

Guidelines for Regional Infrastructure Contributions Fund Investment Prioritisation

This document explains how the Regional Infrastructure Contributions (RIC) Fund will be managed to fund State and regional infrastructure within each of the RIC regions.

Purpose of this document

This document outlines how the Regional Infrastructure Contributions Fund (RIC Fund) will be managed to fund State and regional infrastructure within each of the RIC regions. It outlines:

- types of infrastructure supported by the RIC Fund
- where the RIC Fund can be spent
- outcomes that the RIC Fund will deliver
- roles and responsibilities for administering the RIC Fund
- the process for prioritising and allocating the RIC Fund.

It is important to note that these guidelines apply to the governance arrangements for administering funds collected through the Base Regional Infrastructure Contribution Component. Funds collected through the Transport Project Component and Strategic Biodiversity Components will be administered under separate arrangements.

About the RIC Fund

The *Environmental Planning and Assessment Amendment (Infrastructure Contributions) Bill 2021* will establish a fund in the Special Deposits Account called the RIC Fund. Under the Bill, the RIC Fund would be administered by the Secretary of the Treasury and provide payments to public authorities for the provision of State and regional infrastructure and administrative expenses associated with the RIC Fund.

Types of infrastructure supported by the RIC Fund

The RIC Fund will support growing communities by contributing to the timely delivery of State and regional infrastructure. Under the Bill, the scope of State and regional infrastructure that could be funded from the RIC Fund includes:

- public amenities or public services, including infrastructure that enhances public open space or the public domain
- affordable housing
- transport infrastructure
- regional or State roads
- measures to conserve or enhance the natural environment.

Where the RIC Fund can be spent

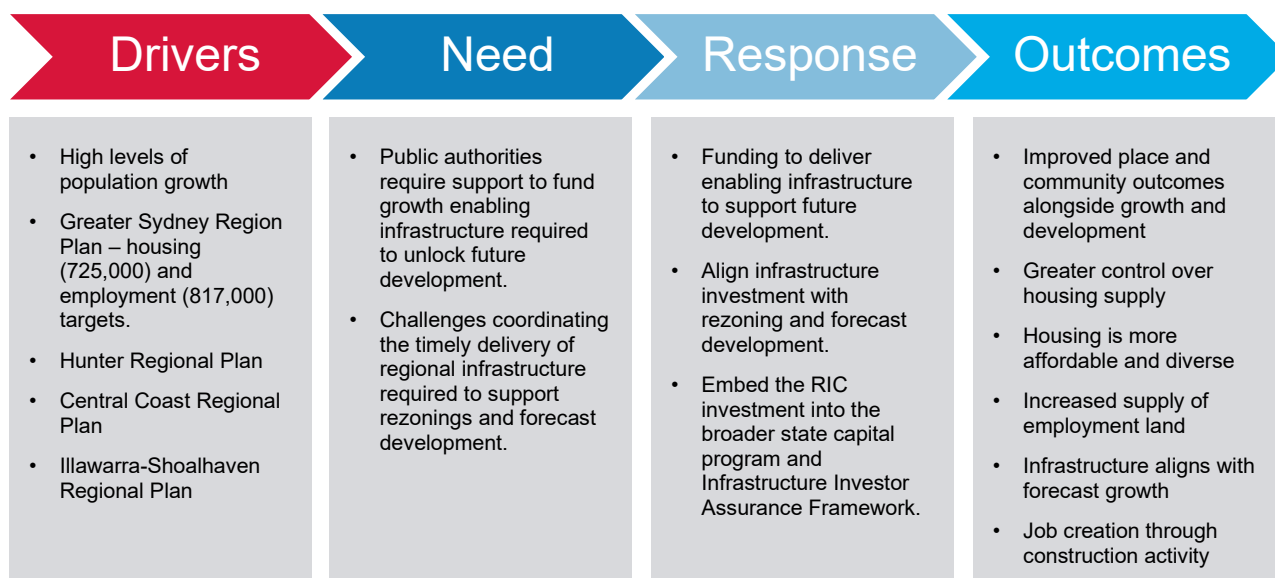
The RIC Fund will provide funding primarily to State agencies to plan and deliver regional infrastructure in the regions where contributions are collected. Local councils may also be eligible to receive funding for planning and delivering regional infrastructure. Decisions on the allocation of money from the RIC Fund will be made as part of the budget process.

Outcomes that the RIC Fund will deliver

The RIC Fund will deliver a range of outcomes and benefits aligned to NSW Government priorities and commitments on housing, jobs and investment, and infrastructure delivery (see Figure 1). These priorities are reflected in the relevant strategic plans for each region.

Infrastructure investment will be aligned with land use planning and forecast growth applying a place-based focus to determine regional infrastructure needs in each region. This includes ensuring the right infrastructure proposals are developed and delivered at the right time to support the development of liveable, productive, and sustainable communities.

Figure 1 - RIC Fund investment logic



Governance

The RIC Fund will operate under a multi-agency governance framework that ensures investments are identified, prioritised, and integrated into the land-use and capital planning processes to enable new development and support housing and employment growth.

Under the Bill, payments from the RIC Fund can be made only with the approval of the Treasurer, after consultation with the Minister for Planning and Public Spaces. Priorities for expenditure from the Fund must also be decided after having regard to the relevant strategic plans prepared under:

- a) Division 3.1 'Strategic planning' of the *Environmental Planning and Assessment Act 1979* – Regional Plans, District Plans, Local strategic planning statements of councils.

- b) *Infrastructure NSW Act 2011, Part 4* – 20-year State Infrastructure Strategy, 5-year infrastructure plan and sectoral State infrastructure strategy statement.

NSW Treasury, the Department of Planning, Industry and Environment (the Department), and Infrastructure NSW will work together to ensure these requirements are met and that investments made using RIC funds are coordinated to achieve the objectives set out in these plans. The high-level roles and responsibilities of each agency are outlined below:

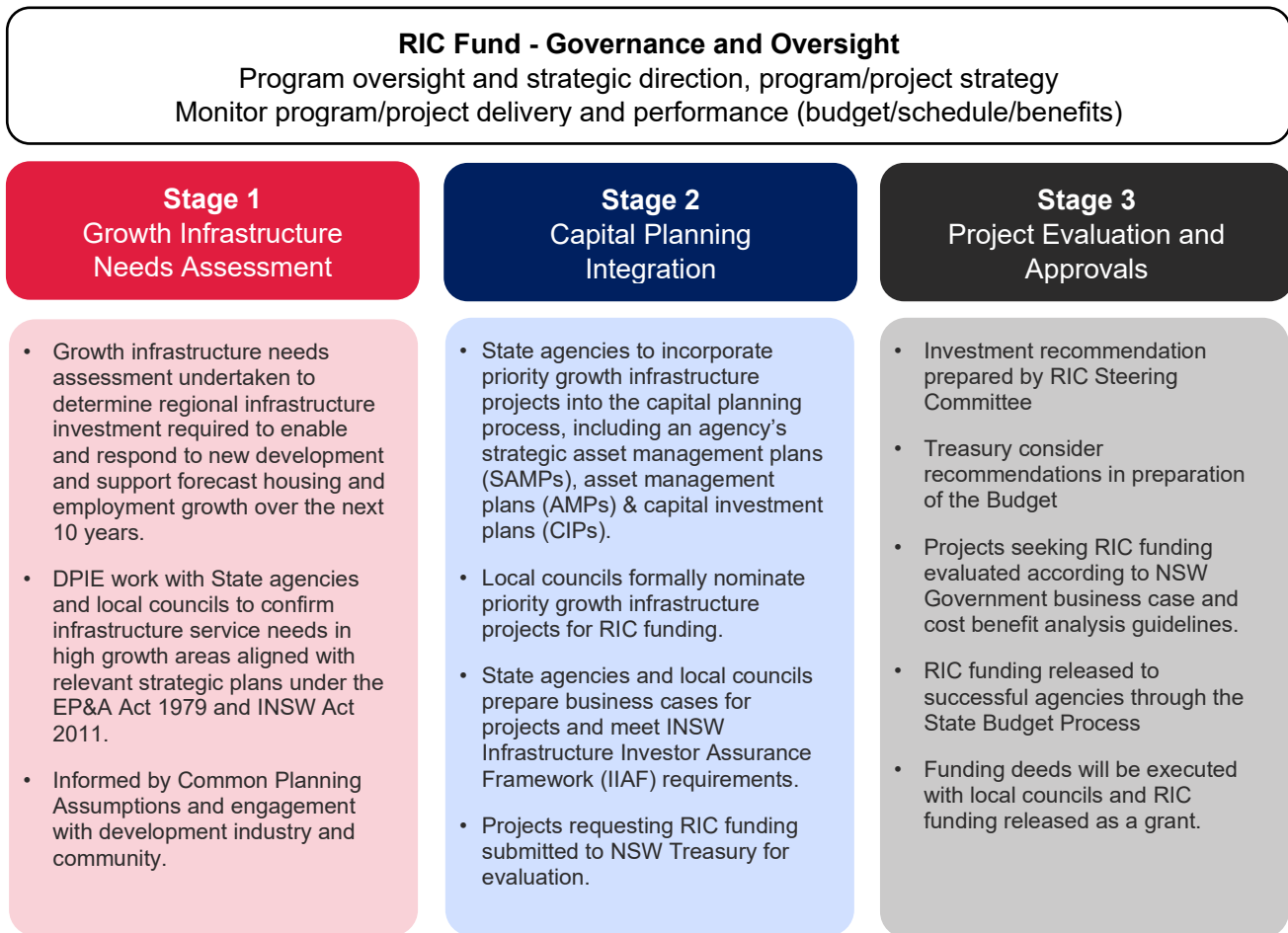
- **NSW Treasury** – administration of the RIC Fund, project evaluation against business case and cost-benefit analysis guidelines, prepare investment approvals.
- **The Department** – identify regional infrastructure required to enable new development and support housing and employment growth, assess project eligibility for RIC funding, work with delivery agencies to coordinate land use planning and infrastructure investment, administer the RIC Fund prioritisation process, monitor and report on delivery of RIC-funded infrastructure.
- **Infrastructure NSW** – assurance of RIC funded projects through the Infrastructure Investor Assurance Framework (IIAF), including regular reporting on individual projects to Government. A governance committee involving these agencies will be established to coordinate investment and operational decision-making and provide oversight of the RIC Fund.

Prioritisation Process

The allocation of RIC funding will be subject to prioritisation, as well as strong governance, oversight, and project assurance requirements. The prioritisation process has been designed to meet the legislative requirements outlined above and integrates into the NSW Government's capital planning and State budget processes.

The process for prioritising and allocating RIC funding to State agencies and local councils involves three key stages, which are outlined in Figure 2 on the following page.

Figure 2 - RIC Fund prioritisation process



Stage 1 - Growth Infrastructure Needs Assessment

An annual growth infrastructure needs assessment will be undertaken to determine regional infrastructure investment required to enable new development and support housing and employment growth over the next 10 years in each region. To be eligible for RIC funding, regional infrastructure projects will need to be identified as part of the growth infrastructure needs assessment, confirming the service need and alignment with relevant strategic plans under the EP&A Act 1979 and INSW Act 2011.

The Department will work with State agencies and local councils to assess the infrastructure and service needs of growing communities and identify priority projects from review of the regional and district plans, place-strategies, precinct plans, and as part of the planning proposal rezoning process, required to support development. Considerations will include timeframes for rezoning and forecast development, importance to place delivery, and alignment with where contributions revenue is collected.

Common Planning Assumptions (housing and employment forecasts) and stakeholder engagement with utility providers and the development industry through the Greater Sydney, Hunter, Illawarra-Shoalhaven Urban Development Programs (UDPs) and similar forums will inform this process.

Regional infrastructure identified as a priority may be delivered by developers in lieu of a payment under the RIC through an Infrastructure Partnership Agreement (IDA). For more detail on IDAs, see the *Infrastructure Delivery Agreements Guidelines*.

Stage 2 – Capital planning integration

State agencies and local councils will be subject to the following two separate processes in the Capital Planning Integration stage.

States agencies will consider incorporating the regional infrastructure projects identified in Stage 1 into the Capital Planning Process. The Capital Planning Process takes place annually alongside preparation of the annual State Budget. It involves agencies aligning their 10-year capital investment commitments and intentions with service delivery priorities and strategies. State agencies seeking RIC funding for project development (business case) or delivery will need to submit a New Policy Proposal (NPP) as part of the annual State Budget process.

Local councils will be required to formally nominate regional infrastructure projects identified in Stage 1 for RIC funding.

Both State agencies and local councils will be required to prepare business cases (preliminary and final) for projects shortlisted for RIC funding. The business cases will need to clearly set out the case for change, project benefits, economic justification, value for money and alignment to the RIC Fund's objectives.

Infrastructure NSW may undertake assurance of project business cases requesting RIC funding to ensure projects are being effectively developed and delivered in accordance with the Government's objectives. The Infrastructure Investor Assurance Framework (IIAF) applies to capital projects with a value of \$10 million and above, being developed, procured, or delivered by infrastructure delivery agencies.

Stage 3 – Project Evaluation and Approvals

The NSW Government considers proposed capital and recurrent expenditures through the annual budget process. State agency and local council submissions seeking RIC funding will be assessed by NSW Treasury.

NSW Treasury will evaluate projects requesting RIC funding in accordance with NSW Government business case and cost benefit analysis guidelines.

The Cabinet Expenditure Review Committee (ERC) will consider and approve RIC-funded projects through the budget process. RIC funds will be released to State agencies through the annual Budget process. RIC funding for local councils will be provided as a grant secured through a funding deed with the NSW Government.

Oversight and monitoring of project delivery

The RIC Investment Prioritisation Framework will ensure strong oversight and monitoring of project delivery. Both State agencies and local councils will be required to report regularly to the Department on project delivery and performance in relation to cost, schedule, and benefits realisation.

The State Government will report on the location and amount of RIC revenue collected, as well as the projects funded by RIC funds.

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