

Overview of the Infrastructure Contributions Plan System

1. Background

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

Infrastructure contributions help fund essential works and services for new communities including roads, parks, local sports grounds and community facilities such as kindergartens and child care facilities.

The ICP system has been designed to ensure:

- a more consistent and transparent approach to the application of infrastructure levies through access to new standard levy rates
- planning authorities, infrastructure providers and the development industry have more certainty about the levies payable and the type of infrastructure they will fund
- a reduced risk of escalating infrastructure charges by specifying the rates of indexation for the levies
- a simpler and faster process for preparing and approving infrastructure contribution plans to impose a levy.

2. Key features of the ICP system

The legislative framework for the system is set out in Part 3AB of the Planning and Environment Act 1987 (Act) and in 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.

The system applies to defined development settings and can only fund specified infrastructure, known as allowable items. The development settings and allowable items are both defined in the Ministerial Direction.

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.

3. Where does the new system apply?

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

Greenfield growth areas refers to land on the fringe of existing metropolitan urban areas and non-metropolitan cities and towns which are designated



for urban development. 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 development settings will be set out 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 included in the Ministerial Direction.

4. Infrastructure levy

The infrastructure levy may be made up of a standard levy, a supplementary levy or both.

Standard Levy

The standard levy is a pre-set monetary rate that may be used to fund basic and essential local infrastructure. There are separate standard levy rates for different land uses in different development settings. For example, in greenfield growth areas there are separate rates for residential and commercial and industrial development for metropolitan areas. The standard levy rates are set in the Ministerial Direction and indexed annually.

The standard levy for residential development in metropolitan greenfield growth areas is designed to fund:

- the construction of community and recreation facilities, such as community centres, kindergartens, childcare facilities, local sport facilities and parks;
- the construction of transport infrastructure, including roads and intersection works such as roundabouts; and
- the acquisition of public land for community and recreation facilities and transport infrastructure.

The amount of standard levy that may be spent on community and recreation infrastructure will be capped. However, expenditure of the transport and public land components will be 'variable' so that any savings made in relation to one component may be

spent on the other component. For example, if there are savings on public land, those savings may be spent on transport projects if required.

The standard levy for commercial and industrial development in metropolitan greenfield growth areas is designed to fund transport infrastructure construction, public land for transport infrastructure and a passive open space contribution.

It is possible to reduce the standard levy in greenfield growth areas where there is lower demand for infrastructure and infrastructure costs are less. The ICP legislation provides that a reduced levy rate may be negotiated and applied if the planning authority, affected landowners, council and development agencies agree, or the Minister consents.

It is not possible to apply a standard levy rate higher than the rate set by the Ministerial Direction.

Supplementary Levy

The supplementary levy is an optional levy that may be applied to fund infrastructure that cannot be adequately funded through a standard levy or that is required to 'unlock' the growth opportunity of an area. A supplementary levy must be based on the actual cost of the infrastructure item required. The total costs may need to be apportioned between existing and future users to ensure that the contribution is fair.

The Ministerial Direction sets out when a supplementary levy may be applied.

It is possible to use the supplementary levy to fund state infrastructure to unlock growth in areas where the GAIC levy is not collected and where the development generates a need for new or upgraded state infrastructure.

Indexation

The standard levy rates will be indexed based on standard indexation mechanisms defined in the Ministerial Direction. In the case of metropolitan greenfield growth areas, the following methods of indexation apply:

- Community and recreation construction component – the Australian Bureau of Statistics (ABS) Producer Price Index for Non-Residential Building Construction
- Transport component - the Australian Bureau of Statistics (ABS) Producer Price Index for Road and Bridge Construction



- Public land component – A new index prepared annually by Valuer-General Victoria specifically for the new system.

The proposed timing of indexation for all three components is 1 July each year.

5. Allowable items

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

An allowable item is an infrastructure 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.

An ICP may only fund allowable items listed in the Ministerial Direction. If an infrastructure item is not on the allowable items list, it cannot be included in an ICP.

6. Infrastructure Contributions Plans

An ICP will be the mechanism for applying an infrastructure levy. It will outline the strategic justification for applying the levy, infrastructure that will be funded by the levy and when that infrastructure will be delivered.

As set out in section 46GE of the Act, an ICP must:

- specify where it applies
- specify the infrastructure items to be funded through the plan
- set out the staging of infrastructure provision
- specify the land and classes of development for which an infrastructure levy is payable
- relate the need for the infrastructure items to the development being levied
- specify the infrastructure items to be funded from the standard levy
- specify the standard levy rates and the method of annual indexation for those rates
- specify the infrastructure items to be funded from the supplementary levy, the costs of those items and the method of annual indexation of the infrastructure costs

- specify the method for determining the amount of levy payable
- specify the collecting agency and development agency or agencies
- provide for the procedures for collecting the levy in respect of development that does not need a planning permit.

7. Approving an ICP

An amendment is required to incorporate an ICP in the planning scheme.

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).

If an ICP only proposes to impose a standard levy, the amendment will be dealt with under section 20A of the Act 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 a Standard levy ICP as a class of amendment under section 20A of the Act.

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

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

8. Ministerial Direction

The Ministerial Direction on the Preparation and Content of Infrastructure Contributions Plans sets out:

- the types of land to which an ICP may or may not apply
- the types of land in respect of which a standard levy or a supplementary levy (or both) may be imposed under an ICP
- the plan preparation costs that may be funded through an ICP



- the works, service and facilities that may or may not be funded from a standard levy or a supplementary levy (or both)
- the standard levy rates to be applied under an ICP
- the criteria for a supplementary levy
- the annual indexation methodology for the standard levy rates
- the method for valuing land that is to be set aside for public purposes under an ICP.

A planning authority must comply with the Ministerial Direction.

9. Works-in-kind

The ICP system retains the potential for a collecting agency to accept works-in-kind (section 46GH of the Act) as this provides a valuable opportunity for delivering infrastructure earlier to new communities. Acceptance of works-in-kind will be at the discretion of the collecting agency, subject to the requirement that it obtains the agreement of the relevant development agency.

10. Reporting by collecting agencies and development agencies

Under section 46GM of the Act, collecting and development agencies must report to the Minister on the receipt and expenditure of infrastructure levies (including works in kind) under the ICP system.

The report must be prepared in accordance with the Ministerial Reporting Requirements for Infrastructure Contributions Plans which is attached to the Ministerial Direction.

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.

11. Existing Development Contributions Plans (DCP) system

The ICP system will initially apply to greenfield growth areas and then strategic development areas. The existing DCP system has been retained for councils that want to prepare a fully costed and apportioned development contributions plan in areas where there will be no applicable standard levies under an ICP.

Existing approved DCPs will continue to operate.

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ISBN 978-1-76047-362-4 (Online)

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