Audit Objective

This audit examined whether development contributions provide required infrastructure to new and growing communities.

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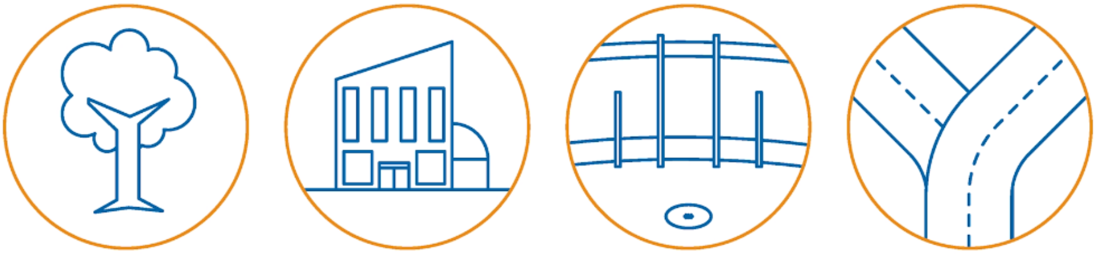
Development contributions are payments that developers and landowners make to the state government or a local council to help fund infrastructure for growing communities. These contributions can also take the form of in-kind works, facilities or services.

For example, if a developer buys an old factory site and wants to build an apartment complex, they may need to pay a levy to the council to fund nearby parks, community centres, sports grounds or other local infrastructure.

Overall, we found that Victoria's development contributions are not delivering the infrastructure that growing communities need to support their quality of life. This is largely because state agencies have not managed development contributions tools strategically to maximise their value and impact.



We examined three programs and one other legal instrument that agencies use to collect contributions from developers.

The Growth Areas Infrastructure Contributions program, or GAIC, allow the state government to obtain funds from developers to help deliver state infrastructure in Melbourne's fringe suburbs.

The Development Contributions Plans program or DCP, allow councils to obtain funds from developers to help deliver community or transport infrastructure.

Then, instead of using a DCP, seven councils in growth areas can use the Infrastructure Contributions Plans program, or ICPs, to support infrastructure delivery. ICPs are meant to be simpler and cheaper than DCPs. The government is still implementing the ICP program and plan to expand it to more councils.

In addition to DCPs and ICPs, councils can also enter voluntary agreements with developers on a project-by-project basis.

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We examined three state agencies:

- the Department of Environment, Land, Water and Planning, which we refer to as 'the department', which is the legislation and policy owner for development contributions in Victoria
- the Victorian Planning Authority, VPA, which prepares DCPs and ICPs in designated areas and is working alongside the department to implement the ICP program more broadly, and
- the State Revenue Office, which collects GAIC revenue.

We also examined four local councils that use development contributions:

- Cardinia Shire Council
- Golden Plains Shire Council
- Melton City Council, and
- Whitehorse City Council.

State agencies have set up development contributions programs with little consideration of how they interact, or their collective aims and impact. As a result, Victoria now has a patchwork of overlapping programs that operate in isolation. Without an overarching strategy or coordination, state agency management of development contributions tools will remain inefficient and not consider how contributions could best meet community needs.

Issue 3

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The GAIC program is inefficient and lacks strategic impact because decisions about how the funds are spent are split between two disconnected processes.

This split also makes it harder for the department to address the GAIC program's emerging financial risks. Developers' can defer their GAIC payments, making it difficult to reliably predict future revenue levels. In this uncertain situation, the state has committed more GAIC funds to projects than the total revenue collected.

Roll out of the ICP program is delayed and only available to seven councils. Those councils that have access to ICPs have not found them simpler or faster than DCPs because of design flaws in the program.

The department and VPA's effort to implement the ICP program has reduced its focus on addressing the existing issues with the DCP program, which remains complex, costly and time-consuming for councils. Only 21 of 79 councils collected DCP revenue in 2018–19.

For many councils, voluntary agreements are the only realistic option to collect contributions for infrastructure. However, these one-off agreements are not designed for development contributions and are unsuitable for supporting infrastructure delivery at the scale offered by the ICP and DCP programs.

We recommended that the department create an overarching development contributions framework that establishes a strategic direction, overall accountability, and clear guidance.

We made five further recommendations aimed at addressing deficiencies in the DCP, ICP and GAIC programs, and evaluating the outcomes they achieve.

For further information, please see the full report of this audit on our website, www.audit.vic.gov.au.