

Infrastructure Contributions Plan Guidelines



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Environment,
Land, Water
and Planning

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Abbreviations

ABS	Australian Bureau of Statistics
Act	<i>Planning and Environment Act 1987</i>
DCP	Development Contributions Plan
Department	Department of Environment, Land, Water and Planning
GAIC	Growth Areas Infrastructure Contribution
ICP	Infrastructure Contributions Plan
Minister	Minister for Planning
Ministerial Direction	<i>Ministerial Direction on the Preparation and Content of Infrastructure Contributions Plans</i>
Ministerial Reporting Requirements	Ministerial Reporting Requirements for Infrastructure Contributions Plans
NDHa	Net developable hectare
PLEM	Public Land Estimate of Value Methodology
PSP	Precinct Structure Plan
VGv	Valuer-General Victoria
VPP	<i>Victoria Planning Provisions</i>
VPA	Victorian Planning Authority
WIK	Works-in-kind

Glossary

Allowable items	The plan preparation costs, works, services and facilities that the Ministerial Direction specifies may be funded from a standard levy or a supplementary levy or both of those levies under an ICP.
Collecting agency	A Minister, public authority or municipal council specified in an ICP to whom an infrastructure levy is payable in accordance with Part 3AB of the Act.
Development agency	The Minister, public authority or municipal council specified in an ICP as a person responsible for the provision of works, services or facilities or for the plan preparation costs for which an infrastructure levy or part of that levy is payable in accordance with Part 3AB of the Act.
Development setting	A type of land specified in the Ministerial Direction where an ICP may apply.
Gross developable area	Total ICP area excluding encumbered land, arterial roads and other roads with four or more lanes.
Infrastructure contributions plan	The document through which an infrastructure levy may be imposed under Part 3AB of the Act to fund the provision of plan preparation costs, works, services and facilities.
Infrastructure levy	The levy that may be imposed by an ICP. It may consist of a standard levy, a supplementary levy or both of those levies.
Land budget table	The table in the ICP that sets out the total area, gross developable area and net developable area of land covered by the ICP, land uses proposed within the ICP area and the public land percentage for each lot within the ICP.
Metropolitan greenfield growth area	The development setting defined in Annexure 1 of the Ministerial Direction.
Ministerial Direction	The <i>Ministerial Direction on the Preparation and Content of Infrastructure Contributions Plans</i> issued by the Minister under section 46GF of the Act.
Ministerial Reporting Requirements	The <i>Ministerial Reporting Requirements for Infrastructure Contributions Plans</i> issued by the Minister under section 46GM of the Act.
Net developable area	The land within an ICP area that is available for urban development, including lots, local streets and connector streets (but not including encumbered land or land required for arterial roads, railway corridors, schools, community facilities and open space).
Planning authority	Any person or body that is given power under section 8 or 9 of the Act to prepare a planning scheme or an amendment to a planning scheme.

Plan preparation costs	The reasonable costs and expenses incurred by the planning authority (other than the VPA) in preparing the plan and any strategic plan or PSP relating to, or required for, the preparation of the ICP.
Public Land Estimate of Value Methodology	The method that must be used by a planning authority to estimate the value of land to be funded from an infrastructure levy under an ICP or to be provided as WIK under section 46GH of the Act in metropolitan greenfield growth areas.
Public land	Land specified to be set aside for public purposes in the relevant PSP or equivalent strategic plan.
Recurrent costs	Costs that occur repeatedly or periodically, such as maintenance costs or operational costs.
Responsible authority	The person who is responsible for the administration or enforcement of a planning scheme or provision of a planning scheme under the Act.
Standard levy	A pre-determined maximum monetary rate set by the Minister through the Ministerial Direction. Each development setting has its own standard levy rates.
Supplementary levy	A levy that may be 'added on' to the standard levy or used to fund infrastructure projects that are not permitted to be funded from a standard levy. Specific criteria for using this levy apply.
Works	Defined in the Act to include any change to the natural or existing condition or topography of land including the removal, destruction or lopping of trees and the removal of vegetation or top soil.
Works-in-kind	Land, works, services or facilities accepted by a collecting agency under section 46GH of the Act in part or full satisfaction of payment of an infrastructure levy.



Introduction

Infrastructure contributions help fund essential works and services for new communities including roads, parks, local sports and community facilities.

With Victoria's population projected to grow rapidly over the coming years, the new infrastructure contributions plan system ensures the planning and delivery of infrastructure is equitable, efficient and cost effective.

Infrastructure contributions ensure that when new communities arrive, essential infrastructure is in place to meet their needs.

The Infrastructure Contributions Plan (ICP) system is a new system for levying contributions from developers to fund the basic and essential infrastructure needed by new and growing communities.

The guidelines are in three parts:

- **Part A: The ICP System**
Outlines the key elements of the system and how it operates
- **Part B: Implementing an ICP**
Provides advice to councils on how to prepare, implement and administer an ICP
- **Part C: Specified development settings**
Explains how the system works in the specified development settings. As the Minister for Planning applies the new system to new development settings guidance on these development settings will be included in Part C of the guidelines.

Benefits of the ICP system

The benefits of the ICP system include:

- the introduction of standard levy rates so that a planning authority no longer needs to calculate and justify the levy each time it wishes to levy contributions towards the provision of basic and essential infrastructure
- planning authorities, infrastructure providers and the development industry have more certainty about the levies payable and can factor this into their forward planning
- a more consistent and transparent approach to the application of levies
- reduced risk of escalating infrastructure charges through 'gold plating' or 'scope creep'
- a simpler and faster process for preparing and approving plans to impose a levy.

Principles of the ICP system

The key principles of the ICP system are:

Infrastructure is essential

The provision of community, recreation, transport and drainage infrastructure and associated public land is critical to delivering liveable, sustainable and affordable new communities. Just as residents need access to water, gas and electricity, they also need access to roads, parks, kindergartens, sporting fields and other infrastructure.

Infrastructure levies should fund infrastructure that is basic and essential to the health, well-being and safety of the community.

Timely and orderly provision of infrastructure

Planning authorities should plan for the timely provision of new infrastructure that they can reasonably foresee will be needed by new communities. Development should be planned in an orderly sequence and out of sequence development should not impose an additional burden on infrastructure providers.

Need and nexus

Infrastructure included in an ICP must be needed by the development to be levied. The infrastructure needs of a development should be considered in the context of the wider planning framework.

Planning authorities must demonstrate that the development to be levied is likely to use the infrastructure to be provided.

Equity

Developments only contribute to infrastructure in proportion with their projected share of infrastructure usage. Development which contributes to the need for new infrastructure should pay a fair and reasonable contribution towards its provision.

Certainty

There is certainty about the levies payable, the infrastructure that can be funded, indexation methods, the level of strategic justification required and the contents of an ICP.

Accountability and transparency

Infrastructure levies must be used for the purpose for which they were collected and proper financial accounts should be kept to demonstrate this. The method for calculating and applying levies is clear and simple to understand and the collection and use of levies is reported on regularly.

Part A: The ICP System

This section outlines the key elements of the ICP system and how it operates. This section applies to all ICPs.



1 Overview of the ICP system

1.1 Summary of the ICP system

The ICP system is designed to deliver basic and essential infrastructure to new and growing communities in greenfield growth areas and strategic development areas.

The new system consists of an infrastructure levy made up of two parts: a standard levy and, where appropriate and justified, a supplementary levy.

The standard levy is a pre-set levy rate for funding local infrastructure. The system will provide standard rates for different classes of development such as residential, retail, commercial and industrial development for both metropolitan and non-metropolitan locations in defined development settings.

The supplementary levy is an optional levy for use when the standard levy cannot adequately fund the required infrastructure or where additional infrastructure is required to unlock the growth capacity of the area. The supplementary levy may

also be used to fund state infrastructure in areas of growth where the Growth Areas Infrastructure Contributions (GAIC) levy does not apply.

The system applies in defined development settings and can only fund specified infrastructure, known as allowable items. The development settings and allowable items are both defined in a Ministerial Direction. There will be a separate list of allowable items for each development setting.

Central to the operation of the new system is an Infrastructure Contributions Plan (ICP). An ICP is the statutory document through which an infrastructure levy may be imposed and which must form part of the planning scheme (implemented through an Infrastructure Contributions Plan Overlay) to become operational.

The legislative framework for the system is set out in Part 3AB of the *Planning and Environment Act 1987* (Act), and the *Ministerial Direction on the Preparation and Content of Infrastructure Contributions Plans* contains general requirements for all ICPs plus annexures for individual development settings.

ICP Statutory Framework			
Act	Ministerial Direction	Planning Scheme	
		Infrastructure Contributions Plan	Infrastructure Contributions Plan Overlay
Sets the framework and requirements of the ICP system: <ul style="list-style-type: none">• ICP• standard levy• supplementary levy• Ministerial Direction• collection procedures• works-in-kind• reporting requirements• use of levies	Sets out: <ul style="list-style-type: none">• the development settings where the ICP system applies• the standard levy rates• the infrastructure items that can be funded ('allowable items')• the methods for indexing levies• the criteria for using a supplementary levy	The plan: <ul style="list-style-type: none">• identifies the infrastructure projects being funded• sets out the levies payable• provides the strategic justification for the levies• sets the method for indexing the levies• sets out the administration procedures• forms part of the planning scheme	The overlay: <ul style="list-style-type: none">• identifies where an ICP applies• sets out the requirements for the granting of permits to give effect to an ICP• summarises the levies payable under an ICP

1.2 Key elements of the ICP system

Development settings	Part A, Chapter 2	Infrastructure levies	Part A, Chapter 4
Development settings refer to the types of land where an ICP can apply.		An infrastructure levy may consist of a standard levy, a supplementary levy or both kinds of levy.	
Three development settings are proposed:		An infrastructure levy may only be imposed through an approved ICP.	
<ul style="list-style-type: none"> metropolitan greenfield growth areas regional greenfield growth areas, and strategic development areas. 		The levy is paid by the land developer at the time specified in the planning permit for the development or (if no planning permit is required) in the ICP.	
The development settings are defined in the Ministerial Direction.		The levy is paid to the collecting agency, which is usually the council.	
The ICP system currently operates only in metropolitan greenfield growth areas. As more development settings are defined these will be added to the Ministerial Direction.		A collecting agency may accept works-in-kind in lieu of being paid the infrastructure levy.	
Allowable items	Part A, Chapter 3	Standard levy	
Allowable items are the works, services or facilities listed in the Ministerial Direction that may be funded through an ICP.		The standard levies are set at pre-determined rates in the Ministerial Direction.	
An ICP may only fund allowable items.		Each development setting has its own standard levies.	
The allowable items target basic and essential local infrastructure in four main categories:		The standard levies cannot be increased but may be lowered in certain circumstances.	
<ul style="list-style-type: none"> community and recreation infrastructure transport infrastructure drainage infrastructure public land. 		The standard levy rates will be indexed based on standard indexation mechanisms defined in the Ministerial Direction.	
Other categories may apply in specific development settings.		Supplementary levy	
Each development setting has its own list of allowable items.		The supplementary levy is an additional levy that may be used to fund 'non-standard' infrastructure items or costs.	
Allowable items can be new infrastructure items, upgrades or extensions to existing infrastructure items, or the replacement of an infrastructure item that has reached the end of its economic life.		Specific criteria must be met to apply a supplementary levy.	
Allowable items include plan preparation costs.		The supplementary levy rate is based on the actual cost of the infrastructure projects being funded by the levy.	
An ICP can fund state infrastructure except where the GAIC scheme applies.		Projects funded by a supplementary levy must be fully costed and the costs apportioned.	
Allowable items do not include infrastructure that is normally provided by the developer at the subdivision stage.			

Infrastructure Contributions Plan

Part B

An ICP is the statutory document through which an infrastructure levy may be imposed.

The plan sets out the strategic justification for the levies, the specific infrastructure projects to be funded, the costs of infrastructure (where required), the levy amounts payable, the methods of indexation, and administration requirements.

An approved ICP must form part of the planning scheme to become operational.

Once an ICP is approved, this imposes a binding obligation on the infrastructure provider to deliver the infrastructure set out in the plan.

- the standard levies
- how to determine the standard and supplementary levies payable
- annual indexation to be applied to standard levy rates
- requirements and criteria for imposing a supplementary levy
- how to estimate the cost of the infrastructure to be funded from a supplementary levy
- annual indexation for infrastructure costs funded from a supplementary levy
- how to determine the supplementary levy payable
- the proportion of the standard levy that may be used to fund plan preparation costs
- when public open space contributions may be levied separately under the *Subdivision Act 1988* or clause 52.01 of the planning scheme
- requirements for the staging and timing of the provision of infrastructure.

A copy of the Ministerial Direction is available on the Department of Environment, Land, Water and Planning (Department) website.

1.3 The preparation and content of ICPs

Under section 46GF of the Act, the Minister may issue directions in relation to the preparation and content of ICPs. The Minister has issued the *Ministerial Direction on the Preparation and Content of Infrastructure Contributions Plans* which contains general requirements for all ICPs plus annexures for individual development settings. As additional development settings are defined, annexures for those settings will be added to the Direction.

The Ministerial Direction sets out:

- where an ICP may apply
- where a standard or supplementary levy may be imposed
- the classes of development where an infrastructure levy may be imposed
- allowable items that may be funded under an ICP

1.4 Relationship with the DCP system

The ICP system is separate from the existing DCP system. Existing approved DCPs will continue to operate and if an existing DCP needs to be amended, the requirements in Part 3B of the Act will apply.

2 Development settings

2.1 Proposed development settings

A development setting refers to a type of land where an ICP may be applied. Three development settings are proposed:

- metropolitan greenfield growth areas
- regional greenfield growth areas
- strategic development areas.

The development settings target areas planned for growth or change where infrastructure needs can be anticipated.

2.2 Defining a development setting

The development settings are defined in the Ministerial Direction. Currently, only one development setting has been defined, which is the metropolitan greenfield growth area. As other development settings are defined, additional annexures will be added to the Direction.

The development setting may be defined by zoning, geographic area or some other means.

Refer to Part C for details about the defined development settings.

2.3 When an ICP can be used

An ICP can only be applied to land in a defined development setting. If land is within a defined development setting and the planning authority wishes to levy contributions through a plan, the planning authority must prepare an ICP. In a defined development setting, planning authorities cannot choose to opt out of the ICP system and prepare a DCP instead.

If land is not within a defined development setting, an ICP cannot be prepared and the planning authority should consider using a DCP instead.

The Ministerial Direction for ICPs and the *Ministerial Direction on the Preparation and Content of Development Contributions Plans* set out when the ICP and DCP systems may be used.

2.4 Where the new system applies

Initially the system applies to greenfield growth areas and strategic development areas as defined in the Ministerial Direction.

Greenfield growth areas refers to greenfield land on the fringe of existing metropolitan urban areas and non-metropolitan cities and towns which are in, or planned to be in, a zone catering for broad hectare urban development, such as the Urban Growth Zone. In regional Victoria this will include areas that are identified for growth in regional growth plans.

Strategic development areas refers to locations within existing urban areas that are planned or become available for significant growth and change. Generally, these areas will be identified in a strategic plan such as Plan Melbourne (for example National Employment Clusters and Urban Renewal Areas), a Municipal Strategic Statement or a regional growth plan.

The criteria for these two development settings will be set out in the Ministerial Direction. In preparing a planning scheme amendment for an ICP, the planning authority will need to demonstrate that the land falls within one of these development settings.

3 Allowable items

3.1 What can be funded through an ICP

The ICP system is designed to fund the basic and essential physical and social infrastructure needs of new development. To provide certainty about what this means, the ICP system includes the concept of 'allowable items'.

An allowable item is an item specified in the Ministerial Direction that may be funded by a standard levy, a supplementary levy or both of those levies.

Each development setting has its own list of allowable items. The list includes infrastructure items considered to be essential to the health, safety or well-being of communities in that development setting. For example, in a new suburb, such as a greenfield growth area, the list includes arterial roads, open space, active recreation facilities and community facilities.

An allowable item may take the form of a new infrastructure item, an upgrade or extension to an existing infrastructure item, or the replacement of an infrastructure item that has reached the end of its economic life.

An ICP may only fund allowable items selected from the Ministerial Direction. If an infrastructure item is not on the allowable items list, it cannot be included in an ICP. Similarly, if the scope of a project exceeds the parameters set out in the allowable items list, the 'out-of-scope' works cannot be included in the ICP.

3.2 Infrastructure categories

The allowable items are divided into four main local infrastructure categories:

- community and recreation infrastructure
- transport infrastructure
- drainage infrastructure
- public land for community and recreation, transport and drainage infrastructure.

Other local infrastructure categories may also apply in specific development settings.

3.3 State infrastructure

State infrastructure may be funded through an ICP if the item is an allowable item and all other requirements in the Act and Ministerial Direction are met. Each development setting has its own list of state infrastructure allowable items.

However, in metropolitan Melbourne, an ICP cannot be used to fund state infrastructure in areas where the Growth Areas Infrastructure Contribution (GAIC) scheme applies. Under section 46GC of the Act, if land is within the GAIC area, an ICP may only fund infrastructure provided by a council.

3.4 Standard levy and supplementary levy allowable items

The Ministerial Direction contains separate lists for standard levy allowable items and supplementary levy allowable items.

Except where the Ministerial Direction specifically states otherwise, a standard levy may be used to fund supplementary levy allowable items. For example, in metropolitan greenfield growth areas, a standard levy may be used to fund any supplementary levy allowable item other than state infrastructure.

3.5 Developer-provided works

The allowable items lists do not cover items that are normally provided by developers at the subdivision stage, such as the provision of water, sewerage, energy or telecommunications infrastructure to service the development, or the provision of impact mitigation works. These will continue to be provided by the developer and do not form part of the ICP system.

The exception to this is where the Ministerial Direction specifically enables 'developer-provided' infrastructure to be funded through an ICP. For example, in metropolitan greenfield growth areas, the Direction allows a supplementary levy to be

used to fund the construction of local council road intersections where the land is in fragmented ownership and multiple landowners are jointly responsible for funding the works.

Part C of the guidelines provides more information about the kinds of works that are normally provided by developers in particular development settings.

3.6 Funding of costs

The following costs may be funded through an ICP:

- plan preparation costs
- the capital costs of providing the infrastructure projects
- contingency amounts for constructing infrastructure projects
- the cost of financing infrastructure projects if provided early in the life of the ICP
- design costs associated with infrastructure projects
- certain maintenance costs associated with the infrastructure establishment period.

Recurrent costs, such as the costs of maintaining and operating facilities, or costs associated with the administration of the ICP, cannot be funded through an ICP.

3.7 What are plan preparation costs

Plan preparation costs means the reasonable costs and expenses incurred by a planning authority (other than the Victorian Planning Authority (VPA) in preparing an ICP and any strategic plan or precinct structure plan (PSP) relating to, or required for, the preparation of the ICP.

Plan preparation costs may include the costs and expenses incurred in preparing the ICP itself and the costs or expenses incurred in preparing any related strategic plan or PSP. While the costs must be

incurred by a planning authority, this does not need to be the same planning authority that subsequently prepares an amendment to the planning scheme to incorporate the ICP. For example, if a council prepares an ICP but the Minister is subsequently the planning authority for the ICP planning scheme amendment, the council's plan preparation costs may be funded through the plan.

However, plan preparation costs incurred by the VPA cannot be funded through an ICP as it has alternative funding sources for these costs.

Plan preparation costs do not include the costs and expenses incurred by a planning authority in preparing an amendment or undertaking steps in the amendment process for an ICP. The fees for undertaking these tasks are prescribed in the Planning and Environment (Fees) Regulations 2016.

The Ministerial Direction fixes a cap on the amount of the standard levy that may be spent on plan preparation costs, which is up to 1% of the overall standard levy rate. This cap applies to all ICPs. A planning authority must ensure it complies with these caps.

3.8 Public open space

Under the ICP system, the methods by which developers may be required to contribute to the provision of public open space varies for different development settings.

In metropolitan greenfield growth areas, public open space contributions are levied through an ICP. Levying contributions through a single mechanism encourages integrated open space planning, provides more certainty to landowners about the amount they can expect to be levied, and reduces the risk of double payment for the same open space land.

In contrast, in strategic development areas it will be possible to levy open space contributions through section 18(1AB) of the *Subdivision Act 1988*, clause 52.01 of the VPP or an ICP.

4 Infrastructure levies

4.1 Standard and supplementary levies

An ICP may apply an infrastructure levy that consists of:

- a standard levy only
- a standard levy plus one or more supplementary levies
- a supplementary levy only.

4.2 The standard levy

A standard levy is a pre-determined maximum monetary rate set by the Minister through the Ministerial Direction. It is designed to provide a fair and reasonable 'budget' for funding infrastructure that is basic, essential and 'standard' for new urban development.

Being maximum rates, the standard levies cannot be increased. However, under section 46GE(2) of the Act, the standard levies can be lowered if the planning authority, affected landowners, council and relevant development agencies agree, or the Minister consents. A lower rate may be justified where construction costs and land requirements are less than the standard levy rate or other options are available to fund the infrastructure.

Using the standard levy to fund standard levy allowable items is not optional. If a planning authority wishes to fund standard levy allowable items, the standard levy must be used. The planning authority cannot opt to apply a supplementary levy instead.

However, a standard levy may be used to wholly or partially fund supplementary levy allowable items if:

- there are surplus standard levy funds available to do so; and
- the Ministerial Direction allows the project to be funded by a standard levy.

For example, in a metropolitan greenfield growth area, a standard levy could be used to partially fund a bridge constructed by a council if, after all standard levy items have been funded, there are surplus funds available to do so. However, the standard levy could not be used to fund a bridge constructed by a state agency because the Ministerial Direction only allows state infrastructure to be funded through a supplementary levy. (Note: State infrastructure cannot be funded under an ICP levy in a GAIC area.)

In some development settings, the Ministerial Direction may allocate certain amounts of the standard levy to particular infrastructure categories. Except where the Direction fixes a specific spending cap, these 'spending' allocations are indicative only. Provided the overall levy rate is not exceeded, a planning authority may choose to redirect standard levy funds from one infrastructure category to another.

For example, in metropolitan greenfield growth areas the standard levy for residential development is allocated to community and recreation construction, transport construction and public land. The amount allocated to community and recreation construction is capped but the amounts allocated to the other two infrastructure categories are not. Therefore, a planning authority can direct more funds to transport construction and fewer funds to public land (or vice versa). Any 'unused' community and recreation construction funds can also be directed to transport construction and public land.

The standard levies specified in the Ministerial Direction apply for the period set out in the Direction. For subsequent financial years, the rates will be adjusted on 1 July each financial year using the method and indexes set out in the Direction. More information about indexation is provided in section 4.5 of the guidelines.

4.3 The supplementary levy

A supplementary levy is an additional levy that may be used to provide extra funding for specific infrastructure projects. The supplementary levy recognises that each development context is different in terms of size, location, scale and infrastructure requirements, and a standard levy may not (by itself) always provide sufficient funding to deliver the basic and essential infrastructure that a particular community needs.

The key differences between a standard levy and a supplementary levy are that:

- the rate of the supplementary levy is based on the actual cost of the specific infrastructure item being funded by the levy
- a supplementary levy may only be applied if certain criteria are met.

Whereas a standard levy is broadly available, a supplementary levy may only be used in particular circumstances.

A supplementary levy may apply to more than one ICP and more than one supplementary levy may apply in an ICP. If a supplementary levy applies to two or more ICPs, the cost of the items being funded by the levy should be apportioned accordingly.

The supplementary levy may only fund supplementary levy allowable items. The items vary for each development setting. For example, in metropolitan greenfield growth areas, the supplementary levy may be used to fund specific transport construction and public land projects, but not community and recreation construction.

Before deciding whether to impose a supplementary levy, the planning authority must consider:

- whether the works, services, facilities or plan preparation costs can be wholly or partially funded from a standard levy
- whether the works, services or facilities are essential to the proper and orderly development of the area
- whether the works, services or facilities are identified in a PSP or equivalent strategic plan applying to the land

- whether the land has particular topographical, geographical, environmental or other physical constraints or conditions that significantly affect the estimated cost of allowable items to be funded through the ICP
- any other criteria specified in the Ministerial Direction.

A supplementary levy is not designed to cover variations in construction costs arising from different local construction standards or delivery models. However, where land has particular topographical, geographical, environmental or other physical constraints that require items to be constructed to unusual standards or that involve costs clearly over and above that capable of being funded by a standard levy, it may be appropriate to apply a supplementary levy.

Some local infrastructure items, such as drainage infrastructure, are too difficult to standardise. Drainage requirements and costs vary widely between drainage schemes and it can be difficult to align drainage scheme boundaries with planning unit boundaries. For this reason, in certain development settings a supplementary levy may be used to fund the construction of drainage infrastructure. A drainage catchment plan is the essential requirement for justifying the imposition of the levy, and a planning authority only needs to cost the drainage infrastructure in order to calculate and justify the levy amount.

Funds collected from a supplementary levy can only be spent on the specific projects for which the levy was imposed.

4.4 Applying the levies

An infrastructure levy can only be applied to land in a defined development setting. Refer to Chapter 2 for more information about development settings.

Infrastructure levies can apply to urban residential, retail, industrial and commercial development. The Ministerial Direction sets out the kinds of development that can be levied in each development setting.

4.5 Indexation of the infrastructure levies

One of the features of the ICP system is the introduction of standard methods for indexing the standard and supplementary levies.

The Act requires the levies to be indexed annually to keep pace with changing infrastructure costs. To ensure appropriate indexes are used and the timing of indexation is consistent, the Ministerial Direction requires:

- the standard levy rates in the Direction to be indexed by the Minister using the method set out in the Direction
- the standard levy rates applied in an ICP to be indexed annually to remain at the same level as the indexed rates in the Direction
- indexation to occur on 1 July each financial year
- supplementary levies to be indexed annually using the same methods of indexation for the particular infrastructure category that apply to the standard levies.

The standard levies set out in the Ministerial Direction only apply for a certain period of time. The relevant Annexure to the Direction sets out when the standard levy rates apply. For example, the rates for metropolitan greenfield growth areas apply until the end of the 2016–2017 financial year. For subsequent financial years, the Minister will index the standard levies annually on 1 July using the indexation methods set out in the Direction. The indexed rates for each financial year will be published on the Department's website.

Each development setting has its own methods of indexation. Indices have been chosen that closely reflect the type of infrastructure being funded by the levy. For example, because the standard residential levy in metropolitan greenfield growth areas is made up of three different infrastructure components, the Ministerial Direction requires each component to be adjusted as follows:

- the community and recreation component must be indexed using the Australian Bureau of Statistics (ABS) Producer Price Index for Non-Residential Building Construction;
- the transport construction component must be indexed using the ABS Producer Price Index for Road and Bridge Construction; and

- the public land component must be indexed using an index specifically produced by Valuer-General Victoria for metropolitan greenfield growth areas.

Refer to Part C of the guidelines for more information about the specific methods of indexation that apply in each development setting.

4.6 When an infrastructure levy must be paid

If an infrastructure levy is payable under an approved ICP in respect of development that requires a planning permit, the Act states that a condition must be included on the planning permit requiring the applicant to:

- pay the levy to the relevant collecting agency by a certain date; or
- enter into an agreement with the relevant collecting agency to pay the levy within a certain time.

If a planning permit is not required for the development, the planning authority must include an alternative procedure for collecting the infrastructure levy in the ICP. When considering alternative options, the planning authority should ensure there is:

- a mechanism in the development process that triggers the requirement to pay the levy; and
- a specified point in time for payment.

4.7 Satisfying an infrastructure levy

The requirement to pay an infrastructure levy can be satisfied by:

- paying the monetary amount;
- providing WIK with the agreement of the collecting agency; or
- a combination of money and WIK.

Chapter 5 explains WIK in more detail.

5 Works-in-kind

5.1 Works-in-kind in lieu of monetary payment

Under section 46GH(2) of the Act, a collecting agency may accept land or infrastructure (or a combination of the two) in lieu of receiving the infrastructure levy as a monetary payment. This is called 'works-in-kind' (WIK).

WIK may:

- take the form of land, works, services or facilities
- be accepted in relation to any land or infrastructure identified in an ICP
- be used to offset part or all of a developer's infrastructure levy liability.

If a collecting agency decides to accept WIK this should be formalised in a legally binding agreement.

5.2 Benefits of works-in-kind

WIK can benefit councils, infrastructure providers, developers and the community in a number of ways, including:

- providing a developer with an opportunity to construct essential infrastructure earlier than would otherwise be provided by the development agency
- where land is transferred to a council for future infrastructure, the community can see that the land has been set aside to enable the infrastructure to be built at a time when growth has reached a level that requires that infrastructure
- giving a developer greater control over the design and timing of local infrastructure facilities associated with their development, which in turn may result in the development being more attractive to purchasers
- delivering savings in construction costs if the construction of the local infrastructure can be linked to the construction of development works.

Land identified in an ICP for public purposes may be accepted as WIK. If this land is transferred through a WIK agreement early in the life of a development, this can significantly reduce the time and cost of acquiring the land and provides the opportunity for infrastructure to be constructed on the land earlier.

5.3 Identifying works-in-kind projects in an ICP

A planning authority may choose to include a list of infrastructure projects in an ICP that it considers may be suitable for WIK and assign cost estimates to the projects. The benefit is that developers and the collecting agency know the estimated cost of potential WIK projects up-front and the amount that may be able to be recovered as a WIK credit.

However, including a list of WIK projects in an ICP does not impose an obligation on the collecting agency to accept those projects as WIK or to give a WIK credit based on the cost estimates in the plan. A collecting agency may choose to accept WIK for projects that are not identified for possible WIK in an ICP, refuse to accept WIK for projects that have been identified as possible WIK projects, or base the value of a WIK credit on detailed costings prepared at the time WIK are being negotiated.

5.4 Accepting works-in-kind

Accepting a WIK proposal is at the discretion of the collecting agency. Before accepting a proposal, the collecting agency must consult with and obtain the approval of the relevant development agency specified in the ICP. This ensures the development agency has oversight of any decision by the collecting agency that may affect the timing or funding of infrastructure projects that it must provide under the ICP.

There is no right of review if a collecting agency refuses to accept WIK.

Making a WIK agreement

WIK may be accepted before or after an application for a permit for the development is made and should be formalised through an agreement made under section 173 of the Act.

Value and timing of WIK credits

Before a WIK proposal is accepted, the developer and collecting agency (with the approval of the development agency) will need to negotiate the value and timing of the WIK credit and the timetable and staging of the delivery of the WIK project. If the WIK involves works, detailed designs will be required.

If a WIK proposal is identified in the ICP, the collecting agency may choose to base the WIK credit on cost estimates in the plan or it may require detailed costings or land valuations to be prepared. If the WIK proposal is not identified in the ICP, detailed costings or land valuations will need to form part of the proposal. Detailed designs and cost estimates may be prepared by either the collecting agency or the developer.

Before agreeing to the value of the WIK credit, a collecting agency should be satisfied that the cost estimates accurately reflect the cost of providing the infrastructure and the WIK credit can be balanced with the remainder of the infrastructure listed in the ICP that must be delivered.

The collecting agency and development agency decide the timing for when a WIK credit is given, which will not necessarily be at the time the works are carried out. The timing should be linked to the infrastructure delivery priorities set out in the ICP.

WIK and local government procurement

The acceptance of WIK by a council does not amount to a contract. Therefore, the procurement requirements in section 186 of the *Local Government Act 1989* do not apply regardless of whether the threshold amounts in that section are reached. However, if a council enters into a contract with a developer to undertake further works on the council's behalf, the works may be subject to compliance with section 186 of the *Local Government Act 1989*.

6 Other matters

6.1 Exempt development

Some development is exempt from the ICP system. Under clause 16 of the Ministerial Direction, an infrastructure levy must not be imposed in respect of the development of land for a non-government school or for housing provided by or on behalf of the Department of Health and Human Services. A planning authority also has the option of including exemptions for other types of development in a particular ICP.

6.2 Conversion of an existing DCP into an ICP

An existing DCP may be converted into an ICP provided the land is within a defined development setting. A planning authority must ensure that the infrastructure projects to be funded through the plan are allowable items.

6.3 Review of the ICP system

The ICP system will be periodically reviewed to ensure it reflects contemporary infrastructure requirements and costs. Each development setting will be reviewed no later than five years after it is introduced into the ICP system.

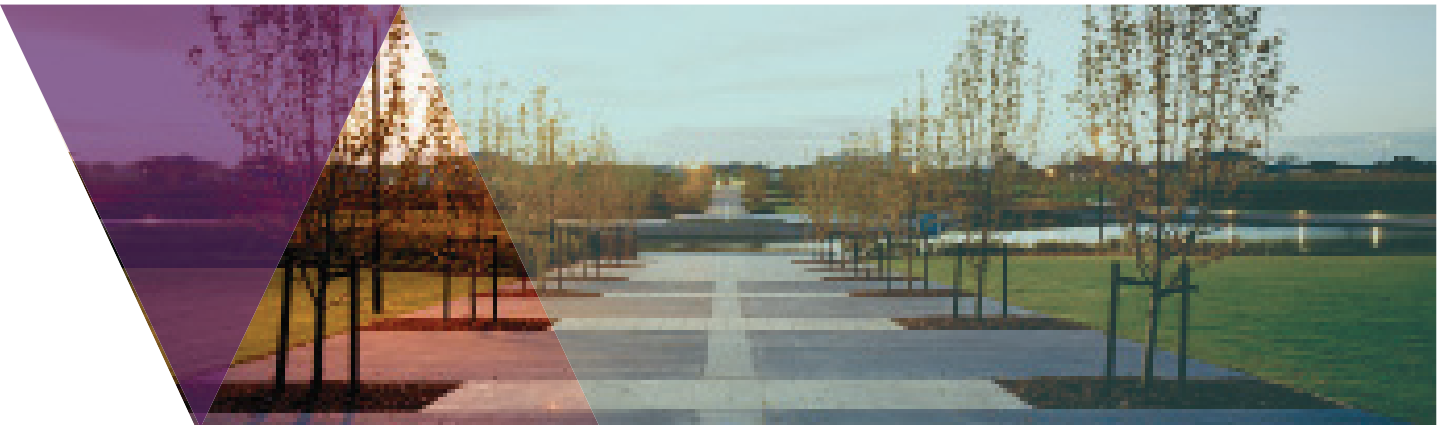




Part B: Implementing an ICP

This section provides advice to councils on how to prepare, implement and administer an ICP. This section applies to all ICPs.





1 Preparing the ICP

1.1 What is an ICP

An ICP is the statutory mechanism for imposing an infrastructure levy and the formal planning scheme document that identifies:

- the infrastructure being funded
- the levy rates payable
- the indicative stage at which infrastructure must be delivered
- the estimated cost of infrastructure to be funded by a supplementary levy
- the bodies responsible for delivering the infrastructure
- the requirements for the collection, expenditure and administration of the levies.

As an approved ICP involves an amendment to a planning scheme, it must be prepared by a planning authority. The planning authority will usually be the council or the Minister for Planning, but it can also be a public authority that has been authorised by the Minister to prepare the amendment.

Once an ICP is approved, this imposes an obligation on:

- landowners to pay an infrastructure levy when new development occurs
- the collecting agency to collect and properly account for levies paid
- infrastructure providers to deliver the infrastructure set out in the ICP.

1.2 The role of an ICP

In practice, the preparation of an ICP is often one of the last steps in the strategic planning process. Before an ICP is prepared, a planning authority will need to have prepared a range of strategic plans to establish a planning vision for the area, determine the type, amount and layout of new development,

and identify future infrastructure requirements for the development. The planning authority then needs to decide how infrastructure will be funded. Aside from an ICP, other mechanisms are available under the Act to secure contributions from developers, such as voluntary agreements.

In keeping with the principle that planning authorities should strategically plan for the future needs of their communities, an ICP should be used to fund the infrastructure costs of development that can be reasonably forecast based on the strategic plan for the area. An ICP enables infrastructure costs to be shared fairly across development, facilitates the timely delivery of infrastructure, and provides certainty to the community about the delivery of infrastructure.

1.3 Matters an ICP must address

Section 46GE of the Act sets out the matters that must be included in an ICP, which are:

Plan area

The plan must describe the land area that it covers, which may be in words or by a plan or map.

Infrastructure items

The plan must identify the plan preparation costs, works, services and facilities to be funded through the plan, including the location, type and scope of the infrastructure items being funded. The items must comply with the allowable items lists in the Ministerial Direction.

For transparency, the plan should separately identify those projects being funded by a standard levy or a supplementary levy.

Staging

The plan must set out the indicative staging and timing for when infrastructure items being funded through the plan will be provided. The timing can be based on a year, an event or a threshold linked to the development of the area.

Land where the levy is payable

The plan must specify the land covered by the plan and the classes of development of land in respect of which an infrastructure levy is payable. The plan should also identify the development setting within which the land is located. The land covered by the plan may include land or development where no levy is payable.

Nexus

The plan must relate the need for the infrastructure to be funded through the ICP to the proposed development of the land. Most of this information will be contained in the structure plan or equivalent strategic plan for the area. Provided the ICP is consistent with the structure plan, this information can be set out in a summary form in the ICP.

It is enough to show that there is a fair and reasonable nexus between the infrastructure item and the wider planning unit of which the development forms a part. New development does not have to trigger the need for new items in its own right.

Standard levy infrastructure

The plan must specify the works, services, facilities or plan preparation costs to be funded from the standard levy and should include a map showing the location of all infrastructure items.

In some development settings, the Ministerial Direction fixes spending caps on certain items. For example, in a metropolitan greenfield growth area only a certain amount of the standard levy may be spent on the construction of community and recreation facilities. The Direction also defines the scope of particular infrastructure items that may be funded from a standard levy. A planning authority must ensure it complies with these requirements.

Where infrastructure items are only being funded by a standard levy, there is no need for the ICP to set out the cost of each item in order to justify the application of the levy. However, a planning authority may choose to include individual project costings in a plan to guide WIK negotiations.

Standard levy rate

The plan must specify the standard levy rate for each class of development being levied. The standard levy rate(s) must be selected from the Ministerial Direction (as indexed) and accord with the development setting and class(es) of development identified in the plan.

Supplementary levy

If a plan applies a supplementary levy, it must identify the specific infrastructure items being funded by the levy, the cost of those items, and the proportion of the infrastructure costs being funded by the supplementary levy.

The plan must also set out how the supplementary levy is calculated. This will generally be:

- a rate per net developable hectare in greenfield growth areas
- a rate per dwelling for residential development and a gross floor area rate for non-residential development in strategic development areas.

If the plan is applying more than one supplementary levy (for example, a levy for a road bridge and a separate levy for an arterial road intersection), the plan must specify how the total supplementary levy payable is calculated.

Indexation

The plan must specify the method of indexation and timing of annual indexation to be applied to the standard levies and to the estimated cost of infrastructure items being funded by a supplementary levy.

The Ministerial Direction sets out the indexes to be used and a planning authority must ensure it complies with these requirements. If no index is specified in the Direction, the planning authority must specify an appropriate index in the plan.

Collecting agency

The plan must specify who is responsible for collecting the infrastructure levy (the collecting agency). In most instances this will be the council but it can also be a Minister or a public authority.

Development agency

The plan must specify who is responsible for providing the infrastructure items being funded by the plan (the development agency). More than one development agency may be specified. In most instances the council will be the development agency, but a Minister or a public authority, such as VicRoads, may also be nominated as the development agency for a particular project.

Collection of levy

In the unusual circumstance where development may not need a planning permit, the plan needs to set out an alternative procedure for collecting the levy.

Other information

If the Ministerial Direction requires any other information to be included in the plan, this must be included.

1.4 Preparing an ICP across municipal boundaries

While an ICP may cover land in two or more municipalities, this should be avoided where possible. An ICP that crosses municipal boundaries will require ongoing cooperation and coordination between the affected councils (and potentially more complex administrative arrangements) to ensure levies have been received and spent appropriately and infrastructure is delivered.

Matters that the councils will need to agree on include:

- the catchment areas, project scope and components, project costs and timing
- levy collection and sharing arrangements
- sharing of costs of delivery and management
- loan servicing arrangements and the bearing of financial risk where relevant.

The ICP must clearly set out each council's obligations and commitments and procedures for the ongoing monitoring and financial management of the plan.



1.5 Steps for preparing an ICP

The following diagram sets out the step-by-step process for preparing an ICP.



Step 1: Strategic justification for an ICP

An ICP must be strategically justified and linked to the planning policy framework in the planning scheme. A planning authority must be able to show that:

- the area is undergoing or planned to undergo growth or change
- new development in the area will create a need for new or upgraded infrastructure
- the type and standard of infrastructure to be funded is basic and essential to the health, safety or wellbeing of the community
- the cost of infrastructure is fairly and equitably distributed
- the plan has a reasonable timeframe.

The level of justification is not intended to be onerous. It should be detailed enough to enable stakeholders to understand why the infrastructure is needed, why the standard of infrastructure is appropriate, and how the plan fits into the overall planning of the area.

If an ICP forms part of an overall strategic plan, such as a PSP, it is not necessary for the ICP to repeat the strategic justification contained in the overall plan. A brief statement in the ICP about how it implements the overall strategic plan will suffice.

Drainage infrastructure

If a planning authority proposes to use an ICP to fund drainage infrastructure, a fully-costed drainage catchment plan must be prepared to justify the imposition of a levy.

Step 2: Identify the development setting

An ICP may only apply to land within a defined development setting. The settings are defined in the Ministerial Direction.

Step 3: Define the infrastructure and plan preparation costs

An ICP must identify the infrastructure projects and plan preparation costs to be funded. The projects must:

- be selected from the allowable items list
- comply with any other requirements, conditions or caps in the Act or Ministerial Direction
- be identified in a strategic plan for the area as infrastructure that is required to service the whole community in the future
- have a nexus with the new development to be levied.

If an infrastructure project is being funded by a supplementary levy, it must be fully costed and the costs fairly apportioned.

Documenting projects in the plan

Once the planning authority has refined the type, scope and standard of infrastructure to be funded, this needs to be documented in the ICP. At a minimum, the plan should:

- briefly describe each project
- show the location of each project
- describe the amount of public land required for each infrastructure project (if applicable)
- describe the timing of delivery for each project
- set out the proportion of the project cost being funded through the plan
- set out any other sources of funding for the project.

Public land budget

In a metropolitan greenfield growth area, an ICP must include a lot specific land budget. The purpose of this budget is to identify the amount of public land (in hectares) required from each lot within the ICP area. The lot specific land budget is important because it enables the planning authority to estimate the cost of public land using the Public Land Estimate of Value Methodology (PLEM).

The lot specific land budget and PLEM are explained in more detail in Part C of the guidelines.

Project costings

If an ICP only applies a standard levy, infrastructure projects (including any public land required for the projects) do not need to be individually costed in order to calculate the levy rate or to justify the quantum of the levy.

A planning authority may choose to include project costings in an ICP to guide works-in-kind (WIK) negotiations in relation to certain projects but this is not essential.

If an ICP applies a supplementary levy, the requirements for project costings vary depending on whether the item is within an infrastructure category that can also be funded by a standard levy. The requirements are set out in the Ministerial Direction.

If the item is within an infrastructure category that can be funded by both a standard and supplementary levy, the planning authority must:

- estimate the cost of all projects to be funded by a standard levy
- estimate the cost of the project to be funded by a supplementary levy
- demonstrate that the item to be funded by the supplementary levy cannot be wholly or partially funded by the standard levy.

For example, in a metropolitan greenfield growth area, before a planning authority decides to apply a supplementary levy to fund a road bridge (which is within the transport construction infrastructure category), it must estimate the cost of all infrastructure projects to be funded by the standard levy to determine whether the bridge can be wholly or partially funded by the standard levy.

However, if the item is within an infrastructure category that can only be funded by a supplementary levy (such as finance costs in metropolitan greenfield growth areas or drainage infrastructure in regional greenfield growth areas) only projects being funded by the supplementary levy need to be costed. There is no need for the planning authority to cost the items to be funded by a standard levy.

While a planning authority may need to cost standard levy items in order to justify the imposition of a supplementary levy, only the estimated cost of supplementary levy items must be included in the ICP itself.

The Ministerial Direction may specify methods that must be used to estimate costs in particular development settings. For example, in metropolitan greenfield growth areas, the PLEM method must be used to estimate the value of public land.

Apportioning infrastructure costs

If an ICP imposes a standard levy for a particular class of development, the levy applies to all development in that class in the plan area. If a standard levy allowable item is located on the edge of the plan area adjacent to another plan area, the cost of that item should be shared between the two areas. Each ICP should set out the proportion of the item being funded by the standard levy imposed by that plan.

Where a supplementary levy is proposed, the area covered by the plan should be carefully chosen so that the supplementary levy rate applies across the whole of the plan area and external apportionment of infrastructure costs is avoided or minimised.

In general, external apportionment of the cost of a supplementary levy allowable item should only be required where the project is located on the edge of the plan area and caters for a catchment that extends beyond a single ICP area.

In assessing whether external cost apportionment is appropriate, a planning authority should:

- determine the need and nexus for the infrastructure item(s) by:
 - preparing a needs analysis (strategic justification) for the infrastructure item
 - analysing the catchment(s) generating use for the item
- quantify the proportion of the use attributable to the ICP area and the amount of 'external usage'
- identify the options available to fund the 'external apportionment' component of the project, the likely timing of this funding source and the ability of the development agency to deliver the project in a timely manner.

These matters should be clearly addressed in the ICP.

Step 4: Apply the levies

An ICP must identify which kind of levy is being used to fund the infrastructure items listed in the plan.

If a standard levy is being applied, the planning authority must select the levy rate set in the Ministerial Direction that is appropriate for the development setting and class of development.

If the planning authority is considering applying a supplementary levy, it must consider and address the requirements in the Ministerial Direction for applying this levy, prepare the required project cost estimates, and calculate the supplementary levy rate. The requirements for project costs are discussed in Step 3.

Step 5: Draft the ICP

To make the task of preparing an ICP easier, each development setting has its own ICP template. The template for metropolitan greenfield growth areas is in Attachment 2 of the guidelines. An ICP should be prepared and presented in accordance with the relevant template.

Step 6: Prepare an amendment for the ICP

The process for approving an ICP is by preparing an amendment to the relevant planning scheme to incorporate the plan into the scheme.

1.6 What is the Infrastructure Contributions Plan Overlay?

The Infrastructure Contributions Plan Overlay (ICPO) is the planning scheme provision that must be used to identify land affected by an ICP and to implement the requirements of an incorporated ICP.

An ICPO may only be applied to land that is within a defined development setting.

If land is within a defined development setting, an ICPO may be applied to the land before an ICP is incorporated into the planning scheme. However, because a permit cannot be granted to develop the land until an ICP has been incorporated (unless

the schedule to the overlay specifically allows otherwise), this practice should be avoided where possible and only as an interim measure while the preparation of an ICP is underway.

A permit granted under the ICPO must be consistent with the provisions of the relevant incorporated ICP and include any conditions required to give effect to the levies payable under the ICP.

The ICPO enables a planning authority to exempt certain development from the requirements of a particular ICP.

An example of a completed ICPO schedule is provided in Attachment 1.

1.7 Approving an ICP

An amendment to the relevant planning scheme is required to incorporate an ICP in the scheme. The amendment may be prepared by the Minister or by a council or any other Minister or public authority that is authorised by the Minister to prepare the amendment.

The Minister ultimately decides whether an amendment to the planning scheme, and therefore an ICP, is approved.

The pathway for a planning scheme amendment for an ICP differs depending on whether the plan imposes a standard levy or a supplementary levy (with or without a standard levy). The pathway for a 'standard levy only' amendment does not include the formal notice and submission steps. In contrast, those steps will normally apply to a 'supplementary levy' amendment.

A 'standard levy' ICP

If an ICP proposes only to impose a standard levy, a streamlined amendment process will normally be suitable provided:

- the ICP funds the provision of infrastructure identified in a PSP or equivalent strategic plan
- an amendment to implement the PSP or equivalent strategic plan in the planning scheme has been adopted by the planning authority and approved by the Minister
- the ICP is consistent with the adopted and approved PSP or equivalent strategic plan
- the ICP complies with the Ministerial Direction.

The Planning and Environment Regulations prescribe an ICP Standard levy as a class of amendment under section 20A of the *Planning and Environment Act 1987*.

A section 20A amendment is prepared by the Minister and exempt from the notice requirements.

A 'supplementary levy' ICP

A normal amendment process will apply for an ICP where a supplementary levy is proposed.



2 Accountability and reporting

2.1 Accounting by collecting and development agencies

Accountability is essential to the operation of the ICP system and maintaining public confidence in the wider planning system. Accountability means that decision making is open and transparent, funds collected through an ICP are spent on the infrastructure for which they were levied, and the use of levies is regularly reported and independently monitored and reviewed.

To ensure the ICP system is accountable and transparent:

- an infrastructure levy may only be imposed through an ICP that forms part of the planning scheme. This ensures that the process for approving the plan (and any subsequent amendments to it) is open, transparent and provides for community involvement where necessary
- collecting agencies may only use levy funds for the purposes set out in the approved ICP
- collecting agencies must maintain proper accounts of all infrastructure levies paid
- collecting agencies must refund unspent levies or seek ministerial approval to use them for another purpose
- all collecting and development agencies must report annually to the Minister on the collection and use of infrastructure levy funds and any WIK received
- councils must report on the collection and use of levies in their annual reports.

2.2 Reporting by collecting and development agencies

Regular reporting by collecting and development agencies is important for tracking the collection and expenditure of levies and the delivery of infrastructure projects.

Under section 46GM of the Act, collecting and development agencies must report to the Minister on:

- the levy amounts collected by the collecting agency
- any land, works, services or facilities (WIK) accepted by the collecting agency
- any infrastructure delivered by the development agency from the levies collected
- the use made of any WIK.

Similar reporting requirements apply to DCPs under section 46QD of the Act.

To enable the Minister to monitor the overall performance of the ICP system and make meaningful comparisons of the use of levy funds, collecting and development agencies must prepare their report in accordance with the Ministerial Reporting Requirements for Infrastructure Contributions Plans ('Ministerial Reporting Requirement'). This document requires a report to be:

- prepared each financial year
- given to the Minister within three months after the end of the financial year reported on
- prepared and presented in accordance with the standard templates provided in the document.

Where a council is the collecting or development agency, the report must also be included in the report of operations contained in the council's annual report prepared under the *Local Government Act 1989*.

2.3 Reporting by the Minister

Under section 46GN of the Act, the Minister must report annually to the Parliament on the following matters:

- the total infrastructure levies paid to each collecting agency;
- the total infrastructure levies paid into and out of the Consolidated Fund; and
- the total amount of infrastructure levies paid.

2.4 Financial responsibilities under an ICP

The responsibilities of councils in administering an ICP are set out in section 46GI of the Act. A council must:

- keep proper accounts of any amount of infrastructure levy paid to it as a collecting agency or development agency in accordance with the *Local Government Act 1989*;
- forward any part of the infrastructure levy that it is paid as a collecting agency to the relevant development agency (if the council is not the development agency);
- ensure that any funds that it receives as a development agency are only applied–
 - for a purpose relating to the provision of works, services, facilities or plan preparation costs in respect of which the levy was imposed; and
 - in accordance with the approved ICP; and
- refund any amount of infrastructure levy paid to it as development agency in respect of development if the council is satisfied that the development will not proceed.

Similar responsibilities apply to other collecting and development agencies under sections 46GJ and 46GK of the Act.

2.5 Financial management of ICPs by councils

Once an ICP is approved, the collecting agency is responsible for the financial management of the plan and development agencies are bound to deliver the infrastructure set out in the plan.

Given that councils are normally both the collecting and development agency under an ICP, it is critical that they have systems and procedures in place to effectively manage infrastructure contributions and regularly monitor infrastructure delivery. Councils need to be able to systematically identify and manage all risks associated with infrastructure levies so they can respond to issues as they arise and minimise delays to infrastructure provision.

Councils should have regard to the following matters in setting up their systems for collecting and administering infrastructure levies.

Collaborative approach

The effective management of an ICP requires a multi-disciplinary approach that involves all relevant departments within the council. Departments that should typically be involved are:

- planning – preparing, implementing and reviewing ICPs, negotiating WIK, facilitating development, providing advice on section 173 agreements and issuing planning permits
- engineering, social and recreation – preparing and implementing ICPs and negotiating WIK
- finance, administrative and corporate services – managing the collection of levies, establishing the financial accounting, quality assurance and legal processes for ICPs, and integrating ICP projects with the council's capital works program
- senior management team – signing off on the preparation and approval of ICPs, approving WIK and section 173 agreements, overseeing the collection of levies and delivery of infrastructure.

Procedures and governance

Internal procedures and governance arrangements for ICPs should be designed to ensure that all contributions owed have been received and are used effectively. Procedures should also be subject to quality assurance and regular scrutiny by internal audit. To optimise the administration of ICPs, councils should consider:

- creating a database able to track and report on each ICP, the contributions collected, WIK, timing of delivery of projects, and to forecast expenditure and income
- assigning clear management responsibilities for the coordination and oversight of ICPs
- creating standard internal policies and procedures for applying an ICP, negotiating WIK, and reporting on ICPs in the council's annual budget and capital works program
- preparing regular financial reports to senior management and councillors that accurately reconcile levies collected and expended, including the delivery of infrastructure against that planned.

Risk management

Councils need to understand the financial risks inherent in the ICP system and seek to minimise those risks.

Timing and cash flow management

Given the quantum of revenue collected via infrastructure levies and the usual lifetime of an ICP, it is important that councils manage their cash flow so that infrastructure projects can be delivered in an efficient and timely manner.

Pooling of funds and borrowing

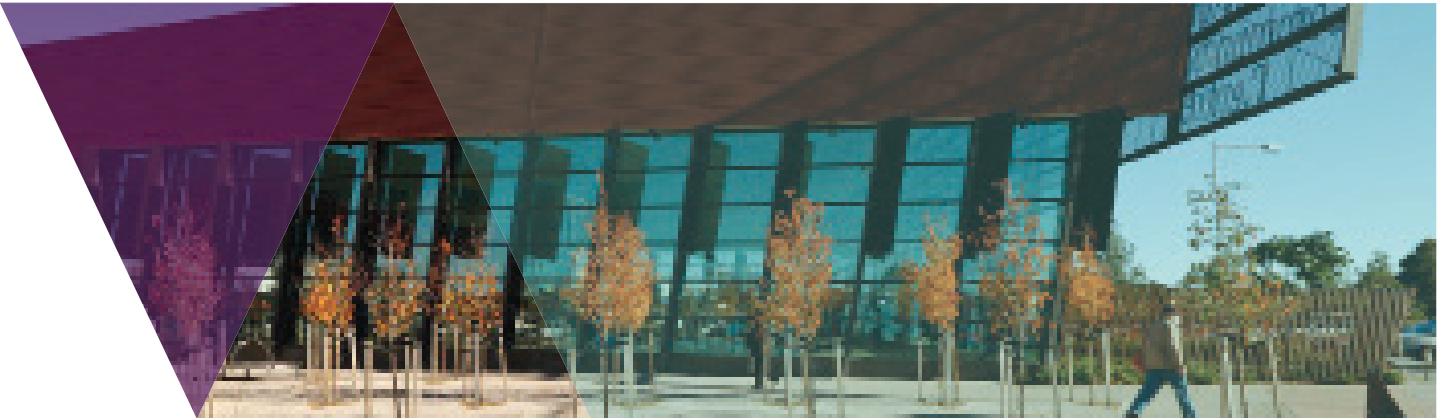
The ICP system allows for the pooling of funds within an ICP account to provide sufficient funds to build facilities.

Interest

The council must establish a separate interest bearing account for each ICP. All interest earned is to be spent on delivering the infrastructure projects identified in the ICP.

Joint ICP plan funds

Where an ICP crosses municipal boundaries and involves one or more collecting agencies, the collection and expenditure of the infrastructure levies must be agreed between the councils from the outset and included in the ICP.



Part C: Specified development settings

This section provides guidance for specified development settings. It sets out the levy rates, indexation methodologies, allowable items and administrative matters for each development setting.

As the ICP system is applied to new settings and areas, more information will be added to this part of the guidelines. Current development settings:

1. Metropolitan greenfield growth areas





METROPOLITAN GREENFIELD GROWTH AREAS

1 Introduction

This section explains the requirements of the ICP system that specifically relate to metropolitan greenfield growth areas. The requirements are set out in Annexure 1 of the Ministerial Direction on the Preparation and Content of Infrastructure Contributions Plans.

Because the Ministerial Direction may be amended from time to time, planning authorities should read the Direction carefully before proceeding to prepare an ICP.

2 Definition of a metropolitan greenfield growth area

A metropolitan greenfield growth area is defined as land in metropolitan Melbourne that meets the following three criteria:

- the land is within a growth area that has been declared under section 46AO of the Act. Growth areas can be declared in Cardinia, Casey, Hume, Melton, Mitchell, Whittlesea and Wyndham
- the land is within an urban growth boundary
- the land is zoned or subject of an amendment to the planning scheme to be zoned for residential, industrial or commercial purposes or as an Urban Growth Zone.

3 The role of an ICP in a metropolitan greenfield growth area

In metropolitan greenfield growth areas, PSPs are the key tool for planning land use and infrastructure provision in areas designated for large scale, fully serviced urban development. PSPs set out the general location of roads, community facilities, shopping centres, schools, parks, key transport connections and areas for housing and employment. They also identify the type, scope and standard of infrastructure required for the precinct.

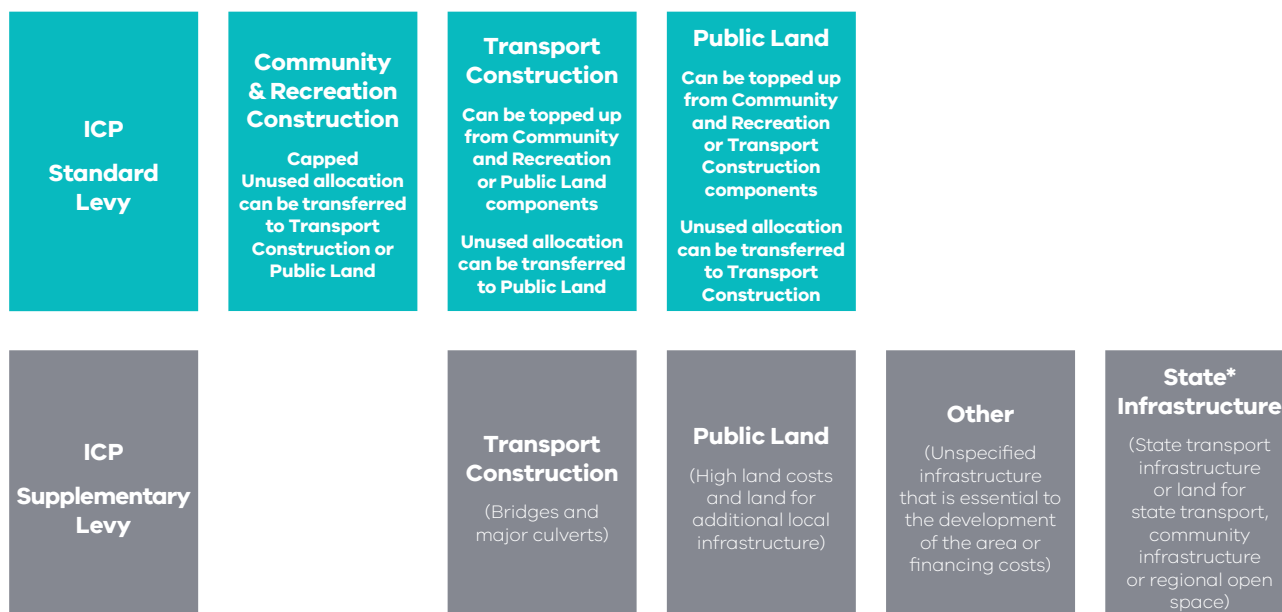
An ICP is basically the funding component of a PSP. It outlines the infrastructure items needed for the planned development scenario set out in the PSP and is the statutory mechanism for levying contributions from development proponents to fund the infrastructure.

An ICP in a metropolitan greenfield growth area may consist of:

- a standard levy only
- a standard levy plus one or more supplementary levies
- a supplementary levy only.

The following diagram summaries the components of each levy.

ICP STANDARD AND SUPPLEMENTARY LEVIES FOR METROPOLITAN GREENFIELD GROWTH AREAS



*ICP levy for state infrastructure does not apply to the development of land within the GAIC area.

4 Defining the boundaries of the ICP area

The PSP will guide the boundaries of the area where an ICP applies. Wherever possible, the area covered by an ICP should avoid or minimise the need for the external apportionment of infrastructure costs.

5 Strategic justification required to prepare an ICP

In most cases, the PSP will contain all the strategic justification necessary for preparing an ICP. The PSP may be supported by relevant background reports, such as reports relating to transport, community and active recreation or open space.

The PSP will:

- set the vision for how land within the precinct is to be developed
- explain the proposed urban structure for the precinct and how it fits into the overall growth area
- define the boundaries of the precinct
- establish the nexus between the urban development and the required infrastructure

- identify the location, type and standard of infrastructure required
- contain a detailed land budget that shows the amount of land from each lot within the PSP area that needs to be set aside for a public purpose
- specify the net developable area
- specify the average public land percentage required.

It is not necessary for an ICP to repeat the strategic justification contained in the PSP. A brief statement or summary in the ICP about how it implements the PSP will suffice.

6 Standard levies for metropolitan greenfield growth areas

The standard levy rates for metropolitan greenfield growth areas are set out in Table 1 in Annexure 1 of the Ministerial Direction.

The rates apply until the end of the 2016/2017 financial year. After that, the Minister will index the rates on 1 July each financial year and publish the indexed rates on the Department's website.

Types of rates

There are separate standard levies for residential development and commercial and industrial development. The residential standard levies apply to land to be developed for residential purposes and to town centre development (which may include housing, office, commercial, civic or retail development).

The commercial and industrial standard levies apply to areas designated for commercial or industrial development (such as areas identified in a PSP for employment).

All rates are levied on a per net developable hectare (NDHa) basis.

Allocation of the residential standard levy

The residential standard levy allocates funds to three infrastructure categories:

- community and recreation construction
- transport construction
- public land.

The amount allocated to community and recreation construction is a 'capped' amount, which means that this is the maximum amount of the standard levy that a planning authority may use to fund community and recreation construction.

The standard levy amounts allocated to transport construction and public land are 'uncapped' and therefore indicative only. Provided the planning authority keeps within the overall standard levy rate, it can direct more funds to transport construction and fewer funds to public land (or vice versa). It can also direct any 'unused' community and recreation construction funds to transport construction and public land.

Allocation of the commercial and industrial standard levy

The standard levy for commercial and industrial development allocates funds to transport construction and public land. Like the residential standard levy, funds can be transferred between the two infrastructure categories.

No funds have been allocated to community and recreation construction because commercial and industrial development does not generate a demand for these facilities.

Cap on community and recreation construction

The Ministerial Direction caps the amount of the residential standard levy that may be spent on community and recreation construction in metropolitan greenfield growth areas. The cap ensures that use of the standard levy is confined to essential community and recreation facilities. Discretionary higher order community facilities are not funded through an ICP levy.

The capped amount will be indexed by the Minister each financial year and published on the Department's website.

While the cap generally cannot be exceeded, the Minister may increase the cap for a particular ICP if:

- the planning authority can show that the community and recreation construction to be funded by the increased amount is essential to the orderly and proper development of the area;
- the ICP does not impose a supplementary levy; and
- the overall standard levy rate is not increased.

Public land component of the standard levy

The amounts allocated to community and recreation construction and transport construction are the same across all metropolitan greenfield growth areas. However, the levy amounts allocated to public land are different in the South-East Growth Area and the North and West Growth Areas to reflect different land costs between the regions.

The South-East Growth Area standard levies may be applied to metropolitan greenfield growth areas in Cardinia and Casey. The standard levies for the North and West Growth Areas may be applied to metropolitan greenfield growth areas in Hume, Melton, Mitchell, Whittlesea and Wyndham.

7 Indexation of standard levies

The standard levy rates will be indexed by the Minister on 1 July each year as follows:

- the community and recreation component of the levy will be indexed using the ABS Producer Price Index for Non-Residential Building Construction – Victoria (Catalogue 6427.0, Table 17, Output of the Construction Industries, subdivision and class index numbers)
- the transport construction component of the levy will be indexed using the ABS Producer Price Index for Road and Bridge Construction – Victoria (Catalogue 6427.0, Table 17, Output of the Construction Industries, subdivision and class index numbers)
- the public land component of the South-East Growth Area levy will be indexed using an index prepared by Valuer-General Victoria for the Minister for the South-East Region
- the public land component of the North and West Growth Areas levy will be indexed using an index prepared by Valuer-General Victoria for the Minister for those two regions.

The indexed rates will be published on the Department's website.

If an ICP applies the standard levy rates set out in the Ministerial Direction (or the rates indexed by the Minister), the rates specified in the ICP must be indexed to remain at the same level as the rates indexed by the Minister. Even if an ICP allocates funds to infrastructure categories in different proportions to those set out in the Direction (for example, the ICP directs more standard levy funds to public land and less funds to transport construction), the indexation of the rates in the ICP must be based on the allocations set by the Direction.

If a lower standard levy rate has been applied in an ICP, the rate should be indexed based on the amounts that have been allocated to each infrastructure component. For example, if 30% of the standard levy has been allocated to community and recreation construction, 30% has been allocated to public land, and 40% has been allocated to transport construction, the indexation of the levy rate (using the three different indices) should be based on these proportions or weighting.

8 Indexation of supplementary levies

A supplementary levy must be indexed on 1 July each year as follows:

- if the levy funds transport construction allowable items, the estimated cost of the items must be indexed using the ABS Producer Price Index for Road and Bridge Construction – Victoria (Catalogue 6427.0, Table 17, Output of the Construction Industries, subdivision and class index numbers)
- if the levy funds public land allowable items, the estimated cost of the land must be indexed using the relevant public land index prepared by Valuer-General Victoria for the Minister, which will be published on the Department's website
- for any other works, services or facilities, the infrastructure contributions plan must specify an appropriate method of indexation.

9 Funding of state infrastructure

In a GAIC contribution area, a standard levy or a supplementary levy must not be imposed to fund state infrastructure. This does not include construction works to connect a new or upgraded council road to a declared state road.

10 Standard levy allowable items

The standard levy allowable items are divided into three infrastructure categories: community and recreation construction, transport construction and public land. The items are listed in Tables 1, 2 and 3 below.

The standard levy items do not include infrastructure provided by state agencies. State infrastructure items may only be funded from a supplementary levy and are separately listed in Table 7 below.

Surplus standard levy funds may be used to fund supplementary levy allowable items other than State infrastructure.

Community and recreation construction

The community and recreation construction allowable items are listed in Table 2 in Annexure 1 to the Ministerial Direction.

The community and recreation construction allowable items listed below include any associated works, services or facilities that are reasonably required to ensure the item is suitable for its intended use.

Table 1: Community and recreation construction standard levy allowable items

	Standard levy allowable item
Community facilities	<p>Single or multi-purpose community facilities that provide for a range of community activities and services.</p> <p>This includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> • multi-purpose community facility • kindergarten • childcare and occasional care facility • playgroup facility • maternal and child health centre • library and learning centre • community arts and cultural facility • neighbourhood house • adult day care and activity group facility • youth services facility • delivered meals facility • business accelerator facility.
Sports and recreation facilities	<p>Multi-purpose or specialist sports and recreation facilities that provide for a range of activities and services.</p> <p>This includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> • outdoor multi-purpose sports field, court and spaces • multi-purpose and/or specialist pavilion • football oval • soccer pitch • cricket oval • rugby field • tennis court • basketball court • netball court • bowling green • bocce court • baseball field • softball field • hockey field.

TRANSPORT CONSTRUCTION

The standard levy transport construction allowable items are listed in Table 3 to Annexure 1 of the Ministerial Direction.

Table 2: Transport construction standard levy allowable items		
Standard levy allowable item		Standard of provision
Council arterial roads This includes: <ul style="list-style-type: none"> • upgrades to existing local roads to council arterial road standards; and • new council arterial roads. 	Arterial road spacing	Based on a typical 1.6 km arterial road grid network with alternating primary (six lane) and secondary (four lane) arterial roads.
	Arterial road design	Designed to generally accommodate the forecast ultimate traffic volumes generated by the new development.
	Arterial road lanes	Construction of one through lane in each direction.
	Walking and cycling infrastructure	On both sides of the arterial road as specified in the PSP or equivalent strategic plan.
	Signalised pedestrian crossings	As specified in the PSP or equivalent strategic plan.
Intersections (traffic signals or roundabouts) with council or declared state arterial roads This includes: <ul style="list-style-type: none"> • arterial and arterial road intersections; and • arterial and connector road intersections. 	Intersection spacing	Based on a typical 800 metre spacing within the standard 1.6 km arterial road grid network.
	Through lanes at intersection approach	One through lane plus one short through lane in each direction.
	Left turn lane/slip lane	One left turn lane/slip lane where required in ultimate design.
	Right turn lane	As specified in the PSP or equivalent strategic plan.
	Traffic signals	Signals to be located at the ultimate intersection position.
	Walking and cycling infrastructure	As specified in the PSP or equivalent strategic plan.

The transport construction allowable items listed include any works, services or facilities that are reasonably required to provide the items including:

- the design, preparation, supervision and inspection of works, including relevant fees
- site preparation
- services relocations, installations and adjustments
- construction of pavement and kerb and channel
- drainage
- foundations, abutments and structures
- landscaping
- bus priority measures
- fencing, including guard fencing

- traffic control signs, line marking and street lighting
- temporary works, access restoration and 'making good' works
- maintenance of:
 - landscaping for one year or two summers
 - traffic signals on arterial roads for up to ten years
 - all other works for one year.

PUBLIC LAND

The standard levy public land allowable items are listed in Table 5 to Annexure 1 of the Ministerial Direction.

Table 3: Public land standard levy allowable items		
Standard levy allowable item		Amount of public land
Land for community and recreation	Land to be used for: <ul style="list-style-type: none"> • community facilities; • public open space; • sports reserves; or • indoor sports facilities. 	As specified in the PSP or equivalent strategic plan.
Land for transport	Council arterial road reservations	As per the ultimate design for the arterial road as set out in Table 2 comprising: <ul style="list-style-type: none"> • A 41 metre wide reservation for a primary (six-lane) arterial road. • A 34 metre wide reservation for a secondary (four-lane) arterial road.
	Intersections with council arterial roads	As per the ultimate design for the arterial road intersection to accommodate all intersection works as set out in Table 2. This may include land within a Public Acquisition Overlay if the land is required for a connection between the development and a council arterial road.
	Intersections with declared state arterial roads where the intersection works are attributable to the development	As per the ultimate design required to accommodate all intersection works as set out in Table 2 to provide connections with declared state arterial roads. This may include land within a Public Acquisition Overlay if the land is required for a connection between the development and a declared state arterial road.

11 Supplementary levy allowable items

A supplementary levy may be used to fund the items listed in Tables 4, 5, 6 and 7 below. A supplementary levy cannot be used to fund community and recreation construction.

TRANSPORT CONSTRUCTION

The transport construction allowable items are listed in Table 4 of Annexure 1 to the Ministerial Direction. The transport construction allowable items listed include the associated works, services or facilities that are reasonably required to provide the items.

Table 4: Transport construction supplementary levy allowable items

Supplementary levy allowable item	Criteria for applying a supplementary levy
Council arterial roads This includes: <ul style="list-style-type: none"> upgrades to existing local roads to council arterial road standards; and new council arterial roads. 	At least one of the following apply: <ul style="list-style-type: none"> The PSP or equivalent strategic plan requires: <ul style="list-style-type: none"> arterial road spacing above the standard set out in Table 2; or the interim construction of two through lanes in each direction. Construction costs substantially exceed the amount of the standard levy allocated to transport construction because: <ul style="list-style-type: none"> of the topographical, geographical, environmental or other physical conditions of the land; or the road is designed to primarily service industrial development; or the area of the ICP in net developable hectares is limited.
Intersections with council and declared state arterial roads This includes: <ul style="list-style-type: none"> arterial and arterial road intersections; and arterial and connector road intersections. 	At least one of the following apply: <ul style="list-style-type: none"> The PSP or equivalent strategic plan requires: <ul style="list-style-type: none"> additional number of intersections above the standard set out in Table 2; or intersection design requirements above the standard set out in Table 2. Construction costs substantially exceed the amount of the standard levy allocated to transport construction because: <ul style="list-style-type: none"> of the topographical, geographical, environmental or other physical conditions of the land; or the road is designed to primarily service industrial development; or the area of the ICP in net developable hectares is limited.
Intersections with council local roads	The intersection is on or adjoins land in fragmented ownership.
Road bridges (including rail overpasses)	The bridge forms part of the council arterial road network.
Pedestrian bridges and accessways	The pedestrian bridge or accessway is required to provide access over a railway, arterial road, waterway corridor, major easement or other major obstacle.
Major culverts	The internal cross-sectional area of the culvert is at least 1.75 square metres.
Developer provided: <ul style="list-style-type: none"> local or collector roads; road or pedestrian bridges; or pedestrian accessways. 	The road, bridge or accessway is on or adjoins land in fragmented ownership.

PUBLIC LAND

The public land supplementary levy allowable items are listed in Table 6 to Annexure 1 of the Ministerial Direction.

Table 5: Public land supplementary levy allowable items

Supplementary levy allowable item		Criteria for applying a supplementary levy
Land for transport	Council arterial road reservation	The PSP or equivalent strategic plan requires public land to accommodate: <ul style="list-style-type: none"> arterial road spacing above the standard set out in Table 2; or arterial road works (including batters) above the standard set out in Table 2.
	Intersections with council or declared state arterial roads	The PSP or equivalent strategic plan requires public land to accommodate: <ul style="list-style-type: none"> additional number of intersections above the standard set out in Table 2; or intersection design requirements above the standard set out in Table 2.
	Bridges and major culverts	The public land is required to accommodate a bridge or major culvert (and associated works) above that required for the typical arterial road grid network set out in Table 2.
	Developer provided: <ul style="list-style-type: none"> local or collector roads; road or pedestrian bridges; or pedestrian accessways. 	The public land is required to accommodate a road, bridge or accessway on or adjoins land in fragmented land ownership.
Land costs	High public land values	The value of the public land per hectare substantially exceeds the amount of the standard levy allocated to public land.

OTHER ITEMS

Table 6: Other supplementary levy allowable items

Supplementary levy allowable item		Criteria for applying a supplementary levy
Other local works, services and facilities		All of the following apply: <ul style="list-style-type: none"> the item is essential to the development of the area the item is not listed as a standard levy allowable item the Minister agrees to the item being funded from a supplementary levy.
Financing costs		The financing costs are: <ul style="list-style-type: none"> associated with the early delivery of works, services or facilities that are listed as a standard levy allowable item or a supplementary levy allowable item; and incurred by the development agency responsible for providing the works, services or facilities.

STATE INFRASTRUCTURE

State infrastructure may only be funded from a supplementary levy. These items are listed in Table 8 to Annexure 1 of the Ministerial Direction.

Table 7: State infrastructure supplementary levy allowable items		
Supplementary levy allowable item		Criteria for applying a supplementary levy
Transport infrastructure	Construction of declared state roads, including intersections and bridges, and public transport infrastructure	<p>All of the following apply:</p> <ul style="list-style-type: none"> The infrastructure is identified in a growth corridor plan or equivalent state or local strategic plan adopted by a Minister, government department or planning authority. The development generates a need for the state infrastructure. The levy does not apply to the development of land within the GAIC contribution area. The State Government has agreed to be the development agency for the infrastructure item.
	Land for declared state roads, including intersections and bridges, and public transport infrastructure	
Community facilities	Land for state education, health and emergency facilities	
Regional open space	Land for regional open space	

12 Contingencies

The estimated cost of allowable items may include the following maximum contingency amounts for construction:

- community and recreation construction allowable items – 15% of the estimated project cost
- construction of roads or road intersections – 15% of the estimated project cost
- construction of bridges – 20% of the estimated project cost.



13 Developer-provided works

The allowable items lists do not cover items that are normally provided by developers at the subdivision stage. The exceptions to this are developer provided roads, bridges and pedestrian accessways that are located on or adjoin land in fragmented ownership. These items may be funded from a supplementary levy.

Works provided directly by developers are listed below.

Works provided directly by the developer	
Estate infrastructure	Waterway management works, local estate drainage, water, sewerage, underground power, gas and telecommunication and data services
Local parks and open space reserves (including drainage reserves)	<p>Improvements to local parks and open space reserves including, but not limited to:</p> <ul style="list-style-type: none"> • passive open space • playgrounds • car parking and internal roads • pedestrian and bicycle paths • seating • landscaping including earthworks and shaping, grassing, tree planting, garden beds, paving, retaining walls, planters and water sensitive design features • works to protect and integrate existing retained landscape and cultural features • installation of picnic facilities and park furniture including BBQs, shelters, tables, fencing, bollards, rubbish bins, bike racks, tree guards and lighting • water tapping of open space
Transport	<ul style="list-style-type: none"> • local path – off-road bike path / shared trail within or abutting development sites • connector roads, access/local roads • arterial road landscaping (within or abutting development sites) • intersection – connector/local road to connector/local road and connector/local road to council or VicRoads arterial road (uncontrolled treatment) • road landscaping (within or abutting development sites)
Other	<ul style="list-style-type: none"> • basic levelling • biodiversity offsets • bus stops • council's plan checking and supervision

14 ICP template

An ICP should be prepared in accordance with the template provided in Attachment 2.

15 Public land costs

An ICP will typically need to fund the acquisition of public land for the construction of arterial roads and intersections, construction of sporting fields and facilities, local parks and community facilities. The ICP template includes a summary land budget table for documenting the amount of public land (in hectares) required for each infrastructure project and other related information.

Public land estimates of value are used to:

- determine whether a supplementary levy is required to fund the purchase of public land
- if a supplementary levy is required, calculate the supplementary levy rate
- determine the monetary credit that a landowner may receive if the land is accepted by the collecting agency as WIK under section 46GH of the Act.

Estimates of value are not required to justify the imposition of a standard levy.

16 Public Land Estimate of Value Methodology

To provide a fair and consistent approach to the valuation of public land in metropolitan greenfield growth areas, the Ministerial Direction requires the Public Land Estimate of Value Methodology (PLEM) to be used by:

- planning authorities when estimating the value of land to determine whether to apply a supplementary levy to fund public land and to calculate and index the supplementary levy rate
- collecting agencies when estimating the value of land to be acquired either by purchasing from the landowner or that has been accepted as WIK under section 46GH of the Act.

PLEM is based on the principle that public land identified in a PSP is of shared benefit and landowners should contribute equally to its cost.

However, because public land is not evenly spread across all properties, some landowners need to contribute more public land than others. PLEM ensures landowners who contribute more than the average amount of public land receive fair payment for their overprovision.

PLEM uses the average amount of public land required across the ICP area as the benchmark for estimating the value of public land on individual lots. Where landowners contribute an amount of public land equal to or below the 'average', the value of the land is estimated on a broad hectare basis. Where landowners contribute more than the average, the amount in excess of the average is valued on a site specific basis.

The key steps in PLEM are shown below:

DETERMINE ICP PUBLIC LAND PROJECTS

- identify the location, amount and type of public land to be funded through the ICP
- determine the total amount of public land required (in hectares)

CALCULATE THE AVERAGE PUBLIC LAND PERCENTAGE

- calculate the average public land percentage for each class of development
- identify the amount of public land provided by each lot and calculate how much is above or below the average public land percentage

ESTIMATE THE VALUE OF PUBLIC LAND PROJECTS

- engage an independent certified practising valuer to estimate the value of public land for each lot using PLEM

CALCULATE LEVY OR WIK CREDIT

- use the estimate of value to calculate the supplementary levy rate (if applicable) or determine the WIK credit that the landholder may receive. The estimate of value does not form part of the ICP

Determine the public land projects

Identifying the location, type and amount of public land required for each infrastructure project should have been completed as part of the Precinct Structure Plan or other strategic planning document related to the ICP and set out in land budget tables in both documents.

In metropolitan greenfield growth areas public open space may only be funded through an ICP, and not through section 18 of the *Subdivision Act 1988* or clause 52.01 of the planning scheme. Therefore, if a planning authority wishes to levy contributions to fund public open space, this land needs to be identified in the ICP.

Calculate the average public land percentage

From the land budget tables the percentage of land for the ICP (both the average for the whole ICP and for individual lots) can be calculated by dividing the total amount of public land (in hectares) in the ICP area by the total net developable area (NDHa). The percentage for individual lots can then be compared against the ICP average.

While this is relatively easy when the ICP only includes a single land use (either residential or commercial and industrial), due to the different land requirements they have (for example commercial and industrial development does not contribute to public land required for community and recreation construction) the percentage calculations need to be split into two.

Both residential and commercial and industrial land uses rely equally on the road network. For this reason the land required for the road network (road reserves, intersection flaring and any battering needed for bridges and culverts) is calculated across the whole ICP area (i.e. total land divided by total NDHa).

For the remaining land types (open space and community) the average public land percentage should be calculated for each development. That is, the land required for open space and community facilities in residential areas is to be divided by the subtotal NDHa Residential, while land for commercial and industrial open space is to be divided by the subtotal NDHa commercial and industrial. These two different percentages are then added to the road network percentage to calculate the total percentage for the different land uses. An example of how this is calculated is provided in Attachment 3.

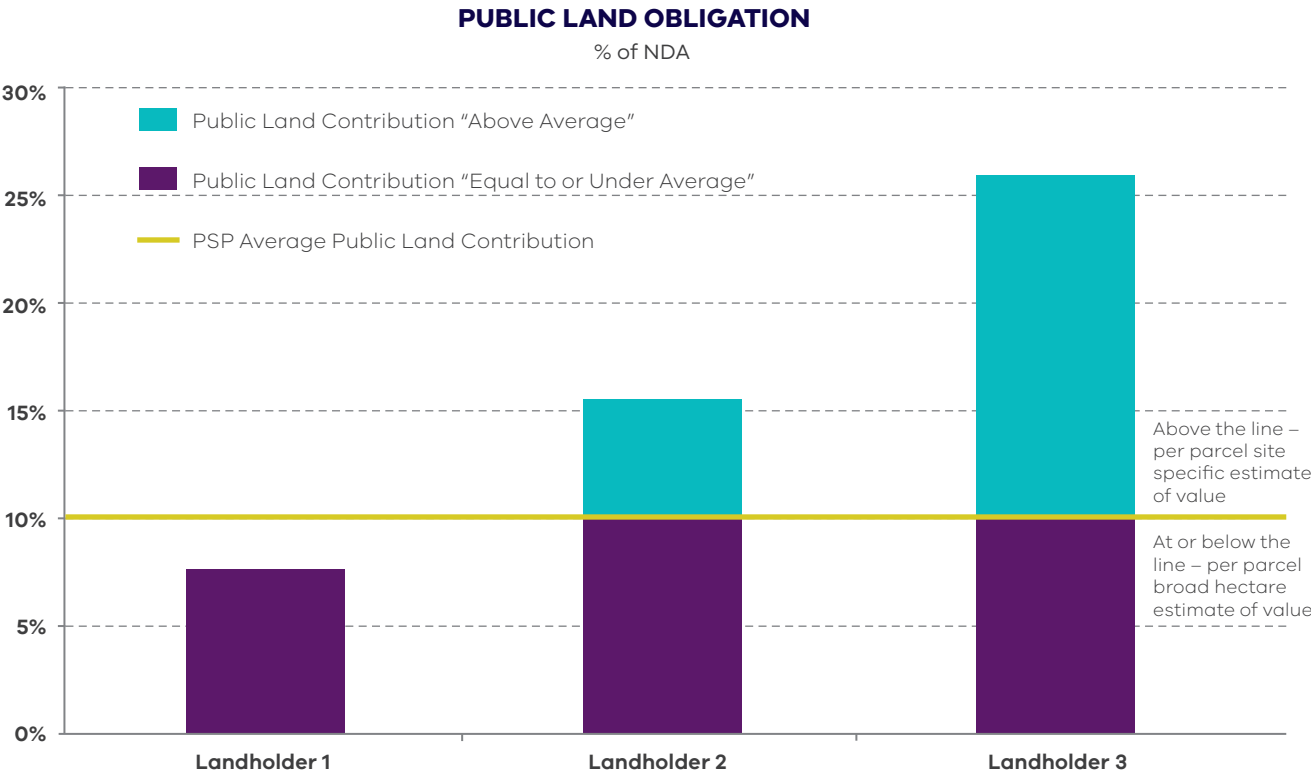
An example of a lot specific land budget table is included in the PLEM example provided in Attachment 3.

Estimate the value of public land required for each lot

The third step is to estimate the value of the public land for each lot as follows:

- if the amount of public land required from the lot is equal to or less than the average public land percentage, the land is valued on a per lot broad hectare basis; and
- if the amount of public land required from the lot is greater than the average public land percentage, the portion up to average public land percentage is valued on a per lot broad hectare basis while the portion above the average is valued on a site specific basis.

The figure below illustrates how the two methods for estimating land values are used.



The per lot broad hectare estimate of value method calculates the estimated value of the land based on its unencumbered and highest-and-best use as shown in the PSP. Each certificate of title is assessed on a 'before and after' basis where:

- The 'before' assessment is based on the total developable area of each lot. Any land or infrastructure required to be provided by the PSP and any development that occurs after the ICP is approved is ignored.
- The 'after' assessment is based on the portion of the lot that is developable after all land required for ICP infrastructure by the PSP has been provided. Severance or enhancement, disturbance and special value are ignored for the purpose of this assessment.
- The estimate of value of the public land is the difference between the before and after assessments.

The site specific estimate of value method calculates the estimated value of each public land project within the lot. For example, if the PSP identifies that land on the lot is to be set aside for road widening, a community centre and a local sports reserve, a separate estimate of value is prepared for each project. The average of these site specific project values is then calculated to determine the estimate of value amount.

Site specific estimates are based on the following assumptions:

- The subject land is zoned for an urban purpose and valued at its unencumbered, highest-and-best use within this context. Land in and around town centres identified in the PSP is to be assumed to be zoned for residential purposes.
- The subject land is readily serviceable and accessible by road. It is to be assumed that these sites are regular in shape with two existing road frontages and their GAIC and infrastructure levies have been paid.
- The subject land is at the development front and market demand exists.

The estimates must be prepared by an independent certified practicing valuer based on instructions provided by the planning authority. The valuer should have knowledge and experience in broad hectare real estate valuations. The assessment is usually based on an external inspection of the land and publicly available information relating to the development potential of the land, such as the proposed use of the land as identified in the PSP and the sale of similar sized and zoned lots.

An example of an ICP based on PLEM is provided in Attachment 3.

17 Information provided to landowners about estimates of value

Each landowner will be provided with an estimate of value of the public land on their lot (which may include multiple lots) when notice is given of a planning scheme amendment to incorporate the PSP or ICP into the planning scheme. The estimate is not included in the PSP or ICP for privacy reasons.

The information provided to a landowner should include:

- an explanation of why the estimate of land value is being provided
- the total amount of land on the lot required to be set aside for public purposes
- the total estimate of value for the public land on the lot
- a summary of the process for resolving disputes about an estimate of value
- details about where to find out more information about the PSP or ICP.

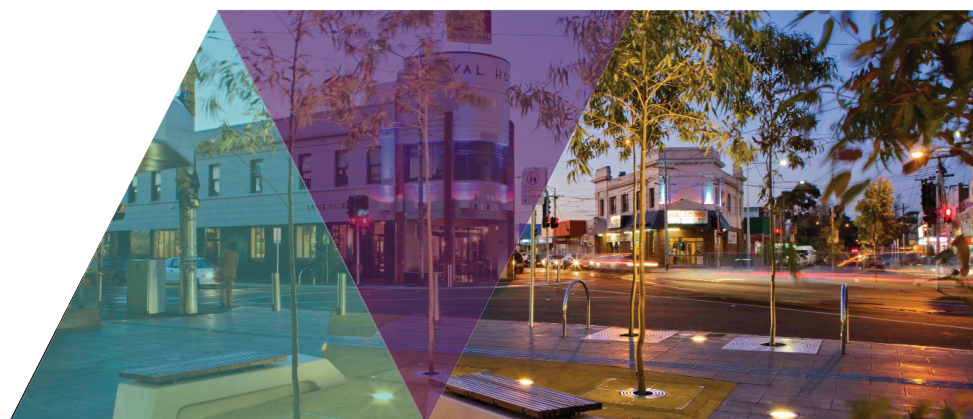
18 Resolution of disputes about estimates of value

If a landowner disagrees with the proposed estimate of value for their lot, the landowner may make a submission to the planning authority. Generally, a landowner has 30 days to make a submission. The notice to the landowner will set out the closing date for submissions.

A submission on an estimate of value must include:

- a valuation prepared by a certified practising valuer based on PLEM
- the estimate of value that the valuer considers should be the value of the land
- a copy of the valuer's report.

If the planning authority does not accept the landowner's submission, the submission will be referred to Valuer-General Victoria (VGV) for resolution at a valuers conference. A fee set by VGV will apply. The conference is attended by the planning authority's valuer and the landowner's valuer. If the two valuers cannot reach agreement, VGV will make an independent determination on the estimate of value. A determination will generally be made within 10 working days after the conference. The landowner and council will receive notice of the determination from the planning authority. The VGV determination will be applied to the PSP or ICP.



Attachment 1: ICPO schedule example

GUMNUT PLANNING SCHEME

SCHEDULE 1 TO THE INFRASTRUCTURE CONTRIBUTIONS PLAN OVERLAY

Shown on the planning scheme map as **ICP01**

BLOSSOM PEAK INFRASTRUCTURE CONTRIBUTIONS PLAN 2016

1.0 Permit requirement

None specified

2.0 Standard levy

Class of development	Infrastructure category	Levy payable
Residential	Community and recreation	\$87,500 per NDHa
	Transport	\$112,500 per NDHa
	Land	\$128,500 per NDHa
	Total standard levy payable	\$328,500 per NDHa
Commercial and Industrial	Transport	\$112,500 per NDHa
	Land	\$42,500 per NDHa
	Total standard levy payable	\$155,000 per NDHa

3.0 Supplementary levy

Class of development	Infrastructure category	Levy payable
Commercial and industrial	Community and recreation	\$10,000 per NDHa
	Land	\$5,000 per NDHa
	Total supplementary levy payable	\$15,000 per NDHa

4.0 Method and timing of indexation – Standard levy

Infrastructure category	Indexation method	Timing
Community and recreation	Australian Bureau of Statistics Producer Price Index for Building Construction	1 July each year
Transport	Australian Bureau of Statistics Producer Price Index for Road and Bridge Construction	1 July each year
Land	Valuer-General Victoria ICP Public Land Index for North and West Metropolitan Growth Areas	1 July each year

5.0 Method and timing of indexation – Supplementary levy

Infrastructure category	Indexation method	Timing
Transport	Australian Bureau of Statistics Producer Price Index for Road and Bridge Construction	1 July each year
Land	Valuer-General Victoria ICP Public Land Index for North and West Metropolitan Growth Areas	1 July each year

6.0 Land or development excluded from payment of an infrastructure levy

Land identified to be developed as an aged care facility in the Blossom Peak Precinct Structure Plan (2016).

Notes: This schedule sets out the levies prescribed in the infrastructure contributions plan. Refer to the incorporated infrastructure contributions plan for full details.

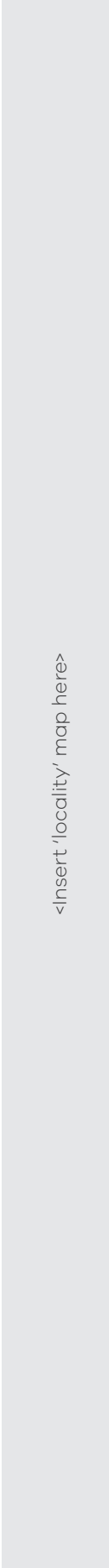
Attachment 2: ICP template for metropolitan greenfield growth areas

1 INTRODUCTION

Provide a brief description of the Infrastructure Contributions Plan (ICP) and its purpose, and identify the statutory framework, including Section 46GB of the *Planning and Environment Act 1987* and relevant planning scheme provisions that support the ICP. The introduction should also provide a summary of the strategic planning and justification of the ICP, usually contained within the corresponding Precinct Structure Plan (PSP) if applicable. The Ministerial Direction on the Preparation and Content of ICPs contains general requirements for all ICPs.

1.1 Infrastructure Contributions Plan area

Insert a description of the area subject to the ICP, its area in hectares, and identify the relevant planning scheme and overlay schedule in which it is shown. A 'locality' map should also accompany this section showing the local region surrounding the ICP area and its major features.



1.2 ICP time frame

Specify the timeframe in which the ICP will be in operation, the commencement date (usually date of incorporation into the planning scheme), and end date.

1.3 Classes of development and ICP projects map

Specify the classes of development of land for which an infrastructure levy is payable, and the net developable area for each class of development. If a class of development listed in the example table below is not relevant, delete that class. A 'development classes and projects' map should also accompany this section showing the location of each class of development and each project and its ID number.

Class of development	Area (hectares)
Residential	
Industrial/commercial	
Total	

<insert 'development classes and projects' map here>

2

2 INFRASTRUCTURE / PUBLIC LAND PROJECTS

Identify each infrastructure or public land project to be funded under the ICP under the categories of transport, community and recreation, public land, and items to be funded under the supplementary levy. Each project and its corresponding ID number should be plotted on the 'Development classes and projects' map at Section 1.3.

2.1 List of community and recreation facilities funded by the standard levy

Project ID	Project name	Project description	Staging short/med/long	Proportion being funded by levy	Other funding source

2.2 List of transport infrastructure items funded by standard levy

Project ID	Project name	Project description	Staging short/med/long	Proportion being funded by levy	Other funding source

2.3 List of public land funded by standard levy

Project ID	Project name	Project description	Land Area (ha)	Staging short/med/long	Proportion being funded by levy	Other funding source

2.4 List of infrastructure items funded by supplementary levy

Project ID	Infrastructure Category	Project name	Project description	Staging short/Med/Long	Total cost of item	Levy rate	Proportion being funded by levy	Other funding source

2.5 Items not included in this ICP

Identify the items or projects that are not included in the ICP that are considered to be normal to construction and development. Such items would not be considered to warrant cost sharing arrangements beyond those set out in the ICP and must be provided by developers as a matter of course and in implementing PSPs.

3 INFRASTRUCTURE LEVIES

3.1 Levy rates payable

Insert a table providing a summary of charges within the ICP:

Class of development	Standard levy rate per unit measurement (eg \$ per NDHa)	Supplementary levy rate per unit measurement (eg \$ per NDHa)	Total levies to be collected per unit measurement (eg \$ per NDHa)
Residential			
Industrial/Commercial			
Public land			

3.2 Plan preparation costs

Specify plan preparation costs to be funded by the standard levy in the ICP:

Plan preparation costs	Amount to be funded by standard levy	Proportion of standard levy
		X% (up to 1% of total standard levy rate)

4 LAND BUDGET

4.1 Public land table

Show land budget IDs and highlight the properties that will be supplying public land above the average contribution as per the example table below:

PSP NAME																		
PSP LOT ID	TOTAL AREA (HECTARES)	Transport		Community facilities		Service Open Space	Open Space		Total Net Developable Area (Hectares)	Net Developable Area % of Lot	Land use	ICP Contribution – Transport (Hectares)	ICP Contribution – Residential Community and Recreation (Hectares)	ICP Contribution – Commercial and Industrial Community and Recreation (Hectares)	ICP Contribution – Total (Hectares)	% of NDA	Public Land Contribution Equal to or Under ICP Average (Hectares)	Public Land Contribution Over ICP Average (Hectares)
		Arterial Road - Existing Road Reserve	ICP Arterial Roads, Widening & Intersection Flaring	Potential Government School	ICP Community Facilities		Local Sports Reserve (ICP land)	Local Network Park (ICP Plan)										
1																		
2																		
3																		
4																		
5																		
SUB-TOTAL																		
Road Reserve																		
Existing Arterial 1																		
Existing Arterial 2																		
Existing Other Road 1																		
Existing Other Road 2																		
SUB-TOTAL																		
Residential ICP Public Land Contribution																		ICP Public Land Contribution – Total (% of Residential NDA)
Commercial and Industrial ICP Public Land Contribution																		ICP Public Land Contribution – Total (% of Commercial and Industrial NDA)

4.2 Estimates of land value

Explain how the estimates of land value have been prepared.

5 ADMINISTRATION

5.1 Collection of levy

Set out the procedures for the collection of the infrastructure levy. Where a permit is required under the Act to carry out development on the land, a condition must be included in the permit that complies with the requirements of section 46GG of the Act. Where a permit is not required for the development, alternative collection procedures should be specified in the plan.

5.2 Works in kind

Set out:

- The likely works, services and facilities that the collecting agency may consider for works in kind, including estimated value (if available)
- The procedures for the implementation of works in kind, including the process for giving credits.

Project ID	Infrastructure description	Estimated value (\$)

5.3 Indexation and timing

Specify the method and timing of indexation to be applied to the levy rates for each infrastructure category. If a class of development listed in the example table below is not relevant, delete that class.

Infrastructure category	Method of indexation	Timing of indexation
Community and recreation facilities		
Transport infrastructure		
Public land		
Drainage		
Other (specify)		

5.4 Name of Collecting Agency

[INSERT NAME] is the Collecting Agency pursuant to section 46GE(1)(k) of the *Planning and Environment Act 1987*.

5.5 Name of Development Agency

[INSERT NAME] is the Development Agency pursuant to section 46GE(1)(l) of the *Planning and Environment Act 1987* for all projects in this ICP'.

If there is more than one development agency: [INSERT NAME] is the Development Agency pursuant to section 46GE(1)(i) of the *Planning and Environment Act 1987* for each project in the ICP other than [INSERT PROJECT ID] for which [INSERT NAME] is the Development Agency'.

5.6 Land or development exempt from payment of an infrastructure levy

Specify the land or development exempt from payment of an infrastructure levy.

5.7 Plan review

Specify the expected timing to undertake a review of the plan.

6 OTHER INFORMATION

Any other matter required by the Minister's Direction must be included in the plan. This section may also include other information such as road intersection plans or drainage plans.

7 DEFINITIONS

The plan should also include definitions of key terms such as:

Collecting Agency

A Minister, public authority or municipal council specified in an infrastructure contributions plan as the person to whom or to which an infrastructure levy is payable in accordance with Part 3AB of the *Planning and Environment Act 1987*.

Development Agency

The Minister, public authority or municipal council specified in an infrastructure contributions plan as the person responsible for the provision of works, services or facilities or for the plan preparation costs for which an infrastructure levy or part of that levy is payable in accordance with Part 3AB of the *Planning and Environment Act 1987*.

Gross Developable Area

Total ICP area excluding encumbered land, arterial roads and other roads with four or more lanes.

Net Developable Area

Land within an ICP area available for urban development. This excludes encumbered land, arterial roads, railway corridors, schools and community facilities and public open space. It includes lots, local streets and connector streets. Net Developable Area may be expressed in terms of hectare units (for example NDHa).

Land Budget Table

A table setting out the total ICP area, gross developable area, net developable area and constituent land uses proposed within the ICP area and the public land percentage for each lot within the ICP.

Plan preparation costs

The reasonable costs and expenses incurred by the planning authority (other than the Victorian Planning Authority) in preparing the plan and any strategic plan or PSP relating to, or required for, the preparation of the ICP.

Works in Kind

Any land, works, services or facilities accepted by a collecting agency under section 46GH of the Act in part or full satisfaction of the infrastructure levy payable.

Attachment 3: PLEM example

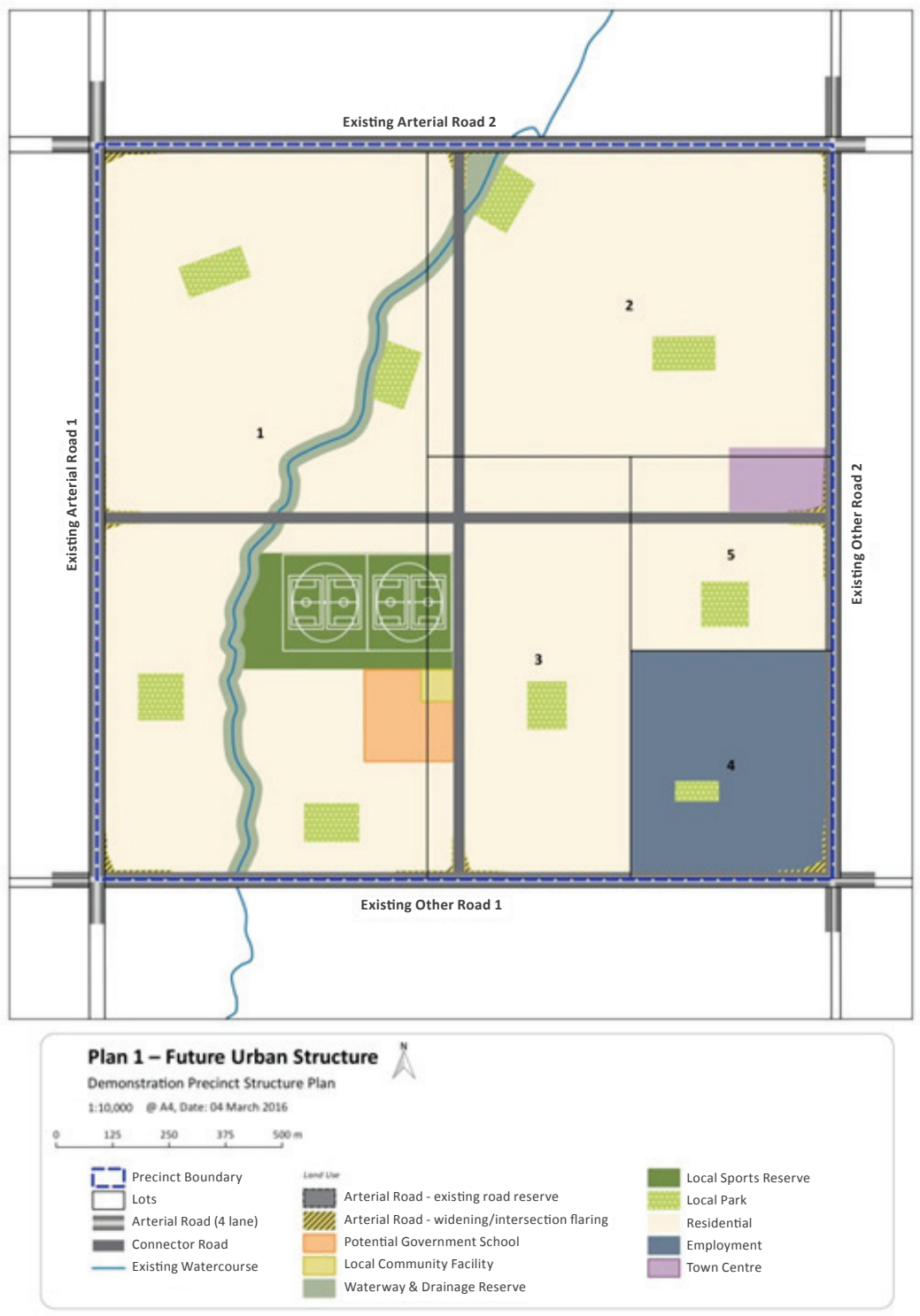
The following example demonstrates the use of PLEM to estimate the value of public land. In this case, the estimates of value have been prepared to guide the monetary credit that a landowner may be entitled to if the land is accepted by the collecting agency as WIK.

The PSP includes:

- a government primary school
- a community centre (public land)
- a local sports reserve (public land)
- a local town centre
- a waterway corridor
- the local park network (public land)
- arterial road widening (public land)
- intersection flaring (public land).

Note: Employment land means land for commercial or industrial development.

FIGURE 1: DEMONSTRATION PSP



1 Identify and document the public land projects

The PSP identifies the exact location and type of land that is required for a public purpose funded by the ICP. In this example, public land is required for a community centre, a local sports reserve, the local park network, arterial road widening and intersection widening.

2 Prepare a lot specific land budget

The lot specific land budget in Table 1 sets out the size of each lot in the ICP area and the amount of land on each lot that needs to be set aside for a public purpose, by infrastructure category.

The columns in the table with blue headings identify the land projects to be funded through the ICP. The total amount of public land to be funded is 26.99 hectares.

Table 1: Lot specific land budget

PSP																		
PSP LOTID	TOTAL AREA (HECTARES)	Transport		Community facilities		Service Open Space	Open Space		Total Net Developable Area (Hectares)	Net Developable Area % of Lot	Land use	ICP Contribution – Transport (Hectares)	ICP Contribution – Residential Community and Recreation (Hectares)	ICP Contribution – Employment Community and Recreation (Hectares)	ICP Contribution – Total (Hectares)	% of NDA	Public Land Contribution Equal to or Under ICP Average (Hectares)	Public Land Contribution Over ICP Average (Hectares)
		Arterial Road - Existing	ICP Arterial Roads, Widening & Intersection Flaring	Potential Government School	ICP Community Facilities		Local Sports Reserve	Local Network Park (ICP Plan)										
1	115.02		1.50	2.73	0.10	6.25	11.30	3.80	89.35	77.68%	Residential	1.50	15.20		16.69	18.68%	11.62	5.07
2	60.36		1.15			1.43		2.00	55.78	92.41%	Residential	1.15	2.00		3.15	5.64%	3.15	0.00
3	42.09		0.76	0.77	0.40		1.50	0.88	37.78	89.77%	Residential	0.76	2.78		3.54	9.36%	3.54	0.00
4	22.41		1.45					0.41	20.55	91.72%	Employment	1.45		0.41	1.86	9.03%	0.96	0.92
5	19.13		0.75					1.00	17.37	90.82	Residential	0.75	1.00		1.75	10.10%	1.75	0.00
SUB-TOTAL	259.00	0.00	5.60	3.50	0.50	7.68	12.80	8.09	220.84	85.26%		5.60	20.98	0.41	26.99		21.00	5.99
Road Reserve																		
Existing Arterial 1			2.77						0.00	0.00%								
Existing Arterial 2			2.74						0.00	0.00%								
Existing Other Road 1			0.48						0.00	0.00%								
Existing Other Road 2			0.48						0.00	0.00%								
SUB-TOTAL	6.48	6.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%								
Residential ICP Public Land Contribution*			0.00	4.15	3.50	0.50	7.68	12.80	7.68	200.28		Residential	2.54%	10.47%		13.01%	ICP Public Land Contribution – Total (% of Residential NDA)	
Employment ICP Public Land Contribution*			0.00	1.45	0.00	0.00	0.00	0.00	0.41	20.55		Employment	2.54%		1.99%	4.53%	ICP Public Land Contribution – Total (% of Employment NDA)	

*Note that the ICP land contribution for transport is shared equally across all residential and employment Net Developable Hectares. Therefore the ICP transport land average % is 2.54% (that is 5.6 ha of transport land required/total NDA of 220.84 ha).

3 Calculate the average public land percentage

Based on the lot specific land budget table, the planning authority can calculate the average public land percentage for each type of development in the ICP (residential and employment).

In this example, the average public land percentage is **13.01%** for residential development and **4.53%** for employment development. As shown in Table 1, residential and employment development contribute equally to the public land required for transport construction (2.54% of NDHa).

4 Estimate the value of all public land required from each lot

As shown in Table 2, public land contributions for individual properties range from 5.64% to 18.68% of NDHa. Lot 1 contributes 18.68% NDHa for public land, which is 5.67% (or 5.05 hectares) above the public land percentage average of 13.01% for residential development. Lot 4 contributes 9.03% NDHa for public land, which is 4.5% (or 0.92 hectares) above the public land percentage average of 4.53% for employment development. All other properties contribute public land amounts that are equal to or less than the average public land percentage.

Table 2: Per lot public land contributions

PSP LOT ID	TOTAL AREA (HECTARES)	Total Net Developable Area (Hectares)	Land Use	ICP Contribution – Total (Hectares)	% of NDA	Public Land Contribution Equal to or Under ICP Average (Hectares)	Public Land Contribution Over ICP Average (Hectares)
1	115.0206	89.3474	Residential	16.69	18.68%	11.62	5.07
2	60.3616	55.7823	Residential	3.15	5.64%	3.15	0.00
3	42.0861	37.7822	Residential	3.54	9.36%	3.54	0.00
4	22.4095	20.5535	Employment	1.86	9.03%	0.93	0.92
5	19.1258	17.3709	Residential	1.75	10.10%	1.75	0.00
TOTAL	259.00	220.84		26.99	0.53	21.00	5.99

Based on PLEM:

The public land contributions for properties 2, 3 and 5 are valued using a broad hectare estimate of value.

- In the case of lot 1:
 - 11.62 ha is valued using a broad hectare estimate of value
 - 5.07 ha is valued using a site specific estimate of value (the amount over the average public land percentage for residential development).
- In the case of lot 4:
 - 0.93 ha is valued using a broad hectare estimate of value
 - 0.92 ha is valued using a site specific estimate of value (the amount over the average public land percentage for employment development).

Table 3 sets out the estimates of value for each lot in the PSP. As explained in Part C of the guidelines, these estimates are not included in the ICP for privacy reasons.

Table 3: Estimates of value of public land required from each lot

PSP LOT ID	Contribution equal to or less than average public land percentage Broad hectare estimate of value			Contribution over the average public land percentage Site specific estimate of value			Total estimate of value
	Area	Broad hectare rate	Estimate of value	Area	Site specific rate	Estimate of value	
1	11.62	\$350,000	\$4,068,407	5.07	\$700,000	\$3,547,376	\$7,615,783
2	3.15	\$400,000	\$1,258,880	0.00		\$0	\$1,258,880
3	3.54	\$450,000	\$1,592,100	0.00		\$0	\$1,592,100
4	0.93	\$200,000	\$186,236	0.92	\$400,000	\$369,928	\$556,164
5	1.75	\$500,000	\$877,450	0.00		\$0	\$877,450
SUB-TOTAL	21.00		\$7,983,073	5.99		\$3,917,304	\$11,900,377

In this example, the total value of all public land in the ICP is approximately \$11.9 million.

5 Calculate the WIK credit

By comparing the estimated value of public land required from a lot with the infrastructure levy amount payable, a landowner can calculate the monetary credit that they may receive if the land is accepted by the collecting agency as WIK.

In this example, only a standard levy is being applied. Therefore, the infrastructure levy payable is calculated by multiplying the NDHa on the lot by the standard levy rate. Table 4 below sets out the standard levy payable for each lot (in the column headed 'ICP Obligation').

For all five properties, because the infrastructure levy payable exceeds the total estimated value of public land, if the landowner was to provide all public land on the lot as WIK he or she would receive a monetary credit equal to the total public land estimate of value.

Table 4: Comparison of the levy payable with the total public land estimate of value for each lot

PSP LOT ID	Land Use	Total Net Developable Area (Hectares)	ICP Rate	ICP Obligation	Public land estimate of value*	Remaining ICP obligation**
1	Residential	89.35	\$328,500	\$29,350,621	\$7,615,783	\$21,734,838
2	Residential	55.78	\$328,500	\$18,324,486	\$1,258,880	\$17,065,606
3	Residential	37.78	\$328,500	\$12,411,453	\$1,592,100	\$10,819,353
4	Employment	20.55	\$155,000	\$3,185,793	\$556,164	\$2,629,629
5	Residential	17.37	\$328,500	\$5,706,341	\$877,450	\$4,828,891
SUB-TOTAL		220.84		\$68,978,692	\$11,900,377	\$57,078,315

*This is the total estimate of value of all public land identified in Table 3.

**This is the remaining infrastructure levy payable after the public land WIK contribution has been credited. This amount can be satisfied by providing additional WIK (if accepted by the collecting agency) or paying the monetary amount.

