

### 2.7.3 Open and closed networks

Development infrastructure networks may be categorised as either open or closed networks.

#### Open networks

Open networks, by definition, have some external users that cannot practically be levied an infrastructure charge.

Open network users have varying levels of access. Some users will originate from outside the local government area. Most transport and community land networks are open networks.

The proportion of external usage must be taken into account when calculating infrastructure charge rates for open networks. The costs of external usage may not be transferred to other infrastructure charge recipients, as internal users should not pay more than their share.

#### Closed networks

Closed networks serve a more clearly defined area with an identified group of users who have full access to the service. Others cannot usually access the network. It is equitable to apportion the full cost of these closed trunk infrastructure networks to the infrastructure charge recipients.

Water supply, sewerage and stormwater management systems are typical closed networks, as users either have full or no access to the service.

Infrastructure networks that service discrete neighbourhoods, such as parks or land for neighbourhood facilities (if identified as trunk infrastructure in the priority infrastructure plan), may also be closed networks because external use, though possible, is unlikely to be significant.



## 2.7.4 Where network capacity exceeds demand

Costs may be apportioned on the basis of allocated capacity to each premises rather than estimated use if, unavoidably, more capacity has to be provided than demanded and if apportioning by estimated use would result in under-recovery of costs<sup>1</sup>.

Capacity should only be apportioned in the above manner if there is no prospect of it ever being fully utilised in the future.

## 2.7.5 Steps for apportioning cost

The following steps must be followed for each trunk infrastructure network to ensure that the establishment cost is apportioned appropriately:

- Define charge areas based on catchments serviced by the infrastructure network.
- Establish the existing demand and estimate the future demand for each charge area over time up to ultimate development for the lots and user groups expressed in the relevant demand units.
- Identify and value existing and future trunk infrastructure items that will provide the desired standards of service, including all other establishment costs allowed under IPA.
- Identify whether infrastructure and related costs are directly attributable (used only by one charge area or one user group) or common (used by more than one charge area or user group):
  - Allocate directly attributable costs to corresponding catchments and/or user groups.
  - Allocate common costs to charge areas and/or user groups based on their respective share of common demand.
  - Calculate the infrastructure charge rates for each charge area using the following methodology:

Infrastructure charge rate (\$/demand unit) =

$$\frac{\text{Establishment cost of existing infrastructure} + \text{NPV of future infrastructure}}{\text{Existing demand} + \text{NPV of future demand}}$$

## 2.7.6 Discounted cash flow

A local government must apply a discounted cash-flow methodology to calculate an infrastructure charge rate identified within an infrastructure charges schedule.

Only infrastructure identified as trunk in the priority infrastructure plan can be included in the calculation of a charge rate.

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<sup>1</sup> See *Integrated Planning Act 1997*, section 5.1.7(1)(b)(ii)



Local government should ensure that the discount rate falls within the range of rates set by the Department of Local Government, Sport and Recreation in its *Local Government Bulletin Update on National Competition Policy Issues 06/01*. Refer to Appendix 2.

The local government should apply the indicative premiums to the 10-year bond rate that applies in the base year nominated by the local government for assessment of its infrastructure charges schedule.

The bulletin allows a local government to undertake its own analysis to estimate appropriate, alternative capital structures and/or rates of return on capital. If a local government chooses to apply alternative rates, they must be approved by the Queensland Competition Authority.

### **2.7.7 Double dipping**

When a local government calculates a charge rate for a network, or levies an infrastructure charge on premises, it must not double-dip. This will ensure that the costs for a certain benefit are only recovered once from a specific user.

For example, a stormwater drain already accounted for in the road network, should not be included again in costs for the stormwater network.

Similarly, where the cost of infrastructure is being recovered through recurrent revenue such as local government rates, infrastructure charges must not be levied to recover the cost of that same infrastructure.

### **2.7.8 Under-recovery and over-recovery**

The establishment cost for infrastructure should be estimated based on the best available knowledge at the time.

There will be variations between estimates of infrastructure costs at the planning stage compared with the actual costs at the time of supply. Often this will balance out.

It is important that local governments continually monitor differences between estimated costs and actual costs. Where persistent over recovery is evident, measures must be taken to recalculate the charge rates based on more accurate estimates of cost. If persistent under recovery is occurring, a similar process may be undertaken to ensure that the full cost of infrastructure is being recovered.

The local government must not retrospectively recover any under recovery from users who have already paid. Equally, if the estimated costs are higher than the actual costs, the local government may retain the balance to use in the same infrastructure network.

To compensate for the effect of inflation local governments are allowed to regularly update their charge rates by applying an appropriate index.



### 2.7.9 Methodology must be clear and comprehensive

The infrastructure charges schedule must specify the methodology used by the local government to calculate the charge rate and provide sufficient information for a non-expert to calculate the charge rate.

Aggregated information is acceptable but, if used, supporting documentation must be available to explain how the information has been compiled. The infrastructure charges schedule must reference this supporting documentation. This information is important explanatory material and must be available for public inspection and referenced together with the infrastructure charges schedule.

The supporting material is not usually included in the infrastructure charges schedule. However, it must be referenced and identified in the infrastructure charges schedule as extrinsic material under section 15 of the *Statutory Instruments Act 1992*.

### 2.7.10 Specific requirements for supporting information

The local government must provide details in supporting material about the establishment cost of trunk infrastructure and the basis for infrastructure charges, including:

- a breakdown of costs associated with the preparation and ongoing administration of the infrastructure charges schedule
- costs of existing and future trunk infrastructure, showing a breakdown of construction costs, design and supervision and contingency costs. The information should be provided in a table for each charge area within each network. For future infrastructure, information should be included that allows the location of the infrastructure to be found on a map. The year that the infrastructure will be constructed should also be shown
- a detailed explanation of the method used to apportion establishment costs across charge areas.
- parameters used to discount cash flows, including the base date, the date of estimates, an explanation of how estimates are rolled forward and the discount rate
- the proportion of the establishment cost for each network recovered using infrastructure charges
- the proportion of the establishment cost for each network attributable to external users
- details of relevant grants or subsidies to trunk infrastructure and their treatment in infrastructure charges
- a copy of any spreadsheet or model that shows the formulae used to calculate charges, and any supporting documentation.

Where possible, the supporting material must be available in electronic (PDF) format.



Copies of the same documents must also be available in the original electronic format (Microsoft Word or Excel) to allow the state to analyse the data.

## 2.8 Credits, offsets and agreements

### 2.8.1 Credits

A local government is responsible for planning and providing trunk infrastructure to service increased demand, and may levy charges accordingly.

It follows that when calculating an infrastructure charge, the existing demand generated by the lawful use of premises must be recognised.

To give effect to this, a local government must grant a credit for the lawful use of premises that consumes capacity in a network.

For example, a development application to replace an existing detached dwelling with two detached dwellings on an existing serviced premises must be given a credit for the demand generated by the existing dwelling. The charge to be paid would reflect the additional demand generated by the extra dwelling.

A local government must also grant a credit where an earlier lawful use has provided land, works or made a monetary contribution towards the cost of supplying trunk infrastructure.

Where the use of serviced residential land has not commenced, the land must be taken to have a lawful use for a single detached dwelling for the purpose of calculating credits.

For each charge levied for an infrastructure network, the local government must account for the number of credits granted and this must be expressed as a number of demand units—for example, EPs, ETs or trips,. This should be recorded in the infrastructure charges register and will be adjusted for inflation as infrastructure charges are adjusted.

### 2.8.2 Offsets

Section 5.1.24 of IPA provides that a local government may impose conditions for necessary trunk infrastructure identified in the priority infrastructure plan.

Where a condition is imposed that requires the supply of necessary trunk infrastructure, the value of the infrastructure is to be converted into a number of demand units and offset against the infrastructure charges.

If the value of the infrastructure provided by the developer is more than the infrastructure charge, the local government must refund the difference to the developer on terms agreed with the infrastructure provider—for example, through an infrastructure agreement.



### 2.8.3 Infrastructure agreements

The infrastructure provider and the developer may enter into a written agreement to provide the infrastructure (land and/or works) instead of paying all or part of the charge (see IPA section 5.1.12). The agreement must comply with the following:

- The agreement must specify the value of the infrastructure provided within each network by the developer.
- For each network, the infrastructure's value must be converted into a number of demand units and offset against the infrastructure charge levied for that development.
- If the value of the infrastructure provided by the developer is less than the infrastructure charge, the developer must pay the balance as infrastructure charges to the local government.
- If the value of the infrastructure provided by the developer is more than the infrastructure charge, the local government must refund the difference to the developer.

## 2.9 Charges for inconsistent development

The priority infrastructure plan identifies the priority infrastructure area and the planning assumptions about the type, scale, location and timing of future development. If development applications are completely or partly outside the priority infrastructure area or inconsistent with the planning assumptions, the local government may impose conditions for additional trunk infrastructure costs (see IPA sections 5.1.25, 5.1.26 and 5.1.27).

## 2.10 Subsidies for particular lots or uses

If a local government wishes to provide opportunity to subsidise certain lots or uses from paying infrastructure charges, it must identify those lots or uses in the infrastructure charges schedule.

If a local government subsidises a lot or use from infrastructure charges, the amount of the subsidy must be recorded in the infrastructure charges register as a payment to be made by the local government and funded from a source other than infrastructure charges.



## 3 Other matters

### 3.1 Infrastructure charges schedule review

An infrastructure charges schedule is part of the priority infrastructure plan, which in turn is part of the planning scheme. Accordingly, local governments responsible for the former local government areas identified in Schedule 3 of the Integrated Planning Regulation 1998 must undertake a review of the infrastructure charges schedules for these former local government areas at least once every four years.

However, local governments should manage each infrastructure charges schedule as a ‘rolling’ program to monitor variations in costs and demand. Adjustments are implemented to reflect the most current information when the priority infrastructure plan and its infrastructure charges schedule are reviewed.

A local government responsible for an area that is not experiencing significant growth—that is, one not listed in Schedule 3 of the Integrated Planning Regulation 1998—does not have to review that priority infrastructure plan and associated infrastructure charges schedule during the life of the planning scheme. In these cases, the local government must review its infrastructure charges schedule when the planning scheme itself is reviewed.

However, as is the case for high-growth local governments, it is recommended that a moderately or slower growing local government should manage its infrastructure charges schedule as a ‘rolling’ program.

### 3.2 Planning and development certificates

Infrastructure charges are, for the purpose of recovery, taken to be a rate within the meaning of the *Local Government Act 1993*. This means they are a charge over the land. Liability for unpaid charges will transfer with the ownership of the land (see IPA section 5.1.14).

The IPA states that standard and full (not limited) planning and development certificates must contain information recorded for the premises in the infrastructure charges register or regulated infrastructure charges register. This information includes the amount of any infrastructure charge owing on the land (see IPA sections 5.7.9 and 5.7.10).

Not all searches will be for standard planning and development certificates. Considering the implications for developers or current and future land owners, local governments are encouraged to include information regarding liability for infrastructure charges in all property-related searches.



## 3.3 Accountability

Charges collected for a network must be used to provide infrastructure for the same network. A local government must keep appropriate financial accounts to demonstrate this.

## 3.4 Council business systems

A local government must implement business systems to ensure that it calculates, levies, receives, manages and expends infrastructure charges in a manner consistent with IPA and other relevant local government acts.

A local government is not required to hold infrastructure charges levied and collected in trust (see IPA 5.1.11).

### 3.4.1 Infrastructure charges register

Section 5.7.2 (3) of IPA requires a local government to establish and maintain an infrastructure charges register or regulated infrastructure charges register that includes the following for each charge levied:

- the amount of a charge unit determined by the local government under section 5.1.6(3) (for the infrastructure charges register)
- the real property description of the land to which the charge applies
- the schedule under which the charge is levied
- the amount of the charge levied
- the unpaid amount of the charge
- the number of demand units charged for
- the approval reference number and the date the approval lapses (if the charge is levied as a result of a development approval)
- details of any infrastructure still to be provided (if infrastructure is to be provided instead of paying a charge).

In addition to the above mentioned items, the infrastructure charges register or regulated infrastructure charges schedule and associated business systems should also account for the following related items and have them available for public information and inspection:

- if a local government exempts or subsidises a lot or use, the amount of the exemption or subsidy must be recorded in the infrastructure charges register as a payment to be made by the local government and funded from a source other than infrastructure charges
- separate accounting for charges recovered for the local function of state-controlled roads
- the relevant index used to increase the charge rates for each infrastructure network to account for inflation



- the charge rates for each charge area for each infrastructure network, stated as a monetary amount per demand unit, as they applied from the base date up to the present
- the value of any trunk infrastructure (land and/or works) that the developer is providing and the number of demand units represented by it, that will be offset against the charge (for each infrastructure charge levied)
- all infrastructure agreements relating to the provision of trunk infrastructure.

### **3.4.2 Degree of detail**

The degree of detail contained in an infrastructure charges schedule must be commensurate with:

- the complexity of the trunk infrastructure network
- the complexity of the development environment within which the charges schedule will function
- the scale and complexity of the financial undertakings addressed in the schedule.

### **3.4.3 Infrastructure charges notice**

Local governments are encouraged to include advice in the infrastructure charges notice about appeal rights.



# Appendix 1—Proposed outline for infrastructure charges schedule template

## Infrastructure charges schedule

- Purpose
- Networks for which infrastructure charges may be levied
- Development subject to infrastructure charges
- Calculation of infrastructure charges
- Calculation of demand (D)
- Calculation of demand credit (DC)
- Calculation of demand offset (DO)
- Applying the charge rate (CR)
- Indexation of charge rate
- Infrastructure charges subsidies
- Time of payment of infrastructure charges
- Alternatives to paying infrastructure charges

## Water Supply Network

- Charge areas
- Establishment cost
- Projected demand
- Cost apportionment
- Charge rates
- Demand generation rates

## Sewerage Network

- Charge areas
- Establishment cost
- Projected demand
- Cost apportionment
- Charge rates
- Demand generation rates

## Stormwater Network

- Charge areas
- Establishment cost
- Projected demand



- Cost apportionment
- Charge rates
- Demand generation rates

### **Transport Network**

- Charge areas
- Establishment cost
- Projected demand
- Cost apportionment
- Charge rates
- Demand generation rates

### **Public Parks and Community Land Network**

- Charge areas
- Establishment cost
- Projected demand
- Cost apportionment
- Charge rates
- Demand generation rates



# Appendix 2—Standard Infrastructure Charges Schedule

## Objective

The objective of the Queensland Government is to ensure sustainable infrastructure planning, charging and delivery at an affordable cost to support Queensland's economic and social growth.

The aim of the standard infrastructure charges schedule is to provide clarity, transparency and equity about what can and cannot be charged for in a local government priority infrastructure plan (PIP).

This schedule is part of the Infrastructure Charges Schedule Guideline 2/o8 which is referenced under the Integrated Planning Regulation 1997. Where a conflict occurs between this schedule and another section of guideline 2/o8 or guideline 1/o8, this schedule prevails.

## Introduction

### Application

This schedule applies to the following local governments which are required to put in place PIPs for their major urban areas, as well as other local government PIPs that adopt an infrastructure charges schedule (ICS):

- Brisbane City Council
- Bundaberg Regional Council
- Cairns Regional Council
- Fraser Coast Regional Council
- Gladstone Regional Council
- Gold Coast City Council
- Ipswich City Council
- Logan City Council
- Mackay Regional Council
- Moreton Bay Regional Council
- Redland City Council
- Rockhampton Regional Council
- Sunshine Coast Regional Council



- Toowoomba Regional Council
- Townsville City Council.

This schedule does not apply to slower-growing or medium-growth local governments that adopt a PIP to which a regulated infrastructure charges schedule will be attached. Nor will it apply to those local governments that do not intend to levy any infrastructure charges for consistent development.

## Intent

The sustainable delivery of infrastructure requires a balance between community expectations concerning the quality and extent of infrastructure and the level of investment that the community and industry can support.

This schedule, in conjunction with the *Integrated Planning Act 1997* (IPA) and the IPA Infrastructure Guidelines 1/08 and 2/08, will ensure that this balance is achieved by local governments in their development of priority infrastructure plans and associated infrastructure charges schedules.

This schedule is not intended to alter existing infrastructure agreements between local governments and industry, nor to constrain planning in declared master-planned areas or major development areas.

## Mandatory requirements

All PIPs that use an infrastructure charges schedule (ICS) must comply with this schedule.

## Priority infrastructure plan structure and format

All PIPs must apply the following structure:

- 1 Preliminary
- 2 Planning assumptions
- 3 Priority infrastructure area
- 4 Desired standards of service
- 5 Plans for trunk infrastructure
- 6 Infrastructure charges schedules.

Key parameters for each infrastructure network must be contained in the body of the PIP, so that the contents of the plan can be understood without referring to extrinsic material.



## Standards of service

### Water

In Queensland, priority infrastructure plans and infrastructure charges schedules must be consistent with the Queensland Development Code and regional water supply strategies.

In South East Queensland, they must also be consistent with the South East Queensland Water Strategy, the Regional Water Security Program and regional consumption targets.

For regions outside South East Queensland, PIPs and ICS must be consistent with Queensland Government approved regional water supply strategies and any other water consumption targets prescribed by the government. The General Manager, Water Industry Regulation, Department of Natural Resources and Water, can provide advice on these.

Water infrastructure planning must also consider conversion factors for residential and non-residential demand, peak demand, pressure and fire fighting provisions.

### Sewerage

As for water, the similar and relevant planning parameters for the sewerage network apply.

### Stormwater

The stormwater network (as with all networks) must have an appropriate level of planning completed before items are costed within the ICS. This must, at a minimum, be based on sketch plans for trunk infrastructure.

### Transport

Maximum generated trips for land uses are to be calculated using best practice industry standards.

### Parks and land for community purposes

The chargeable rate of provision for land for public parks and community purposes is limited to a maximum of 4.8 hectares per 1000 people. The 4.8 hectares must be a proportional representation of all parks and land for community purposes identified in the plans for trunk infrastructure. Local government may provide more land where it is funded from sources other than infrastructure charges levied under a PIP.

### Planning for realistic yields

Local governments must plan trunk infrastructure to service the realistic scale of development (yield) that can be achieved on premises. It is not always practical to achieve the potential scale of development shown within the planning scheme. This can be due to a range of physical constraints such as slope, ecologically significant



vegetation, flooding and existing infrastructure. Other requirements of the planning scheme such as setbacks, height and car parking will also affect the scale of development that can realistically be achieved on premises.

Local governments must consider area impacts. The likely extent of redevelopment in 'brownfield' areas during the planning period of the PIP must be considered and infrastructure capacity limited to the extent of development that can be realistically achieved within the foreseeable future.

Local government must take account of the potential impact of site and area constraints to ensure that the PIP is based on realistic planning assumptions regarding the potential scale of development on premises. This will mean that there is less chance of an oversupply of trunk infrastructure under the PIP.

## Standard inclusions and exclusions for trunk infrastructure

### General principles

- 4 Infrastructure charges may only be levied for development infrastructure that is trunk infrastructure.
- 5 Development infrastructure is defined in the IPA and includes water supply, sewerage, stormwater, transport and parks and land for community purposes.
- 6 Non-trunk infrastructure is generally internal to a development or connected to trunk infrastructure and is provided by the developer. Trunk infrastructure is shared between developments.
- 7 Councils may only levy a charge for trunk infrastructure that has been identified in a PIP and ICS.



**Table 1: Standard inclusions and exclusions for trunk infrastructure charges**

This list is not exhaustive. The listed items should be used as a guide to determine if other items should be included or excluded from an infrastructure charge.

Network	Inclusions for infrastructure charges	Exclusions for infrastructure charges
<b>Water</b>		
Water supply	<ul style="list-style-type: none"> <li>• water treatment and recycling facilities</li> <li>• water sources including dams, bores, desalination facilities</li> <li>• pump stations</li> <li>• telemetry systems</li> <li>• reservoirs and other storage facilities</li> <li>• trunk mains and associated fittings (including dual reticulation) fire fighting devices</li> </ul>	<ul style="list-style-type: none"> <li>• non-trunk infrastructure internal to a development or to connect to trunk infrastructure and provided by developer</li> </ul>
<b>Sewerage</b>		
Sewerage	<ul style="list-style-type: none"> <li>• sewerage treatment facility</li> <li>• sewer release systems</li> <li>• manholes</li> <li>• telemetry systems</li> <li>• pump stations</li> <li>• trunk mains and associated fittings</li> <li>• non-trunk infrastructure internal to a development or to connect to trunk infrastructure and provided by developer</li> </ul>	<ul style="list-style-type: none"> <li>• non-trunk infrastructure internal to a development or to connect to trunk infrastructure and provided by developer</li> </ul>
<b>Stormwater</b>		
Stormwater quantity	<ul style="list-style-type: none"> <li>• pipes, box culverts, manholes, inlets and outlets</li> <li>• detention and retention facilities</li> <li>• channels and overland flow paths (natural and constructed)</li> <li>• bank stabilisation, erosion</li> </ul>	<ul style="list-style-type: none"> <li>• pipes, box culverts, manholes, inlets and outlets</li> <li>• detention and retention facilities</li> <li>• channels and overland flow paths (natural and constructed)</li> <li>• bank stabilisation, erosion</li> </ul>



Network	Inclusions for infrastructure charges	Exclusions for infrastructure charges
	<p>protection and revegetation (only as a direct result of an increase in demand)</p>	<p>protection and revegetation (only as a direct result of an increase in demand)</p>
Stormwater quality	<ul style="list-style-type: none"> <li>• riparian corridors</li> <li>• wetlands</li> <li>• gross pollutant traps (GPTs)</li> <li>• stormwater Quality Improvement Devices (SQIDs)</li> <li>• bio-retention facilities</li> </ul>	<ul style="list-style-type: none"> <li>• non-trunk infrastructure internal to a development or to connect to trunk infrastructure and provided by developer</li> <li>• privately-owned riparian areas</li> </ul>
<b>Transport</b>		
Roads	<ul style="list-style-type: none"> <li>• collector and higher order roads predominately serving a network function</li> <li>• road crossings (bridges and culverts) on collector roads or higher order roads</li> <li>• standard items associated with the road profile including kerb and channel, lighting, signage, intersections, roundabouts, traffic lights, on-road cycle lanes, foot and cycle paths on the shoulder, basic verge revegetation including shade trees, turf and local drainage</li> </ul>	<ul style="list-style-type: none"> <li>• non-trunk infrastructure internal to a development or to connect to trunk infrastructure and provided by developer</li> <li>• access places, access streets</li> <li>• street scaping</li> <li>• local area traffic management on access places and streets (internal infrastructure)</li> </ul>
State-controlled roads	<ul style="list-style-type: none"> <li>• the local function of state-controlled roads</li> </ul>	<ul style="list-style-type: none"> <li>• the state function of the state-controlled road network</li> <li>• land for the existing state-controlled road network</li> </ul>
Public transport	<ul style="list-style-type: none"> <li>• dedicated public transport corridors and associated infrastructure</li> <li>• ferry terminals</li> <li>• bus stops, signs and shelters</li> </ul>	
Footpaths and	<ul style="list-style-type: none"> <li>• standard items associated</li> </ul>	<ul style="list-style-type: none"> <li>• non-trunk infrastructure</li> </ul>



Network	Inclusions for infrastructure charges	Exclusions for infrastructure charges
cycle ways	with the construction of these including culverts and bridges, lighting, directional and information signage, surface marking	internal to a development or to connect to trunk infrastructure and provided by developer
<b>Land for community purposes</b>		
Land for community purposes	<ul style="list-style-type: none"> <li>• land only for community facilities which allow public access, not restricted by membership, for purposes such as youth centres, senior citizens centre/meeting halls, council chambers, neighbourhood centres, meeting halls libraries, performing arts centres, museums, art galleries, community centres, swimming pools</li> <li>• works associated with the clearing of land and connection to services</li> </ul>	<ul style="list-style-type: none"> <li>• any land for facilities not controlled by a local government</li> <li>• any land for facilities that has a predominant commercial activity, for example a kiosk</li> <li>• all land gifted to Council</li> <li>• state forestry areas</li> <li>• national park areas</li> <li>• works and associated site works to make the land suitable for building purposes</li> </ul>
<b>Public parks infrastructure—land and embellishments</b>		
	<ul style="list-style-type: none"> <li>• parks for formal and informal recreation and sporting purposes.</li> <li>• park embellishments including:               <ul style="list-style-type: none"> <li>• public amenities</li> <li>• shade structures</li> <li>• playgrounds, soft fall, safety fencing</li> <li>• bollards</li> <li>• dog off-leash areas</li> <li>• retaining walls</li> <li>• access roads and on-site car parks</li> <li>• footpaths and cycle ways</li> <li>• lighting</li> <li>• drink bubblers and taps</li> <li>• picnic tables</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• all land gifted to council</li> <li>• state forestry areas</li> <li>• national parks</li> <li>• bushland and environmental areas (areas of these for primary park purposes can be included)</li> <li>• caravan parks/camping areas</li> <li>• parkland that is dedicated as road</li> <li>• club houses and other buildings</li> <li>• kiosk</li> <li>• areas where general public entry is limited</li> <li>• sport facilities not open to</li> </ul>



Network	Inclusions for infrastructure charges	Exclusions for infrastructure charges
	<ul style="list-style-type: none"> <li>• beach showers</li> <li>• all land gifted to council</li> <li>• state forestry areas</li> <li>• national parks</li> <li>• bushland and environmental areas (areas of these for primary park purposes can be included)</li> <li>• caravan parks/camping areas</li> <li>• parkland that is dedicated as road</li> <li>• club houses and other buildings</li> <li>• kiosk</li> <li>• areas where general public entry is limited</li> <li>• sport facilities not open to the public</li> </ul>	<ul style="list-style-type: none"> <li>the public</li> <li>• line marking</li> <li>• turf and irrigation (of sporting fields)</li> <li>• barbeques</li> <li>• skate bowl</li> <li>• boat ramps and fishing platforms—built by council and open to the public</li> <li>• sporting facilities—goal posts, soccer nets, netball posts, half-courts, basic spectator seating—bike racks</li> <li>• signage</li> <li>• provision of services (eg. water, power)</li> <li>• land contributed in lieu of payment of infrastructure charges</li> </ul>



## Charges

### Discounted cash flow

Local governments must apply a discounted cash flow methodology in the calculation of infrastructure charges shown within an ICS.

Guidance on the rate of return is provided in the *Local Government Bulletin Update on National Competition Policy Issues 06/01* (see Figure 1). The 10-year bond rate applying at any point in time can be obtained from the Reserve Bank of Australia's website at [www.rba.gov.au](http://www.rba.gov.au)

#### Figure 1. Rate of Return

##### *Small- to medium-sized businesses*

The guide suggests that for small to medium businesses the rate of return on assets may be taken to be 3.5 per cent over the 10-year bond rate.

##### *Larger businesses*

The guide suggests that, for larger businesses, councils should determine the rate of return on assets using the Weighted Average Cost of Capital and the Capital Asset Pricing Models. The bulletin suggests the following asset betas and post tax nominal premiums to be added to the 10-year bond rate (per cent).

<u>Business activity</u>	<u>Asset betas</u>	<u>Post tax nominal premium to 10-year bond rate (per cent)</u>
Water and sewerage	0.35 to 0.45	2.1 to 2.7
Refuse management	0.39 to 0.49	2.3 to 2.9
Plant and equipment hire	0.40 to 0.51	2.4 to 3.0
Road construction and maintenance	0.42 to 0.52	2.5 to 3.1
Cultural/Recreation/Leisure	0.45 to 0.55	2.7 to 3.3

Source: *Local Government Bulletin Update on National Competition Policy Issues 06/01*

### Establishment costs

The costs for preparing and for the ongoing administration of PIPs and ICSs should not exceed 2 per cent of the total establishment cost, unless justified to the Queensland Competition Authority and Department of Infrastructure and Planning and approved by the department.

All existing assets must be valued at current cost.

### Apportionment

The cost of each network must be shared reasonably among all users—that is, the different sectors or types of development.



The cost of supplying development infrastructure to non-paying users must not be transferred to other users via infrastructure charges.

The following must be excluded from the calculation of establishment cost:

- grants and subsidies received to construct existing infrastructure
- known future grants and subsidies to construct future infrastructure
- the proportion of toll revenue allocated towards construction cost.

## Charge areas

Too many charge areas makes administration difficult. Too few charge areas leads to unacceptable cross-subsidisation, so that the charges levied on a particular development don't accurately reflect the true cost of servicing development in that location.

Therefore, a balance is required. Unless otherwise justified to the Department of Infrastructure and Planning and approved by the department, the following must apply:

- For urban areas with an ultimate planned population less than 100 000, the maximum of charge areas per network should be 10.
- For urban areas with an ultimate planned population of between 100 000 and 200 000, an additional charge area may be added for each 12 500 of the population or part thereof beyond 100 000.
- For urban areas with an ultimate planned population in excess of 200 000, one charge area may be added for each increase in population of 20 000 or part thereof.

## Charging for the local function of state-controlled roads

Local governments with a contiguous major urban area with an existing population of more than 60 000 people are required to charge for the local function use of the state-controlled road network in that area. Local governments may choose to charge for the local function use of the state-controlled network in smaller urban areas. The definition of 'local function' is:

- Part 1—includes all trips which start and end, and at least have part of the trip on a state-controlled road in the subject local government area.
- Part 2—the parts of trips along a state-controlled road, where the one end of the trip is in an adjacent local government area, and the proportion of the number of Part 2 trips is greater than 15 per cent of the number of Part 1 trips per day.

Local governments must calculate a local function charge using the same road charging methodology used for their roads. The land component of existing state controlled roads must be excluded from the charge. The establishment cost for the local function of a state-controlled road (existing and future) is to be calculated as equivalent to the local government costs to build a road to accommodate the local function use of that state-controlled road only. This should be based on the local government's desired standard of service, design requirements and construction costs.



Local function charges are only to recover the local equivalent cost of actual capacity of state-controlled roads consumed by new development. Local function charges are administered by local government and must be used to ameliorate the affect of local users on state-controlled roads. This can be achieved by delivering works on either local government roads or state-controlled roads in negotiation with the Department of Main Roads. These works must be identified in the plans for trunk infrastructure and associated schedule of works and included in the PIP.

### **Limits and conditions**

Where trunk infrastructure items have been limited or excluded from charges in this standard infrastructure charges schedule, a local government must not impose a condition to require a developer to provide works in kind outside of the boundaries of these limitations or exclusions.