

# Local Government Infrastructure Framework

## Offsets and Refunds – Determining the cost of infrastructure

FACT SHEET  
DECEMBER 2014

### Purpose

This fact sheet provides advice on the process for determining the establishment cost of infrastructure, including land, in response to an application made under section 657 of *Sustainable Planning Act 2009* (SPA).

### Background

The Queensland Government is implementing reforms to improve Queensland's local infrastructure framework. These changes commenced on 4 July 2014 with amendments to the SPA.

### Conditions, Offsets and Refunds

In addition to levying an infrastructure charge, a local government can impose a condition on a development approval to supply trunk infrastructure that is works or land. Infrastructure conditions are a mechanism through which local governments can ensure the appropriate infrastructure is in place when development occurs.

Under section 649 of SPA, the cost of trunk infrastructure must be offset against any infrastructure charge levied. If the cost of the infrastructure exceeds the charge, a refund must be provided. To allow an offset or refund to be given, it is necessary to know the cost of the infrastructure that has been conditioned to be provided.

## Establishment Cost

Establishment cost is defined in the SPA as:

- (a) for existing infrastructure:
  - i. the current replacement cost of the infrastructure as reflected in the relevant local government's asset register; and
  - ii. the current value of the land acquired for the infrastructure;
- (b) for future infrastructure—all costs of land acquisition, financing, and design and construction, for the infrastructure.

Establishment cost is used to value existing and future trunk infrastructure to help manage a local government's forward budgeting and expenditure. It can also be used by developers to calculate a potential offset or refund which would be provided as a reimbursement when they are conditioned to contribute trunk infrastructure.

## Determining Establishment Cost

### Infrastructure identified in a Local government infrastructure plan

Where the relevant infrastructure and its associated establishment costs have been identified in the Local Government Infrastructure Plan (LGIP) or infrastructure charges resolution, this is the default establishment cost of the infrastructure.

Therefore, where an applicant is conditioned to provide trunk infrastructure, an offset or refund for the establishment cost, consistent with the establishment cost in the LGIP or resolution, should be included in the corresponding infrastructure charges notice.

### Unidentified trunk infrastructure

All future trunk infrastructure is not always identified in an LGIP. The need for new trunk infrastructure may only become apparent when a local government assesses a new development application and imposes a condition to provide the unidentified trunk infrastructure. The establishment cost for that conditioned infrastructure is to be determined at the time of development assessment and provided as an offset or refund in the infrastructure charges notice.

### Non-trunk infrastructure that should be trunk infrastructure

Where non-trunk infrastructure becomes trunk infrastructure through a conversion process, the establishment cost of that infrastructure must be determined at the time the conversion application is decided.

## Applying for the recalculation of the establishment cost

Under section 657 of SPA, an applicant can make a submission to the local government to recalculate the establishment cost of trunk infrastructure that they have been conditioned to provide.

An applicant can make an application to have an establishment cost recalculated only up to the time that the original charge becomes payable (plan sealing, change of use or issuing of certificate of classification/final inspection notice). An applicant cannot initiate this process after the infrastructure charge has been paid.

Once the establishment cost of the infrastructure has been recalculated, the local government must amend the existing infrastructure charges notice.

### Developing a methodology for determining the cost of infrastructure

Section 633 of SPA requires a local government to include a methodology for determining the cost of infrastructure subject to an offset or refund in its charges resolution. The methodology must be consistent with the parameters provided under Statutory Guideline– Local government infrastructure plans (SG-LGIP).

#### Default methodology

Section 979(3) of SPA provides that until a local government develops and adopts their own recalculation methodology in their resolution, they must use the default methodology provided in SG-LGIP to determine the cost of offsets and refunds.

#### Trunk infrastructure that is works

The establishment cost of works trunk infrastructure (trunk infrastructure other than land) must be determined using the first principles estimating approach detailed in SG-LGIP.

#### Trunk infrastructure that is land

The establishment cost of land trunk infrastructure must be determined using the before and after valuation method, using the current market value of the land.

Specific procedural requirements for this method are provided in SG-LGIP.

## Distributor-retailers

Water distributor-retailers also have a recalculation process for determining the value of infrastructure under the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*. For further information on infrastructure charges or planning for distributor-retailers please visit the [Department of Energy and Water Supply website](#).

## Further information

For further information on local government infrastructure charges and planning matters please visit the [Department of Infrastructure, Local Government and Planning website](#) or email [infrastructure.planning@dilgp.qld.gov.au](mailto:infrastructure.planning@dilgp.qld.gov.au).