



# *Section 94 Contribution Funds*

*Sharing the cost of  
facilities and services*



*creating a living environment*

## Section 94 Contribution Funds: sharing the cost of facilities & services

Since 1979, the Environmental Planning and Assessment Act has allowed councils in New South Wales to charge developers a contribution towards the cost of providing local services and facilities which are required as a result of new development. The levy ensures that new development contributes to the cost of providing new facilities and services, or maintaining a level of services in the shire.

Since 1993 council has collected \$67,535,000 in Section 94 contributions. Of this amount, over \$40 million has already been spent on providing new, or improving existing, facilities and services.

Examples include:

- Brick Pit Indoor Stadium
- Somerville Childcare Centre
- local bushland areas

### Frequently asked Questions

#### Q. WHAT ARE SECTION 94 CONTRIBUTIONS FUNDS?

- A. Section 94 contributions are not a general tax. They are targeted at developments that create new populations or increase demand for services. The contributions can only be spent on:
- capital costs, including land acquisition costs: and
  - public facilities that a council has a responsibility to provide: and
  - public facilities that are needed as a consequence of, or to facilitate, new development.

The funds cannot be used for ongoing maintenance of facilities and services.



#### Q. WHAT FORM DO THE CONTRIBUTIONS TAKE?

- A. The contributions come in a variety of forms including:
- a monetary contribution (which is the most common)
  - dedication of land free of cost
  - Works in kind such as a road upgrade or building a neighbourhood centre.

#### Q. WHAT ARE THE PUBLIC BENEFITS OF THE CONTRIBUTIONS?

- A. The major public benefit is that the existing population is not burdened with funding facilities and services required by or as a result of new development. In some cases, the contributions also enable certain facilities and services to be provided earlier than would have otherwise been possible.

#### Q. DO THE CONTRIBUTIONS APPLY TO ALL DEVELOPMENTS?

- A. No. The contributions only apply to new development which results in an increase in the population and requires new, additional, or increased facilities and services. They do not apply to, for example, the renovation or rebuilding of existing houses.

#### Q. ARE CONTRIBUTIONS PUBLIC FUNDS?

- A. Although the funds are spent on public facilities and services, they are not strictly public funds. The funds result from an explicit agreement between council and the developer that they will be spent on a specific facility or service within a reasonable time.

#### Q. CAN COUNCIL COLLECT FUNDS WITHOUT A CONTRIBUTIONS PLAN?

- A. No. The law does not allow the council to seek contributions without a contributions plan. This is because the plan identifies the type of facilities and services required, the potential cost and the possible timing.

#### Q. CAN COUNCIL USE CONTRIBUTIONS FUNDS FOR FACILITIES OR SERVICES NOT CONTAINED IN A PLAN?

- A. No.

#### Q. HOW DOES THE COUNCIL ACCOUNT FOR THE CONTRIBUTIONS FUNDS?

- A. The law requires the council to be transparent and accountable in the way it administers the funds. This is achieved by:
- preparing, and having public input into, the contributions plan
  - keeping separate accounts for the contributions funds
  - keeping a public register of all contributions received
  - reporting annually to the Department of Local Government on the contributions received and the amounts spent.

#### Q. ARE CONTRIBUTIONS FUNDS TRANSFERABLE?

- A. No. The funds cannot be transferred to council's general purpose funds. The funds cannot be transferred from one purpose area to another. For example, funds collected for open space cannot be transferred towards providing a childcare centre.

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**Q. CAN COUNCIL USE FUNDS TO FILL GAPS IN EXISTING FACILITIES AND SERVICES?**

A. No. Contribution funds can only be used to provide new facilities and services to serve the increase in population.

**Q. CAN CONTRIBUTIONS BE COLLECTED IN AREAS WHERE THE POPULATION IS NOT GROWING?**

A. It would be very difficult to justify the need for contributions, especially where there was still spare capacity in the existing facilities and services.

**Q. ARE THERE OTHER WAYS COUNCIL COULD SEEK CONTRIBUTIONS?**

A. The recent changes to the planning laws allow councils to enter into planning agreements which require developers to provide certain facilities and services.

**Q. HOW CAN THE FUNDS BE USED TO PROVIDE PRIORITY SERVICES AND FACILITIES IN THE CONTRIBUTION PLAN?**

A. The changes to the legislation in May 2005 enable the council to borrow or pool funds contributed for different purposes. Council can then apply them towards any other purpose in the Contribution Plan. However, the council must ensure that those borrowed or pooled funds are paid back to the original development fund to ensure the timely provision of these services and facilities.

**Q. DO THE CONTRIBUTIONS FULLY FUND THE WORKS IN THE CONTRIBUTION PLAN?**

A. In a number of instances the contribution funds do meet the full cost of providing new, or upgrading existing, services and facilities. However, in the majority of cases significant additional funds are required. These additional funds may come from Government grants from Government and/or allocations from council's general funds.

**Q. HOW ARE CONTRIBUTIONS CALCULATED FOR EACH NEW DEVELOPMENT?**

A. The Contribution Plan sets out the contribution rate for each new resident. The contribution for a particular development is calculated by multiplying the potential number of new residents as a result of the development by the contribution rate.



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