



FUNDING THE FUTURE

Improving the governance of
developer-funded
infrastructure

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L K A D V I S O R Y

Purpose

- ✓ Comprehensive stocktake of active DCPs across Perth & Peel.
- ✓ Practicalities and pitfalls of DCPs as an infrastructure funding and delivery tool.
- ✓ Policy alignment, success factors, best practice examples & lessons learned.
- ✓ Opportunities to enhance the utility and performance of DCPs for all stakeholders.
- ✗ Accuracy or appropriateness of infrastructure standards, costs, calculations, apportionment etc.
- ✗ Insinuation, accusation, fault, or blame.

Data Integrity

- > **54** active DCPs across **10** LGs, excluding:
 - 5** x Guided/ODP Legacy Schemes
 - 5** x DevWA DCAs
 - ? x Proposed DCPs
 - ? x Funding agreements / deeds
- > 100% LG sourced from most current publicly accessible information. 200+ hours data collection & analysis.
- > Significant variation in availability and depth of data and how information is reported.
- > Where necessary, results have been derived from known data (e.g. funds collected – funds held = expenditure).
- > Results are likely to be higher than stated.

Data Categories

- DCP Type
- DCP start date
- DCP expiry date
- Expected years of operation
- Years of operation to date
- Total DCP area (ha)
- Total estimated yield (ha)
- Total estimated yield (lots)
- Total value of all DCP items (\$)
- Contribution rate (\$/lot, \$/ha, \$/sqm)
- % of developer funded DCP items
- Value of developer funded items (\$)
- Total DCP collections to date (\$)
- Expected average DCP Collections per Annum (\$)
- Actual average DCP collections per Annum (\$)
- Difference between expected vs actual average annual collections (\$)
- Average annual DCP collections required to meet expiry date (\$)
- Years required to complete DCP at current average annual collection rate
- Total expenditure to date (\$)
- Funds currently held (\$)
- Extent of DCP completed (% of lots)
- Extent of DCP completed (% of ha)
- Extent of DCP remaining (% of lots)
- Extent of DCP remaining (% of ha)
- Value Expenditure remaining (\$)
- % of remaining expenditure
- Value of income remaining
- Potential funding discrepancy
- Last reviewed
- Cashflow/Funding program
- Delivery program

54

No. DCPs

\$1.99bn

Total value of DCP items

\$1.72bn

Total value DCP funded items

\$839M

Total contributions to date

\$542M

Total expenditure to date

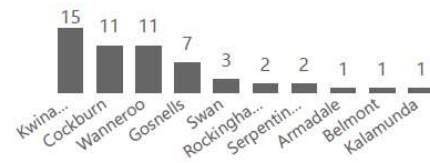
\$238M

Total Funds held

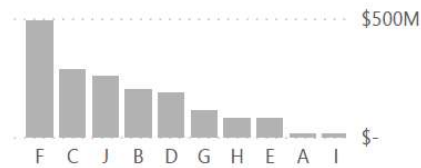
\$60M

Potential funding discrepancy

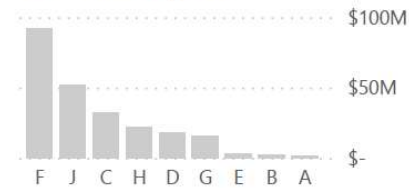
No. DCPs by LG



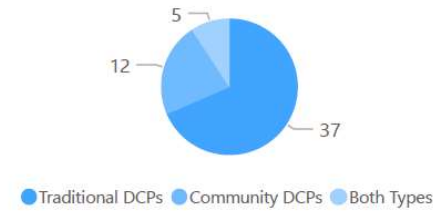
Value DCP funded items by LG



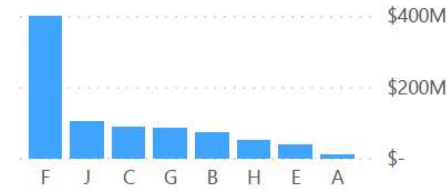
Funds held by LG



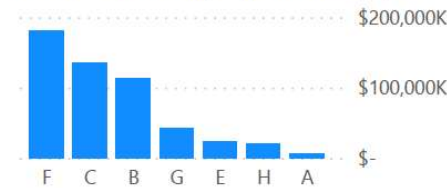
DCP Types



Contributions to date by LG



Value remaining expenditure by LG



Proportion of DCP items funded by DCP contributions



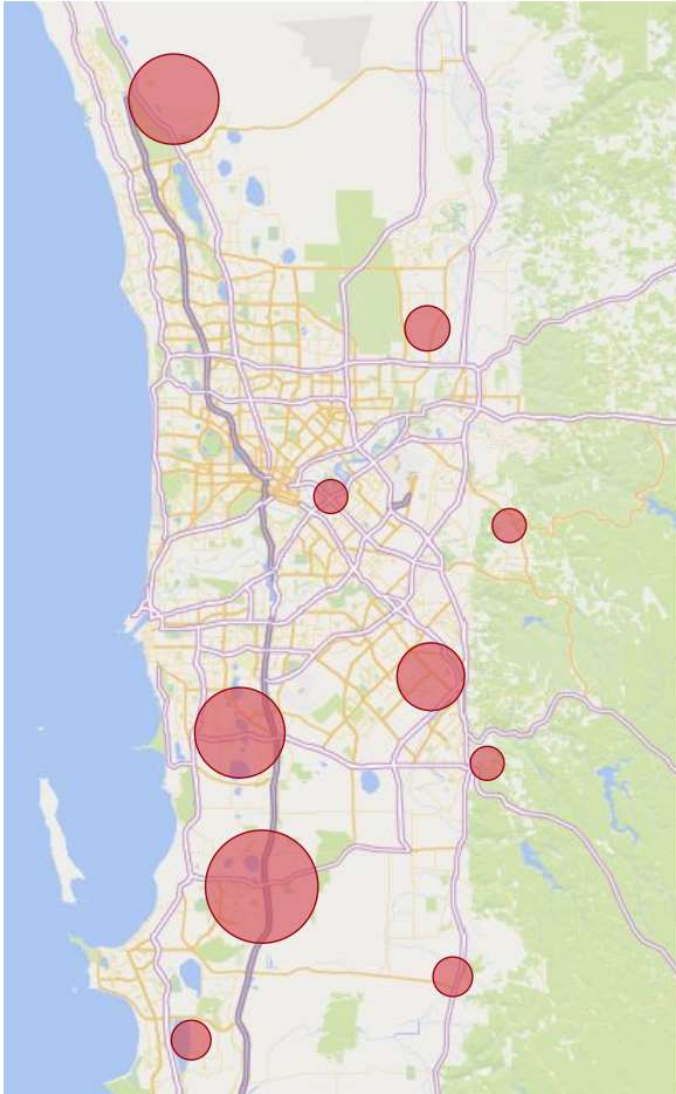
Expenditure to date by LG



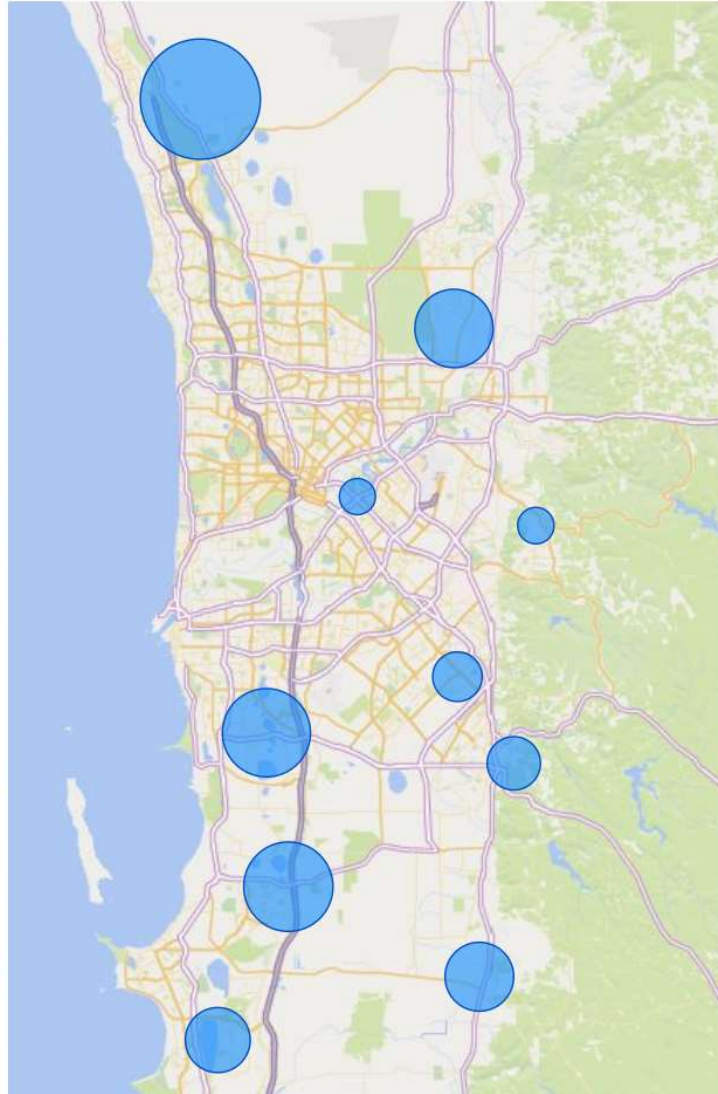
Potential funding discrepancy by DCP



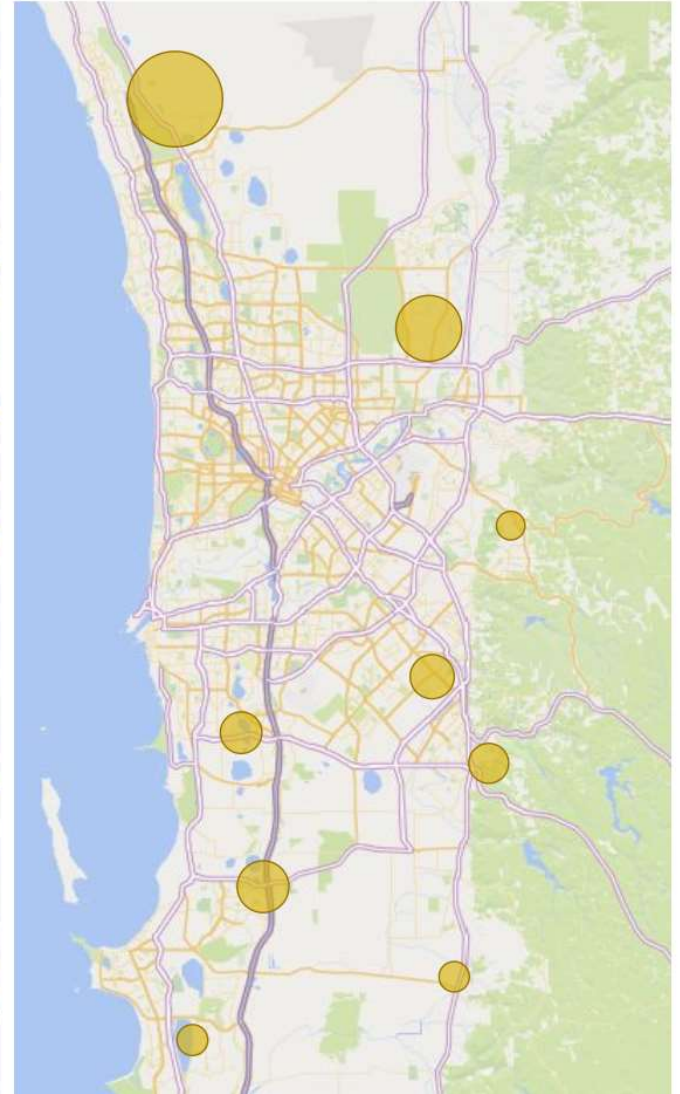
No. DCPs



Value of DCP items

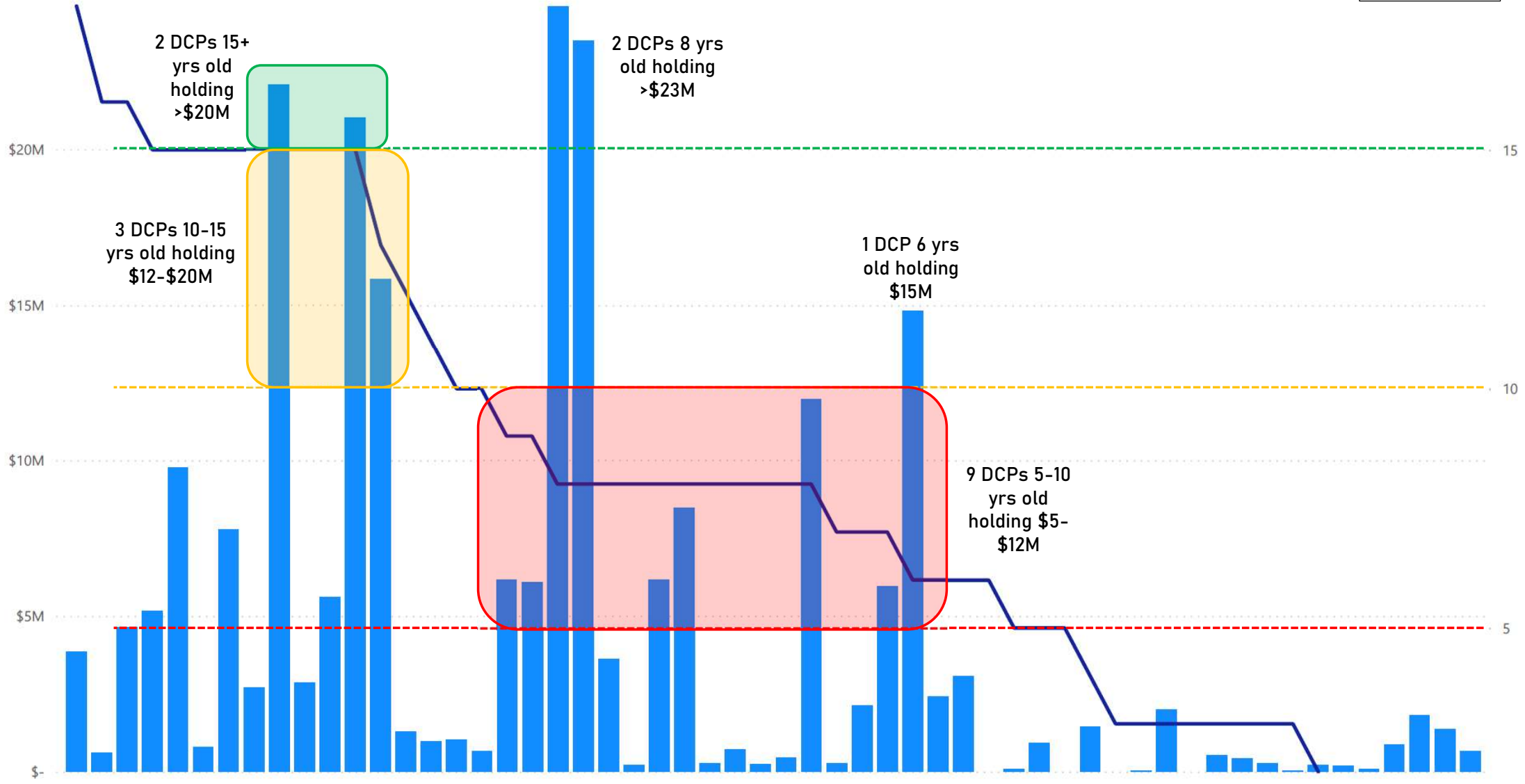


Funds held

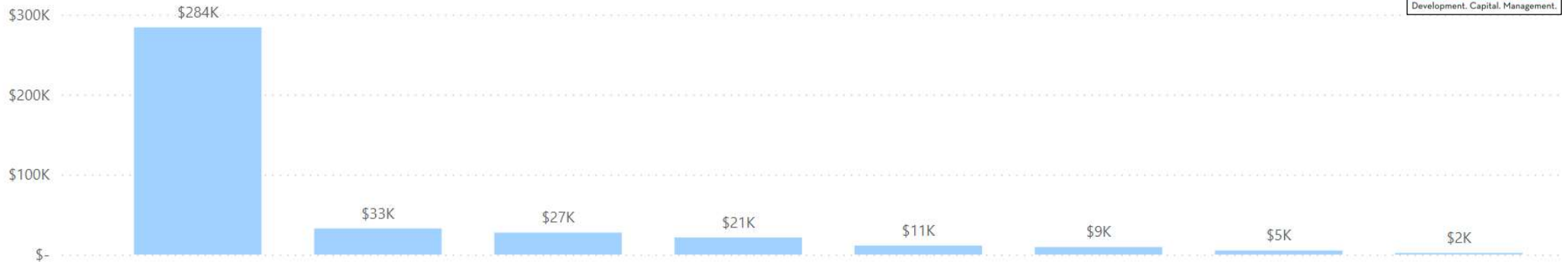


Funds currently held (\$) and Years of operation to date by DCP

● Funds currently held (\$) ● Years of operation to date



Average Contribution Rate p/lot



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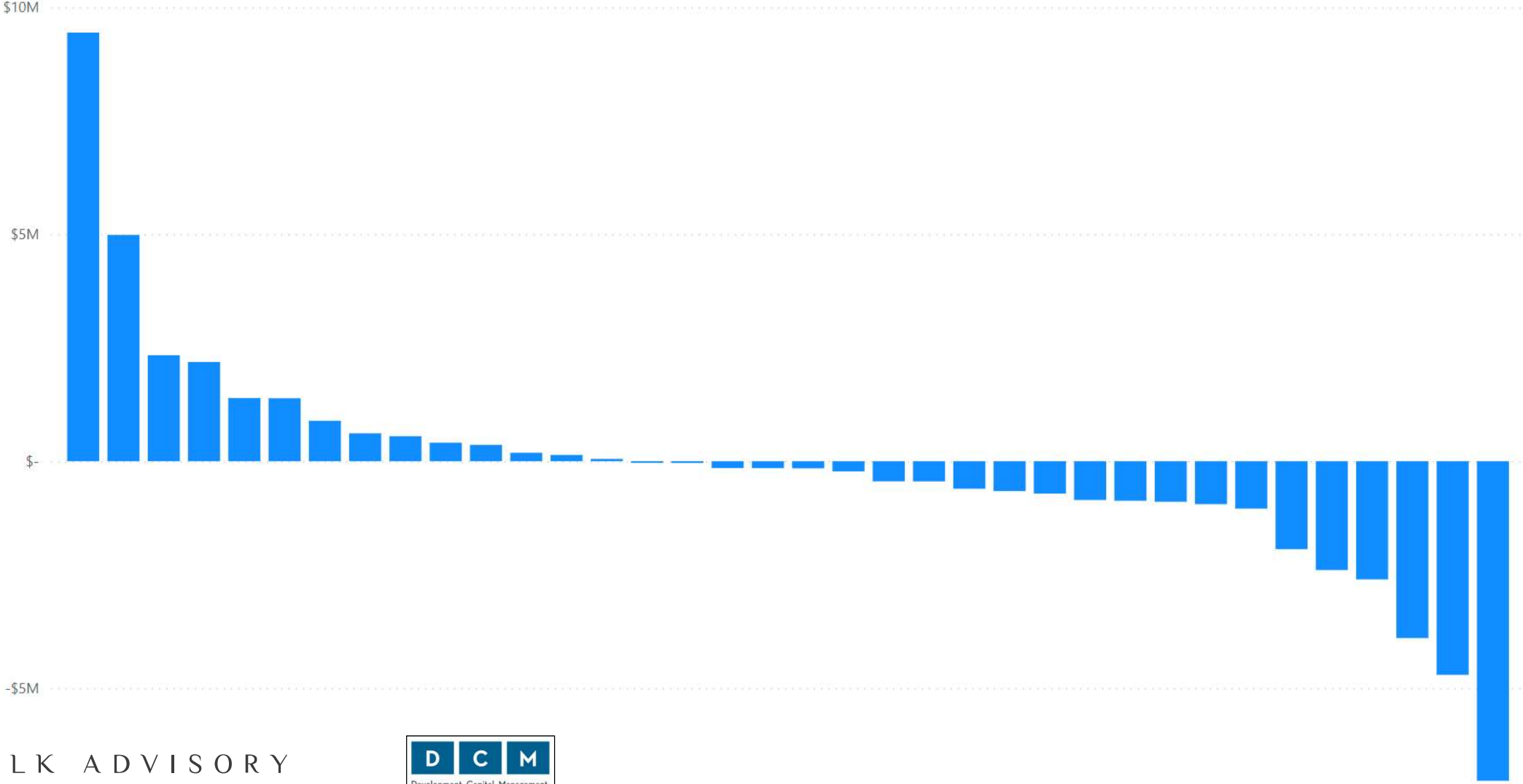
Average Contribution Rate p/ha



Average Contribution Rate p/sqm



Difference between expected average annual collections vs actual average annual collections (\$) by DCP



Context

- Is this really as good as it gets?
- Did anyone expect DCPs would grow to be this big?
- The principles of SPP 3.6 are excellent – the detail and guidance for LGs on “how to” is lacking
- Approaches vary greatly across different LGs and DCPs
- If we could take the best of each DCP from every LG we would have a better framework for producing and administering DCPs. But no one DCP or LG seems to have all the right ingredients
- Given the scale and complexity DCPs have taken on, a review and improvements are timely

Review Findings

Total value of DCPs in Perth and Peel is at least **\$1.99 billion**, of which \$1.72 billion **(86%)** is funded by developer contributions ...with more on the way!

Greater than...

- Independent Oversight (ASX)
- Competent Board
- Regular Reporting
- Accounting Standards
- Independent Audit
- Annual General Meeting

PEET

\$483.3m



\$453.1m

PRIMEWEST
PROPERTY INVESTORS

\$391.0m



\$269.2m

finbar
developing better lifestyles

\$195.9m

finbar
developing better lifestyles

\$195.9m

L K A D V I S O R Y



Finding #1 – Better overall governance is required

- Need to improve the efficiency, effectiveness and ease of operation and review of DCPs.
- SPP 3.6 does not prescribe governance standards or finer-grained operational requirements for administering DCPs.
- Greater engagement and involvement with the development sector would be beneficial.
- If \$25,000 p.a. in administrative fees from each of the 54 DCPs were allocated to a pooled resource, \$1.35m annually would be available at no cost to LGs to oversee the enhanced governance of DCPs.

RECOMMENDATION

- Establish an independent body for governance oversight (and even administration) of DCPs – e.g. Western Power's HV Subdivision Pool, or DAPs.

Finding #2 – Improved accessibility, transparency & consistency of information is required

- The information we were seeking wasn't always readily available, clear or consistently recorded or reported – and we knew where to look.
- Common reporting standards (e.g. IPWEA Local Government Guidelines for Subdivisional Development) would lead to greater consistency of information and simpler performance reporting and benchmarking.

RECOMMENDATION

- Introduce mandatory requirements on what, where and how DCP information is to be published.
- Collate and maintain a central repository of all DCP information updated regularly – e.g. LG Schemes and Structure Plans library on WAPC website.

Finding #3 – Greater effort is needed to secure external funding

- On the data available, 86% of infrastructure costs are being funded by new home buyers (via DCPs). In an era of unprecedented government stimulus spending, is this equitable?
- Prospects of securing external funding opportunities for DCP items can be improved by adjusting the scale, scope and timing for delivery of eligible DCP items and articulating the business case for investment in those items.

RECOMMENDATION

- Introduce regular reporting standards for external funding opportunities that are available, applied for, attained and unsuccessful.
- Limit the proportion of certain higher order DCP cost items which can be funded from developer contributions.

Finding #4 – Some DCPs have become too big, complex and expensive

- DCPs in the range of \$20K - \$30K per lot are not uncommon. Is this a sustainable cost burden on the price of land?
- Appetite and aspiration for DCP-funded infrastructure items must match the ability of the land to accommodate and afford those costs.

RECOMMENDATION

- Introduce standards for modelling the financial tolerances and economic impact of proposed DCP costs.
- Consider a reasonable cap on traditional infrastructure items, similar to community facilities.

Finding #5 – A more rigorous process of consultation, external review & approval is required

- Best practice standards are needed for industry engagement during the preparation and review of DCPs.
- DCP reviews could be simplified and streamlined by sharing more information more frequently – e.g. establish and regularly report progress to individual DCP reference groups comprising affected landowners.
- Independent external review of new and reviewed DCPs should be required.

RECOMMENDATION

- Introduce standards for initial and ongoing industry engagement and independent external review of DCPs.

Finding #6 – DCPs must be reviewed annually, approved by independent oversight body & adjusted accordingly

- External oversight, monitoring and scorecard reporting is needed for annual DCP reviews and reporting. Collection of contributions and changes to DCP costs (income and expenditure) should only occur once compliance is confirmed.

RECOMMENDATION

- Independent DCP oversight body to publish standards for annual DCP reviews and reporting – compliance required prior to contributions being charged.

Finding #7 – Delivery of DCP items must be realistic & achievable

- DCP items should be addressed in a comprehensive delivery program committed to by the Council and informed by development rate forecasts and cashflow projections.
- Oversight and intervention is needed to resolve infrastructure delivery delays and/or the excess accumulation of contributions without a firm commitment to infrastructure delivery
- In excess of \$238m cash is currently held in the 54 DCPs assessed, dwarfing the WA Government's highly successful \$147m Building Bonus Grants. Accelerated delivery of DCP items is a legitimate investment attractor and economic stimulus.

RECOMMENDATION

- Require DCPs to be accompanied by a comprehensive delivery and cashflow program, and timing commitment incorporated into the LGs IPRF.
- Empower oversight body to interrogate and intervene in infrastructure delivery delays, particularly where substantial DCP funds are already being held.

Finding #8 – Excess contributions should be refunded without delay

- Excess contributions should be refunded to past contributing landowners without delay – e.g. when the DCP reaches a particular ‘developed’ threshold; when all infrastructure expenditure has occurred; or the cost of remaining infrastructure is known, certain, or can be reliably ascertained.
- The oversight body has an important role to play in monitoring the status of all DCPs to achieve compliance with this requirement.

RECOMMENDATION

- Standardise the conditions under which excess contributions are to be refunded and provide a process for escalation, arbitration and appeal where disagreement arises.

Finding #9 – Better resourcing of LG DCP management

- DCP management is complex, multi-faceted and requires a coordinated work effort across a variety of disciplines.
- All DCP-funded management/administration costs and related positions must be transparently recorded and reported and should be subject to standardised position descriptions and KPIs where a key part of the role is DCP administration.

RECOMMENDATION

- Introduce standards for transparently recording and reporting administration costs.
- Establish standardised position descriptions and KPIs where a key part of the role is DCP administration.

Finding #10 – Improved support & guidance is needed for LGs when introducing and administering DCPs

- LGs need greater support and guidance when deciding whether a DCP is the most appropriate infrastructure funding and delivery tool.
- A best practice 'Toolkit' dealing with finer-grained operational issues not covered in SPP 3.6 should be introduced for use by local government DCP practitioners and Councils.

RECOMMENDATION

- Introduce a best practice local government 'Toolkit' for creation and management of DCPs.