

9 November 2018

Our ref: 11018 United Wambo Coal Mine Project - VPA contributions

Department of Planning and the Environment
Resource Assessments - Planning Services
320 Pitt Street
GPO Box 39
Sydney NSW 2001

Attention: Megan Dawson, Team Leader

Dear Megan,

DEVELOPMENT CONTRIBUTIONS FOR COMMUNITY WORKS AND SERVICES IN THE VOLUNTARY PLANNING AGREEMENT (VPA) BETWEEN SINGLETON COUNCIL AND UNITED WAMBO JOINT VENTURE PARTNERSHIP

We refer to the Department of Planning and Environment's (DPE's) request for advice from GLN Planning regarding development contributions for the United Wambo open cut coal project proposal (SSD 7142).

DPE is currently assessing the proposal, including the development contributions offered by the proponent - United Wambo Joint Venture Partnership - to Singleton Council (Council) in a voluntary planning agreement (VPA). The proponent and Council at this stage do not agree on the contribution amount.

The proponent's Environmental Impact Statement (EIS) had stated (p 453) that it would "enter into a VPA with Singleton Council for the Project to contribute funds to meet local community funds." The proponent made its initial offer to the council to fund a range of local works and programs for community (public) purposes with a value of \$700,000. That offer was not accepted by Council. It then made a further offer in February 2018 to a value of \$1.2 million, and this offer was also rejected by Council.

Singleton Council adopted a policy in November 2017 whereby it states that it will not accept a mining development contribution offer below 1% of the capital investment value (CIV) of the project. The negotiations have been further complicated by the proponent revising its estimate for the CIV from \$381m, as originally reported in its July 2016 economic assessment, to \$207m. The revision carries significant implications for a contribution value based upon the CIV estimate for the project.

GLN Planning, a consultancy with specialist experience in VPAs and development contributions, has been engaged to review the latest offer from the proponent to Council and advise DPE about whether it is reasonable in terms of the quantum and distribution of funds.



If GLN does not find the offer to be reasonable or appropriate, we have been asked to provide advice about a more reasonable development contribution and the principles that should be applied in determining an appropriate amount.

We understand that at this stage, both parties are keen to reach agreement concerning the contributions and are open to guidance from DPE on this matter. We further understand that our advice will inform DPE's final recommendation to the consent authority for this application, the Independent Planning Commission (IPC).

Summary of key findings and recommendations

- 1. The current offer of \$1.2m is relatively low when benchmarked against other VPA contribution amounts, and for this reason, is not appropriate**

We benchmarked the offer against contribution amounts in a sample of VPAs for open cut coal mining projects signed by Singleton Council and other councils in NSW. We found the offer to be low compared with other contributions for community infrastructure and programs (not transport) with reference to CIV, additional run-of-mine (ROM) coal volume and equivalent full time employment numbers (FTEs).

- 2. There is considerable variation between VPA contribution amounts for open cut coal projects in NSW, and those in Singleton have been lower, generally, than elsewhere**

The contributions in VPAs are discretionary and the significant variation in contributions among projects emphasises how a 'reasonable' amount is very much a value judgment. Our benchmarking has indicated that on three different measures the amounts in prior Singleton VPAs are lower, generally, than in other local government areas (LGAs). The exception is the more recent Mt Thorley Warkworth project VPA in which higher contributions were agreed by the proponents and Singleton Council.

- 3. NSW Government policy on VPAs allows for contributions beyond nexus to benefit the community and address mining project impacts**

Part of the reason for the variation is because VPAs are by definition, voluntary, and a product of negotiation between the two parties.

The NSW Government policy for mining-related VPAs supports flexibility in the outcomes to achieve benefits for the local communities, including to address the lifecycle costs of mining. The VPA contributions do not need to satisfy 'nexus' or a direct relationship between the infrastructure or programs to be funded by the contributions and the demand arising from the project.

Nonetheless, the *acceptability test* applies; in particular, the 'benefits' afforded by the contribution must be for a public purpose and bear some relationship to the development, even if only indirectly. The policy also states that VPAs should not be seen as a mechanism to address systemic funding issues or an opportunity to obtain unlimited and untied funding.



4. The United Wambo project will have cumulative impacts on the broader community beyond mitigation measures and contributions can help to offset the impacts

The proposed United Wambo project will have many social and environmental impacts on the surrounding areas which will be addressed by mitigation measures imposed by conditions of development consent (in the event that the project is approved). However, the mitigation measures are not expected to fully address the cumulative impacts of the mine on the broader community. It is these costs which the proponent's offer seeks to address via a cash contribution to Council.

5. The costs to the local community associated with the project are difficult to quantify but are most closely linked to coal production and employment outcomes

The marginal impacts to the community arising from the project include both demands on local infrastructure associated with additional residents and workers in the LGA, and the social impacts of coal mining on the broader community. Both costs are difficult to quantify, as evidenced in the social impact and economic assessments as part of the project's EIS.

We have considered two main metrics in our VPA benchmarking analysis which seeks to establish a link between these costs and the contribution towards community infrastructure and programs:

- The contribution (\$) per additional tonne of run-of-mine (ROM) coal to be extracted over the life of the project, since the volume of output is likely correlated with negative community impacts.
- The contribution (\$) per operational FTE to be employed at the site of the project (based on peak employment estimates) since these workers and their families will place demands on local community infrastructure.

We have applied the average of both indicators to the relevant variables in the United Wambo case based on a sample of both Singleton Council and other council VPAs (excluding significant outliers). This approach provides a balance between the two types of measures, noting that the main representative bodies for the parties - the Association of Mining Related Councils (AMRC) and the NSW Minerals Council (NSWMC) - have advocated for production (AMRC) or FTE-related (NSWMC) approaches to determine community-based contributions, albeit in different forms.

6. The '1% of CIV' measure is still a relevant benchmark but does not directly link the cost impacts of the mining project to the quantum of contributions

Council's policy of seeking a contribution at least based on 1% of CIV is already an established development charge in NSW, and for this reason, has merit as a guiding benchmark.

Consent authorities can impose a fixed rate levy of 1% of the development cost (if at least \$200,000) for development in NSW under section 7.12 of the EP&A Act, when a relevant contributions plan is in place.¹ The levy is usually relatively simple to determine and implement.

¹ Where the consent authority is the Minister or IPC, the authority is not bound by the terms of a contributions plan and can impose any levy amount.



We also found, based on our sample, that 1% of CIV is below the average for community works and program contributions in open cut coal mining project VPAs in NSW.

The downside of this levy is that it does not in any meaningful way link the amount of contributions to the extent of the need for local infrastructure or public services which arise from the mining project and its negative social and community impacts. Increased investments can, at times, reduce negative environmental impacts, for example. The charge is instead a form of generalised tax on development.

Singleton Council does not have a contributions plan in place for a section 7.12 levy but its current section 7.11 plan (2008) does provide for scope to determine VPA contributions in mining developments with reference to capital investment or annual coal outputs.

7. A reasonable contribution (in the context of the United Wambo project against benchmarked contribution rates and negotiations to date) would be \$2.65m

The contribution for United Wambo project, after applying an average of benchmarked contribution rates per additional tonne of coal (ROM) and per operational FTE, would be in the **range of \$2.65m to \$4.96m**.

The lower end of the range reflects an average of contributions previously negotiated in VPAs for Singleton LGA mine projects, while the upper end reflects the average of contributions negotiated for mines across NSW, including the Singleton mines but excluding significant outliers.

Our view is that the higher figure of \$4.96m would reflect broader community impacts identified in the SIOA assessment and the higher contributions that have benefited other coal mining communities in NSW. However, this is a brownfield mining project and local conditions and expectations need to be considered carefully in the context of the negotiation.

For these reasons, our judgment, based on available information, is that an acceptable contribution would be at the lower end of this spectrum (value of \$2.65m).

8. We recommend a 50/50 split of funds between local and LGA-wide projects

An even split of contributions between local works (e.g. works in villages located near the mines) and LGA-wide programs would be reasonable, as suggested by the proponent in its offer. Singleton Council has indicated a preference to allocate the majority of funds to its Singleton Community and Economic Development Fund, but the negative impacts of the mining project will be felt most significantly on the local communities in closer proximity, and the expenditure outcomes on specific local works will be more tangible to the community. Therefore, we recommend a more even distribution between the LGA-wide Fund and local works project allocations.

The exact allocation of funds to various local works would be a matter for Council to determine in consultation with the proponent. The proponent's allocation of funds towards various local projects in Jerrys Plains and Warkworth, together with Council's Master Plan for the local villages, would form logical starting points from which to determine the appropriate allocations.

We have provided more detail concerning our assessment at **Attachment A**, including our consideration of both parties' positions, and our benchmarking analysis.



ATTACHMENT A

ASSESSMENT OF DEVELOPMENT CONTRIBUTIONS FOR THE UNITED WAMBO OPEN CUT COAL MINING PROJECT VPA

1 Our project approach

In undertaking this project, we have reviewed:

- The proponent's latest offer to Singleton Council and relevant supporting information
- Council's response to this offer, and its position on mining-related VPAs - including its November 2017 resolution and report to Council about the Association of Mining Related Councils (AMRC) and NSW Minerals Council (NSWMC) framework being developed to better facilitate the negotiation of mining-related VPAs in NSW
- The Singleton Development Contributions Plan and Singleton Community Strategic Plan.
- Documents supporting the development application for the project, including those reporting the predicted impacts of the project (namely, the EIS including Appendix 4 - Social Impacts and Opportunities Assessment (SIOA))
- Relevant NSW legislation and policies including:
 - Division 7.1 of the Environmental Planning & Assessment Act 1979 (EP&A Act)
 - DPE's Development Contributions Practice Notes (July 2005)
 - DPE's Draft Planning Agreement Guidelines – For State Significant Mining Projects (July 2015)
 - DPE's Draft Practice Note – Planning Agreements (November 2016)
 - DPE's Social Impact Assessment Guideline for State Significant Mining, Petroleum Production and Extractive Industry Development (August 2017).
- Development contributions in other local VPAs concerning open cut coal mining projects in NSW.

We met or engaged in teleconferences with representatives from the proponent and Singleton Council to understand their positions and liaised with officers from DPE to discuss the merits of different approaches to determine the contributions.

We reviewed lists of VPAs for open cut coal mining projects provided by the proponent and Singleton Council, removed any projects which had not proceeded and supplemented them with additional projects identified in our research, to develop a sample of 12 VPAs. This sample of VPAs allowed us to benchmark the proponent's offer against the contributions towards community works and programs in other similar mining projects.



The limited timeframe for this project has meant that we are bound by the data that is readily available for the VPAs and associated projects. We consider that the sample of VPAs that we have referred to is large enough to guide an assessment of reasonable contributions for the United Wambo project. However, this list is not exhaustive and a more comprehensive sample size and analysis, which addresses some of the potential shortcomings of our analysis that we have identified (**Section 8**), would improve the reliability of the benchmark rates in guiding contributions for future projects.

2 Legislation and policy guidance

In NSW, the EP&A Act (sections 7.11 and 7.12) enables consent authorities to impose contributions on development that are to be applied towards the provision of public services and amenities.

The Department's 2005 Practice Notes for Development Contributions indicate that these contributions should be for capital expenditure purposes only, unless the recurrent expenditure is related to the impact of heavy vehicles on roads.²

The EP&A Act provides an alternate mechanism to planning authorities and developers to agree on contributions for developments - i.e. VPAs. The proponent has offered to deal with social and community impacts of this proposal by way of a VPA.

Section 7.4 of the EP&A Act states that a VPA is an agreement between one or more planning authorities and a developer (or proponent) whereby the proponent agrees to make a financial or in kind contribution towards a public purpose or purposes. Public purposes include, without limitation, any of the following:

- provision of, including recoupment of, the cost of public amenities or public services
- provision of, including recoupment of, the cost of affordable housing
- transport or other infrastructure relating to land
- funding of recurrent expenditure relating to the provision of public amenities or public services, affordable housing or transport or other infrastructure
- monitoring of the planning impacts of development
- conservation or enhancement of the natural environment.

VPAs are what can be characterised as a *discretionary* development contributions mechanism, in that (among other things):

- they are voluntarily entered into between the parties
- consent cannot be withheld because an applicant has chosen not to enter into an agreement

² Former Department of Infrastructure, Planning and Natural Resources (DIPNR), *Development contributions - Practice notes*, July 2005, p 2.

- they need not be confined to impacts directly related to the development and can include broader 'planning benefits'
- they may be required by a development consent condition but only the condition requires an agreement that is in the terms of an offer made by the proponent.

They are different from the *mandatory* development contributions mechanisms in the EP&A Act that permit a consent authority to impose contribution requirements within the bounds of that authority's powers. For example, councils are able to impose, without consulting with a proponent, local infrastructure (s7.11 or s7.12) contributions on a development consent in accordance with a publicly exhibited and formally adopted contributions plan. The contributions do not need to be in accordance with a plan if the Minister or IPC is the consent authority.

Specifically, VPAs afford the opportunity for developers and planning authorities to negotiate the provision of contributions beyond the scope of mandatory mechanisms such as s7.11 or s7.12. VPAs are essentially contracts between land developers and planning authorities to provide any type and extent of public purposes that the parties agree should be provided.

The Department's *Draft Planning Agreement Guidelines – For State Significant Mining Projects* (July 2015) - although not yet adopted as government policy - provides the most relevant guidance applying to mining-related VPAs in NSW.

The draft guidelines contain the following principles that can help inform the quantum of contributions contained in a VPA between a council and a mining proponent, particularly principles 3 and 4.

Principle 1: Negotiations are entered into early and in good faith by all parties to the agreement, with all parties focused on delivering a planning agreement that is timely and follows best practice process.

Principle 2: The value of any contributions under a proposed planning agreement must be fair and reasonable, considering the impacts of the mine on the local community.

Principle 3: Planning agreement negotiations reflect the priorities of the community, as outlined in council community strategic plans, and addresses impacts on the community over the life of the project.

Principle 4: The implementation of a planning agreement is transparent and accountable, and the final planning agreement is made available to the public.

The guidance supports flexibility in VPA outcomes to achieve benefits for the local communities, including funding for programs to address the lifecycle costs of mining. The following are provided by the guidelines as examples of the types of public purposes that can be included in VPAs:

- Economic diversification planning to ensure the LGA is prepared for mine-closure
- Strategic planning that would not have otherwise occurred – to identify baseline information to best address mine related growth in the community

- 
- Education and training strategies.³

VPA contributions do not need to satisfy 'nexus' or a direct relationship between the infrastructure or programs to be funded by the contributions and the demand arising from the project.

Nonetheless, the contributions must be fair and reasonable and an 'acceptability test' applies; in particular, the 'benefits' afforded by the contribution must be for a public purpose and bear some relationship to the development, even if only indirectly. The draft policy also states that VPAs should not be seen as a mechanism to address systemic funding issues or an opportunity to obtain unlimited and untied funding.⁴

The Department's later policy guidance on VPAs, *Draft Practice Note – Planning Agreements* (November 2016) applied to all planning agreements, and not just mining-related VPAs. It advised similar principles for VPAs, including that VPAs should not be used explicitly as a means to achieve 'windfall gains' by the consent authority. It also emphasised other fundamental principles that consent authorities should abide by when negotiating planning agreements.⁵

Of further relevance to the current United Wambo VPA negotiation, the Practice Note identified that planning agreements may be directed towards achieving the following broad objectives:

- meeting the demands created by development for new public infrastructure, amenities and services;
- prescribing the nature of development to achieve specific planning objectives;
- securing off-site planning benefits for the wider community so that development delivers a net community benefit; and
- compensating for the loss of or damage to a public amenity, service, resource or asset by development through replacement, substitution, repair or regeneration.⁶

3 Key features of the United Wambo Open Cut Mining Project proposal

United Collieries Pty Limited (United) and Wambo Coal Pty Limited (Wambo) operate neighbouring mining operations located approximately 16 kilometres west of Singleton in the Hunter Valley region.⁷

³ DPE, *Draft Planning Agreement Guidelines for State Significant Mining Projects*, p 8.

⁴ DPE, *Draft Planning Agreement Guidelines for State Significant Mining Projects*, pp 3, 7.

⁵ DPE, *Draft Practice Note - Planning Agreements*, November 2016, Section 2.1.

⁶ DPE, *Draft Practice Note - Planning Agreements*, November 2016, p 11.

⁷ EIS, p i.



Under a Joint Venture arrangement, United and Wambo propose to develop the United Wambo Open Cut Coal Mine Project which will involve combining the existing open cut operations at Wambo (involving a minor surface boundary extension and depth increase) with a proposed new open cut coal mine at United.⁸

The life of the mine is approximately 23 years and the proposal would extend the life of the Wambo mine by 20 years. The combined Wambo underground and open cut operations will extract up to 14.7 million tonnes per annum (Mtpa) ROM coal and transport up to 15 Mtpa of product coal via the existing train loading facility. Additional coal (ROM) reserves totalling 150Mt would be extracted as a result of the project.⁹

The Centre for International Economics (CIE) undertook an expert review of Deloitte Access Economics' assessment of the project and found that even under a 'conservative scenario', the project is expected to generate a positive net present value (NPV) of around \$257 million (which equates to an incremental benefit to cost ratio of between 2.0-7.5:1).¹⁰

The capital investment value (CIV) for the project was originally estimated to be around \$381 million in the EIS economic assessment.¹¹ The proponent later revised the CIV estimate down to around \$207m for the purpose of VPA negotiations with Council.¹² This change was to account for incremental capital equipment investment only as Glencore is of the view that capital related to existing equipment should not be considered in the context of the VPA.¹³

This revised CIV estimate (of \$207,130,326) consists of:

- \$84,295,607 in Infrastructure Construction (Including: The Golden Highway realignment, powerline realignments, water management infrastructure and Mine Infrastructure Area upgrade)
- \$96,478,719 for mining equipment, a reduction from \$270,528,369 in its original estimate, and
- \$26,356,000 for operational readiness (project establishment and ancillary equipment).¹⁴

⁸ EIS, p i.

⁹ EIS, pi-ii.

¹⁰ CIE, Main report, 11 October 2016 (p 2, 11) and supplementary report, 15 September 2017.

¹¹ Deloitte Access Economics, Appendix 19 of EIS, *Economic Impact Assessment of the United Wambo Open Cut Coal Mine Project* prepared for Umwelt (Australia) Pty Ltd, July 2016, p 19. This CIV estimate of \$381m is undiscounted. The discounted estimate was for \$322m.

¹² In the report prepared by Umwelt on behalf of the proponents in response to the IPC review, July 2018.

¹³ The estimate of equipment needs in the CIV, which was submitted with the proponent's original application, was for 94 equipment units over the first five years of the project but there are already 62 units in operation at the Wambo mine (of which 21 are owned and 41 are leased or hired). The incremental fleet numbers associated with the new project proposal should therefore be 32 units (Source: Glencore, *United Wambo Project - Presentation to Singleton Council*, 6 February 2018, p 5).

¹⁴ This is based on the revised estimate (in spreadsheet form) provided by the proponent to DPE and forwarded to GLN for this project.



This revised CIV estimate is \$174m or 46% lower than the original estimate factored into the economic assessment for the project by both Deloitte Access Economics and CIE. We note that the changes, in principle, appear reasonable but question why the EIS economic assessment has not also been updated.

The project is anticipated to generate around 250 additional FTEs at peak production, or an average of 200 FTEs per annum over the life of the mine. This is in addition to the retention of the existing 250 FTEs currently at the Wambo mine.¹⁵

¹⁵ DPE, State Significant Development Assessment - United Wambo Open Cut Coal Mine Project (SSD 7142), December 2017, p 13.



4 Assessment of the community and social impacts

The Social Impacts and Opportunities Assessment (SIOA), prepared by Umwelt in May 2016, analysed expected social and community impacts of the United Wambo project and documented strategies to address the impacts. This section summarises the assessment, with page references to the SIOA in brackets.

The SIOA made a series of general observations concerning the social dimension of mining operations in the area:

- Mining is a key contributor to the local economy. Mining operations in the Singleton LGA employed 2,800 residents across 24 mines.
- Mining is a major employer of residents in Singleton LGA, but employment levels fluctuate depending on the prevailing level of customer demand for coal.
- Overall, the health and well-being of residents in Singleton LGA is comparatively good, relative to residents across NSW broadly, however the rate of respiratory system disease (including asthma and chronic obstructive pulmonary disease) is higher in Singleton LGA than in NSW.
- Singleton is the main town in the area, located about 25km from the project site. It provides health and medical services, recreational, sporting and open spaces, a well-resourced library and community halls.¹⁶

It examined social impacts and opportunities of the project in two streams:

- Social amenity impacts, being impacts felt in the immediate locality such as dust, noise, blasting, etc.
- Impacts relating to community sustainability, values and place. These are impacts felt in the broader community.

Social amenity impacts

The SIOA focused on the nearby local communities of Warkworth, Jerrys Plains, Bulga and Maison Dieu in the analysis and mitigation of social amenity impacts.

It reported that the social amenity impacts of dust, noise, blasting and light spillage effects are key concerns of surrounding local residents in regard to both existing mine operations and the proposed United Wambo project. The significance of these effects, in most cases, generally decreases with distance from the project.¹⁷

¹⁶ SIOA, pp 21-26.

¹⁷ SIOA, pp 32-34.



A range of mitigation measures are proposed in the EIS and supporting documents to deal with social amenity impacts in the immediate vicinity, including the voluntary acquisition of lands near the mine. We understand that those impacts will be addressed or mitigated by conditions of consent should the project be approved (noting an assessment of the proposed mitigation measures is beyond the scope of this project).

Broader community impacts

The impacts of the project on the sense of community, social cohesion, community connectedness (to people and place) and overall community sustainability are, according to the SIOA, usually felt more broadly than the immediate area.

The SIOA cites two main drivers for these changes:

- population change, which influences a range of factors such as housing, infrastructure and economic sustainability
- more intangible or 'psychosocial' aspects felt by affected stakeholders, which include 'changes to the character of a locality, people's lifestyles, fears and aspirations'.¹⁸

In terms of population change, the project will employ 120 additional persons in the construction phase of up to 3 years, and an additional 250 persons during the operation of the mine. In the most extreme scenario of the mine having no operational staff sourced from the local area¹⁹ (an unlikely event), 875 workers and their family members would move into the area.²⁰

The SIOA concludes that, based on this highest scenario, 'the numbers of persons potentially moving into the area for the Project are unlikely to affect changes to sense of community or community sustainability at a regional or LGA scale of analysis', but there may be potential changes to nearby townships.²¹

The SIOA also states that the "incoming construction and operational workforces (and their families) will require infrastructure and services to be provided. Given the overall levels of population increase and the availability of existing accommodation and housing stock, there is unlikely to be any additional community infrastructure or services required to cater for the incoming population."²²

We cannot find any evidence in the report that substantiates that there is unlikely to be any need for additional community infrastructure or services. If around half of the workers are from non-local sources (which aligns with Umwelt's (2016) findings), some 438 people would be added to the local population (according to Table 5.10 of the SIOA). Extra population of this scale would usually increase

¹⁸ SIOA, p 71.

¹⁹ The local area is not defined in the report.

²⁰ SIOA, pp 72-73.

²¹ SIOA, p 74.

²² SIOA, p 77.



the demand for - and require some additional investment by Council in - such items as civic spaces, parks and sporting facilities, community facilities, and the like.

There is no doubt there will be positive effects or 'benefits' of the extra population, such as 'the informal contribution to local community organisations and schools', but the costs of the extra population need to be considered also.²³ As a result, it is reasonable that the proponent should make a contribution toward social infrastructure locally and potentially in the broader LGA.

The SIOA refers to the following extra-local community concerns:

- flow of profits away from local communities
- increased traffic
- the longer term economic sustainability of communities without the coal industry, and
- cumulative effects of local impacts, such as dust.²⁴

Nearby residents, particularly those in Jerrys Plains, identified many opportunities for the proponent to meet broader community needs through funding or direct provision, including public transport services, youth services, improving public spaces, community services infrastructure and programs.²⁵ These opportunities form the basis of 50% of the value of the proponent's VPA offer.

The SIOA also cites the following 'regional issues and opportunities' relevant to this project:

- Responding to the downturn in mining and related job losses
- Addressing community sustainability and protecting core community values
- Ensuring employment and training opportunities for local people
- Fostering biodiversity, protecting the environment and natural capital of the area
- Balancing the long-term impacts to agriculture and benefits of mining in the region
- Enhancing infrastructure to meet increased demand (e.g. roads).²⁶

The SIOA cites a range of 'regional level regulatory frameworks' that are dealing with the cumulative impacts of mining in the Hunter region. It also notes that the recent slowing of the Hunter Valley mining sector has led to the focus cumulative social impacts shifting from housing and infrastructure

²³ SIOA, p 79.

²⁴ SIOA, pp 50,62.

²⁵ SIOA, p 37.

²⁶ SIOA, p 51.



shortages to capitalising on the strengths of the region, notably the continuing mining sector, to leverage further and diverse economic growth.²⁷

The SIOA concludes that social amenity impacts and risks will be dealt with by conditions of consent and through negotiation of 'a Voluntary Planning Agreement (VPA) with Singleton Council which will afford opportunities for the Project to contribute to programs designed to improve or address local community issues and perceived impacts through financial contributions to Singleton Council'.²⁸

In summary, while the SIOA provides some basis to the scope of the contributions that a VPA between the proponent and the local council, particularly in relation to improvements to facilities in nearby Jerrys Plains, it does not provide information to enable a judgement to be made about what the quantum of the contribution for community infrastructure and programs should be.

The economic assessment by Deloitte Access Economics did identify that the project would generate net environmental, social and transport costs of \$24 million (\$59 million) in present value terms attributable to the NSW community. These estimates incorporate the quantified costs associated with particulate matter and greenhouse gas emissions, noise impacts and impacts on traffic, but do not include other external impacts of the project, including localised community and social impacts.²⁹

This study also estimated that total value of external local effects, mainly related to traffic impacts, were estimated to be around \$460,000 per year during the establishment phase and \$610,000 a year during ongoing operations.³⁰ But once again, this does not relate to the costs associated with community infrastructure and programs, which form the focus of the current VPA negotiations.

5 The proponent's position concerning contributions

The proponent initially offered \$700,000 to the council, of which \$350,000 was for local facilities and \$350,000 for LGA-wide facilities.³¹

On 8 February 2018, the proponent revised its offer to \$1.2 million made up of \$600,000 for local facilities and \$600,000 for LGA-wide facilities. The approach to determine the amount of \$1.2 million, specifically, was not disclosed by the proponent. The proposed community infrastructure to be funded by contributions is in **Table 1**.³²

²⁷ SIOA, pp 83-84.

²⁸ SIOA, p 86.

²⁹ Deloitte Access Economics, EIS Appendix 19 - Economic Assessment, July 2016, pp 25-26.

³⁰ Deloitte Access Economics, Economic Assessment, p 48.

³¹ Glencore, United Wambo Project Presentation to Singleton Council (Glencore Presentation), 6 February 2018.

³² Glencore Presentation.

Table 1 Proponent's proposed allocation of contribution funds - United Wambo project offer

Community infrastructure	Purpose and inclusions	Contribution (\$)
Jerrys Plains Village Centre	Implement gateway treatment for both approaches along the Highway to the village incorporating signage, rural fences and street trees. An opportunity for the Jerrys Plains Recreational Grounds and the Jerrys Plains Pony Club to form part of the gateway to the village of Jerrys Plains.	Concept \$20,000 Implementation \$100,000 Contribution: \$120,000 Fully Funded
Jerrys Plains Upgrade Recreation Grounds	Fencing, water feature and seating Street planning incl. additional trees Playground shelter, exercise equipment RV Dump point	Concept \$20,000 Implementation \$300,000 Contribution: \$320,000 Fully Funded
Jerrys Plains Main Street Upgrade	Gateway treatment Landscaping Cycleway and pedestrian refuge RV/Truck parking	Concept \$80,000 Implementation \$3-4 Million Contribution: \$125,000 Partially Funded
Warkworth	Development of a booklet that documents the history and heritage of Warkworth. Contributions for maintenance of: <ul style="list-style-type: none"> • Jim Johnstone oval • Warkworth Community Hall • St Philips Church 	Contribution: \$35,000 Fully Funded
Total		\$600,000 (50% Local) \$600,000 (50% LGA) \$1,200,000



The offer of \$1.2m equates to 0.6% of CIV for a revised CIV of \$207m (0.3% of CIV if \$381m) or \$4,800 per worker, if 250 extra FTE workers are assumed.

The proponent has contended that:

- the CIV approach (i.e. setting the contributions at 1% of CIV) does not properly link the contributions payable to the impact on the community from the mining proposal
- contributions should be negotiated specific to the project, and that the actual impact on demand for local infrastructure as a result of additional workers should be the main consideration in determining a reasonable amount.³³

6 Council's position concerning contributions

The proponent's most recent offer of \$1.2m on 8 February 2018 was rejected by Council on the basis that the offer was "below the industry average, was not in recognition of the broader social impacts of mining and did not align with its resolution of November 2017 that the quantum of mining related VPAs be based on a cents per tonne or 1% capital investment value methodology."

Council currently has a section 7.11 contributions plan (2008) in place, which does not prescribe specific contribution amounts for coal mining developments but instead, provides for contributions to be negotiated in VPAs towards:

- the council's 'Community Enhancement Program (CEP)' based upon total capital expenditure and annual outputs of development, and
- rural roads based on the council's assessment of traffic and road standard assessment prepared by applicant.³⁴

Both parties agree that the impact on the local traffic network as a result of the proposed project is negligible and so contributions are not required in the VPA to fund any roadwork.³⁵

There is also some agreement that a contribution should be made to fund community infrastructure and programs, and the contributions plan provides sufficient flexibility for a negotiated approach based on the CIV or coal production estimates.

The CEP in the contributions plan is to "help mitigate negative impacts of coal mining and major industrial development"³⁶ but Council advised GLN that the program is no longer being funded

³³ In the report prepared by Umwelt on behalf of the proponents in response to the IPC review, July 2018 and in discussion for this project with GLN.

³⁴ Singleton Council, *Singleton Development Contributions Plan 2008*, Section 1.15.

³⁵ We clarified this position in our discussions with each party.

³⁶ Singleton Contributions Plan 2008, pp 31-32.

through the plan, and none of the programs have formed part of the proponent's offer regarding the United Wambo project.

Council advised DPE that it is currently reviewing the contributions plan, including the allocation of mining contributions to community infrastructure. It has now established a Community and Economic Development Fund for programs and services to offset the negative impacts of mining.³⁷

Council has stated that the intent of the Fund is to "preserve the capital and use investment returns to fund programs that will facilitate the future security, prosperity and wellbeing of our community. These programs would include undertaking investigations to understand that the impact of mining on our community, research and development in projects that build resilience and improve liveability of Singleton post mining."³⁸

Council most recently negotiated an agreement with the proponents of the Mt Thorley Warkworth project for a contribution of \$4.5m to the Fund. This represented only part of the VPA contributions which had a total value of \$11m.³⁹

7 Framework being developed by AMRC and NSWMC to inform determination of contributions in VPAs

The NSW Minerals Council (NSWMC) and the Association of Mining-Related Council (AMRC) have been negotiating a VPA framework since early 2016 to better guide the preparation of VPAs and the determination of development contributions within them. The following information is obtained from Singleton Council's report on the status of the framework for its VPA negotiation policy.⁴⁰

The VPA joint working party (NSWMC and AMRC) has agreed on:

- A draft MOU
- A timeline for steps in the negotiation process that will be most beneficial and
- A Road Upgrade Calculator

The method as to how the financial quantum ought to be calculated for impacts on Council infrastructure and services (other than roads) and the broader district-wide social impacts remains unresolved, with both parties preferring different approaches to the calculation of contributions.

The NSWMC has promoted a 'worker domicile' model. That is, a quantum based on an increase in population in an LGA due to the influx of new workers. This approach seeks to link the contributions

³⁷ Singleton Council, letter to DPE, 8 August 2018.

³⁸ Singleton Council, letter to DPE, 8 August 2018.

³⁹ Planning Agreement - Warkworth and Mount Thorley Continuation Projects - Singleton Council, Mt Thorley Operations Pty Ltd and Warkworth Mining Pty Ltd, 2017.

⁴⁰ General Manager's Report (GM 51/17) on VPA Negotiation Guidelines, Meeting of Singleton Council, 20 November 2017.



paid by the proponents of mining projects to the additional demands on local community infrastructure that arise from the incoming population to the LGA (both workers and their families) as a direct result of the project.

Contributions would be within the range of \$2,000 to \$10,000 per worker (with qualifications attached to the worker definition) and would be supplemented by relatively modest contributions constituting a displacement allowance (\$2,000-\$10,000 per displaced household by the mine), a special infrastructure allowance (for water/sewerage needs only) and an allowance for planning and governance by the council (\$100,000 for every 1% population increase).

The AMRC instead seeks an approach based on the cents/product tonne as the preferred option, with the fall-back position being 1% of capital expenditure.

Council noted that there are negative implications for the Singleton community if a worker domicile approach is adopted by the NSW Government and the mining industry, centred mainly on the fact that it would yield lower potential contributions and the difficulties in calculating the amounts:

- The model assumes a substantial population increase but the population of Singleton LGA is unlikely to increase significantly with any new mine because there is already an ample number of workers in the wider Hunter Valley region prepared to travel.
- The mines are moving to fewer workers yet same/more production.
- The model is based on direct impacts to local government infrastructure and services but omits broader community-wide social impacts. Singleton LGA as the 'host' suffers, inter alia, the dust, noise, traffic, water and visual impacts, and variable property prices.
- The method to determine the actual number of workers is opaque regarding definitions and a raft of variables would need to be resolved in order to determine contribution amounts and annual implementation would be challenging.
- Comparison with current VPA deals shows comparable or lesser amounts.

We consider that in principle there is value in a worker domicile approach, in that it seeks to align the need for the local infrastructure with the impact of the mine and the demands of the new population generated. However, we agree with some of the limitations of this approach highlighted by the Council, including the difficulties in estimating the proportion of workers who are likely to reside in the LGA.

The quantum of the contribution negotiated in a VPA is dependent upon the actual rate per worker that is applied. As our benchmarking analysis below shows, other open cut coal mining project VPAs have generally encompassed much higher contributions than the upper limit suggested by the NSWMC (\$10,000 per FTE) even on a generalised FTE rather than a domicile FTE basis. Hence, if benchmarked rates were applied, this approach would result in much higher contributions per worker (residing in the LGA).

Where no new jobs are created by the mine (because there is only job retention associated with a mine life extension), the approach would also result in only minimal contributions despite there likely to be broader community-wide social impacts.



Instead, an FTE-based approach should consider the workforce retention associated with the project proposal to extend or expand the mine, in addition to new operational workers. The proposals often extend the life of the mine, and therefore, the period of employment for workers, which can have flow-on effects for the demands on local infrastructure.

Our benchmarking analysis shows how this type of approach can apply to more open cut coal mining projects, including both new mine and brownfield projects. Some discounting of the existing workers compared with new workers might be warranted, but for practical reasons in our analysis, we have assumed a 1:1 weighting.

In seeking to determine appropriate contributions for the United Wambo project we have also balanced this measure with a measure based solely on coal production, which should more directly reflect the extent of the broader social and community needs that arise from the mining project. This approach is explained in more detail in **Section 8** below.



8 Benchmarking the offer against other VPA contributions

We reviewed the contributions for community infrastructure and services that have been previously agreed between local councils and proponents of open cut coal mining projects in NSW.

In total, we identified 12 VPAs, with four for open cut coal mining projects involving Singleton Council, seven involving other councils, and one for which Singleton and another council (Muswellbrook) were both signatories.

Our sample was confined to those projects that were approved and proceeding, and where relevant data was readily available:

1. Singleton Council, Muswellbrook Shire Council and Liddell Coal Operations – Liddell Coal Extension Project
2. Singleton Council and Glencore - Mount Owen Continued Operations Project
3. Singleton Council and Bulga Coal Management - Bulga Optimisation Project
4. Singleton Council and Ravensworth Coal Operations (Xstrata Coal) - Ravensworth Operations Project
5. Singleton Council and Warkworth Mining Ltd (Yancoal) - Mount Thorley Warkworth Project
6. Narrabri Shire Council and Aston Coal 2 (Whitehaven) - Maules Creek Coal Project
7. Mid-Western Regional Council and Wilpinjong Coal - Wilpinjong Coal Project
8. Gunnedah Council, Narrabri Shire Council and Whitehaven Coal - Vickery Coal Project
9. Liverpool Plains Shire, Tamworth Regional and Gloucester councils and Shenhua Watermark Coal – Shenhua Watermark Coal Project.
10. Muswellbrook Shire Council and Hunter Valley Energy Coal Pty Ltd – Mount Arthur Coal Complex
11. Muswellbrook Shire Council and Bengalla Mining Company Pty Ltd - Bengalla Coal Mine
12. Muswellbrook Shire Council and Mangoola Coal Operations Pty Ltd – Mangoola Coal Mine

The results of this benchmarking analysis are presented in **Table 2**.

Most of the projects constitute open cut coal mine extensions or expansions, however the Vickery Coal project was for a new open cut and underground coal mine and the Shenhua Watermark Coal Project was for a new open cut mine. The Singleton examples are brownfield mining projects without additional job creation.

As mentioned in **Section 6**, both parties agree that contributions for local transport works or maintenance programs are not needed for the United Wambo project. However, in many VPAs in this sample, contributions for transport works and maintenance programs form part of the



agreement, in addition to contributions for other community priorities. We have not identified contributions for roadwork and other transport infrastructure (such as airports) separately in the analysis in **Table 2**. However, the total amount of the contribution in the VPA usually includes contributions towards transport infrastructure when the total amount of the contribution varies from the amount for other community-related expenditure only.

We benchmarked the proponent's current offer of \$1.2m against the contributions (for community works and programs only) in the sample VPAs on the following metrics:

- as a share of the CIV of the project,
- per tonne of the additional run-of-mine (ROM) coal that will be produced by the mine as a result of the project (either due to higher annual production capacity or an extension to the mine life), and
- per operational worker (FTE) as a function of the new jobs generated by the project and of those jobs plus the retention of the existing operational workforce at the mine.

The inputs for the 'CIV', 'FTE' and 'ROM coal production' metrics have been sourced from the values reported in the DPE assessment reports for each project, supplemented by the EIS and associated economic assessments, where necessary.

We applied the volume of additional ROM coal to be extracted from the mine because product coal estimates did not always form part of the proposals or assessments for many of the projects, and it was most important to have a consistent measure.

We examined contributions as a share of new and existing FTEs, and not just new FTEs, in order to benchmark the Singleton VPA examples on an employment-based measure since the sample does not have any previous Singleton LGA VPAs with new permanent jobs.

Our analysis also incorporates full job retention numbers associated with the mines because it was not always clear the number of jobs that were to be retained solely as a result of the project proposal (e.g. due to an extension of the life of one of the mines in a consolidated mining proposal) and once again, we considered it most important to have a consistent measure.

We indexed figures (contributions and CIV) by the CPI from the December period of the year of the VPA to September 2018. This is why the \$ values of the contributions and CIV presented here will be different to the values quoted in the VPAs and consent conditions.

Table 2 Contributions to local councils for community works and services in VPAs for open cut coal mining projects in NSW (\$Sep2018)

Open Cut Coal Mining Project (Singleton projects shaded)	Year VPA	Total quantum (\$m) ⁽³⁾	Community works/ programs (\$m) ⁽³⁾	CIV (\$m) ⁽⁶⁾	Community Cont'ns - % of CIV	Additional approved ROM coal over LOP (Mt) ⁽⁷⁾	\$/tonne cont'n (ROM coal)	New FTEs (ops) ⁽⁸⁾	Retention of existing FTEs ⁽⁸⁾	Cont'n per new ops FTE (\$)	Cont'n per FTE (new & existing ops)
Liddell Coal Extension Project	2015	\$0.769	\$0.769	\$45	1.70%	38	\$0.020	0	460	\$-	\$1,671
Mount Owen Continued Operations Project	2016	\$1.059	\$1.059	\$158	0.67%	86	\$0.012	0	920	\$-	\$1,151
Bulga Optimisation Project	2014	\$3.404	\$2.116	\$395	0.54%	175	\$0.012	0	700	\$-	\$3,022
Ravensworth Operations Project	2012	\$4.844	\$3.924	\$1,009	0.39%	330	\$0.012	0	550	\$-	\$7,135
Mt Thorley Warkworth Project	2017	\$11.136	\$11.136	\$728	1.53%	230	\$0.048	0	1,307	\$-	\$8,520
Maules Creek Coal Project	2012	\$33.552 ⁽⁴⁾	\$11.969 ⁽⁴⁾	\$895	1.34%	240	\$0.050	470	213	\$25,466	\$17,524
Wilpinjong Coal Project	2017	\$4.404 ⁽⁵⁾	\$4.404	\$102	4.31%	95	\$0.046	75	550	\$58,717	\$7,046
Vickery Coal Project	2014	\$8.055	\$6.444	\$495	1.30%	135	\$0.048	250	0	\$25,775	\$25,775
Shenhua Watermark Coal Project	2015	\$21.181	\$8.795	\$895	0.98%	268	\$0.033	600	0	\$14,658	\$14,658
Mount Arthur Coal Complex	2011	\$12.275	\$7.172	\$901	0.80%	100	\$0.072	720	1,640	\$9,961	\$3,039

Bengalla Coal Mine Project	2015	\$20.020	\$16.861	\$726	2.32%	316	\$0.053	500	400	\$33,721	\$18,734
Mangoola Coal Operations Project	2014	\$12.619	\$9.193	\$303	3.04%	150	\$0.061	240	300	\$38,305	\$17,024
Total all (12) projects⁽¹⁾					1.58%		\$0.039			\$29,515	\$10,442
Total projects exc. any significant outliers⁽²⁾					1.33%		\$0.036			\$24,648	\$9,048
Singleton projects only⁽¹⁾					0.96%		\$0.021			\$⁽⁹⁾	\$4,300
United Wambo project - current offer	2018	\$1.200	\$1.200	\$381 \$207	0.58% 0.31%	150	\$0.008	250	250	\$4,800	\$2,400

Notes:

1. The Liddell Coal Operations Project is included in both the total projects and the Singleton Council project averages.
2. The outlier excluded from both the 'CIV' and 'FTE' averages is the Wilpinjong Coal project. The outlier excluded from the 'contributions per tonne' average is the Mt Arthur Coal Complex project.
3. The contribution amounts are sourced from the signed VPAs or development consents, when the VPA contribution amounts and expenditure focus have formed part of the consent conditions.
4. The total contribution for the Maules Creek Coal Project includes a contribution of \$0.075 per saleable tonne plus CPI that was payable monthly to the council to fund infrastructure projects at the council's discretion. We assumed that the total contribution would be \$16.5m unindexed (additional production of 220Mt) and that this is evenly distributed among community/transport programs.
5. The \$4.350m (unindexed) in contributions for the Wilpinjong Coal Project is our indicative estimate based on an assumed average number of FTEs being achieved over the remaining life of the project, since the quantum is based on the number of workers. The contribution payments to 2027 are based on annual payments equal to (W-100) multiplied by \$12,000/20, where W is the total number of permanent employees and contractors at the project in any year. From 2028, the contributions payments are based on payments equal to W multiplied by (\$12,000/20). We have assumed that W = 550, on average, which results in total contributions of \$4.350 million over the remaining life of the mine.
6. The CIVs are based on CIV estimates for the projects indexed to September 2018 using Sydney CPI, rather than the present values of the CIVs, as this data was more readily available.
7. The additional ROM coal production estimates are quoted instead of product coal estimated because this data was more readily available for all projects.
8. The FTEs are based on the estimate of peak operational FTEs over the life of the project and the retained workforce reflects the number of current operational FTEs reported at the mines, since in most cases, the employment period will be extended with the extended life of the mine.
9. Based on this sample, Singleton Council has not entered into any other VPAs for open cut coal mines where new operational FTEs are generated by the project.

This benchmarking clearly shows how:

- the value of the proponent's contributions current offer for United Wambo (\$1.2m) is low compared with other contribution amounts in VPAs, both on a total and a Singleton LGA-only basis
- there is significant variation between the quantum of contributions paid among VPAs, and
- higher contributions have been generally agreed in non-Singleton LGA mining projects than Singleton LGA projects.

On the last point, the exception is the more recent VPA example concerning the Mt Thorley Warkworth project in Singleton. This project, which is 53% larger than United Wambo in terms of additional ROM coal, has an associated VPA that commits the proponent to providing \$4.4 million to the Singleton Community and Economic Development Fund over the life of the mine.

Table 3 shows the averages for the VPA contributions in both samples (Singleton LGA and all project samples) and the proponent's offer for United Wambo based on each of the metrics. This again shows how the proponent's offer is low relative to the averages of other contributions in the samples.

Table 3 Average contributions for Singleton and other project VPA samples compared with the proponent's offer for United Wambo - CIV, production and job metrics (\$Sep2018)

	Singleton Council VPAs only	All project VPAs (exc significant outliers)	Proponent offer for United Wambo
% Share of CIV	0.96%	1.33%	0.31% if \$381m CIV 0.58% if \$207m CIV
Per tonne of additional ROM coal	\$0.021	\$0.036	\$0.008
Per new or existing operational worker (FTE)	\$4,300	\$9,048	\$2,400

Figures 1 and 2 further demonstrate this finding, comparing the offer against the other VPA contributions based on the CIV metric and then the production and employment metrics together.

Figure 1 illustrates the change in the percentage if the CIV is assumed to be \$207m and not \$381m, although the offer is still low on this metric even if the CIV is reduced to \$207m.

Both figures also show the change in the metric if the contribution amount was increased to \$2.65m. This would increase the contribution above most of the other Singleton VPAs by these measures, except the Liddell and Mt Thorley Warkworth projects. The amount would still be relatively low compared with most VPAs outside the Singleton LGA. Our justification for a recommended contribution amount of \$2.65m is discussed below.

Figure 1 Comparison of United Wambo offer against contributions in sample VPAs as a % share of CIV (\$Sep2018)

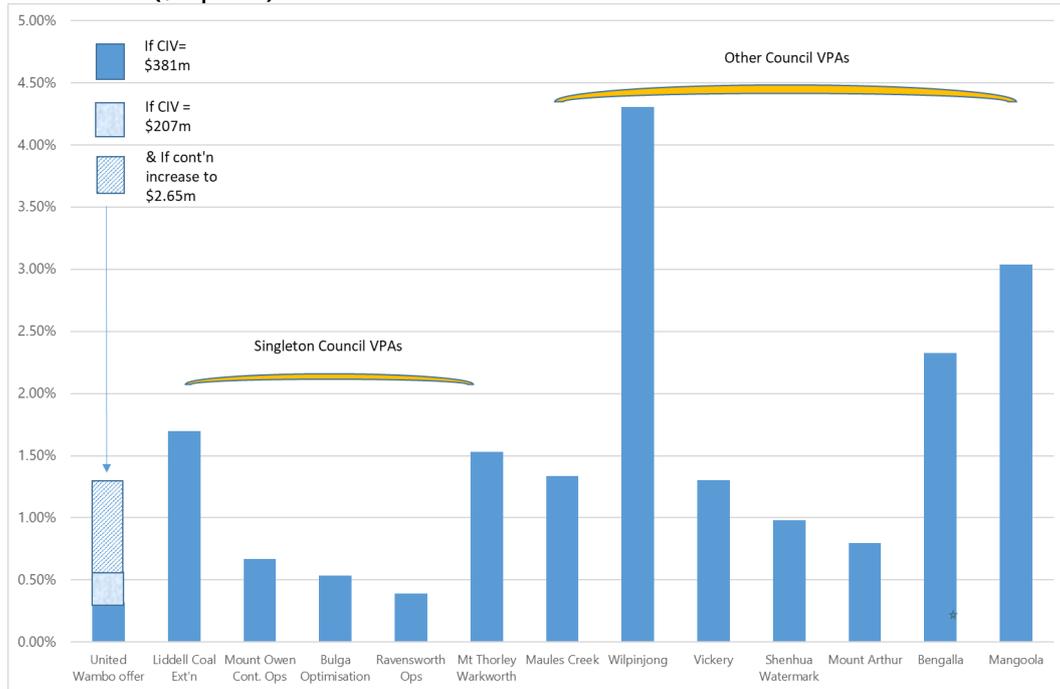
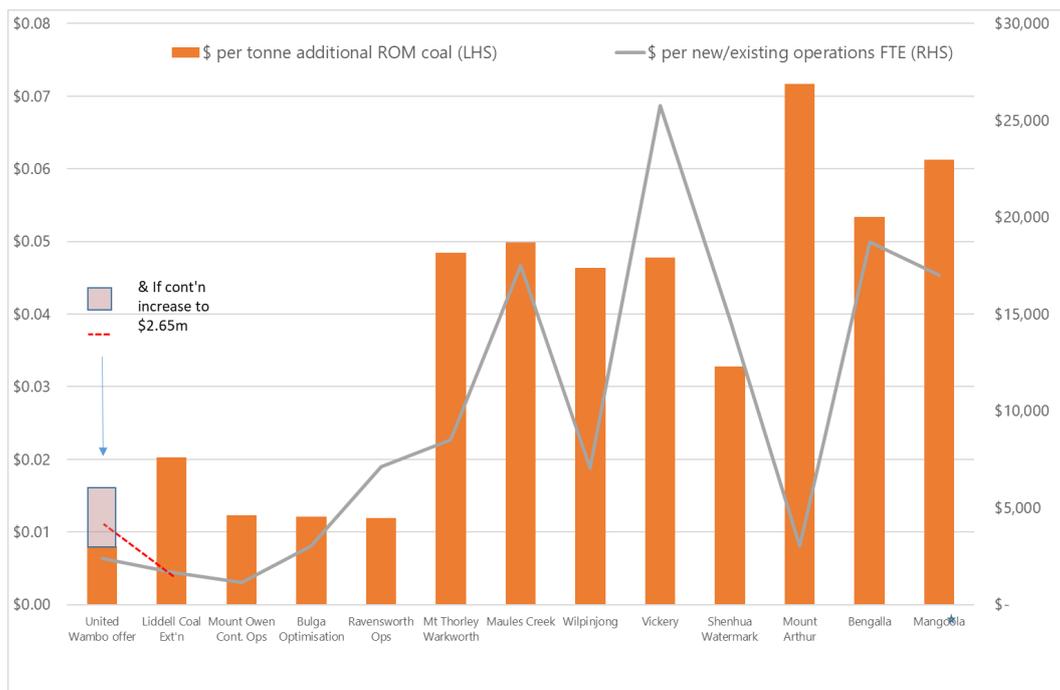


Figure 2 Comparison of United Wambo offer against contributions per tonne of ROM coal and per new/existing FTE in sample VPAs (\$Sep2018)



9 Recommended contribution for the United Wambo project

We have applied the benchmark contributions rates based on our sample to the relevant variables of the United Wambo project. **Table 4** presents the potential contributions based on the three different metrics, as well as the averages for different combinations of measures.

We have considered the rates under two CIV scenarios – the \$381m as presented in the EIS and economic assessment for the project and \$207m as nominated by the proponent for the purpose of these VPA negotiations.

We then considered the contribution amounts if the rates determined by all three indicators were averaged, and then if just the rates based on the additional volume of coal production and FTE methods were averaged.

Table 4 United Wambo project – potential contributions for community works/programs (\$m, \$Sep18) based on different calculation methods

Method of calculation based on:	% share of CIV	\$ per tonne of total (ROM) coal	\$ per FTE (includes new and retained permanent workforce)	Average of all three methods	Average of two methods only
Assumptions:	1% of either \$381m or \$207m	150 mt @ either \$0.021 or \$0.036/t	500 FTEs @ either \$4,300 or \$9,048 per worker	CIV, coal production volume & FTE methods	Coal production volume & FTE methods
Option1: CIV \$381m; Singleton Council average for tonnage rate (\$0.021/t) & FTE rate (\$4,300 per worker)	3.81	3.15	2.15	3.04	2.65
Option 2: CIV \$207m; Singleton Council average for tonnage & FTE rates as per Option 1	2.07	3.15	2.15	2.46	2.65
Option 3: CIV\$381m; All council average for tonnage rate (\$0.036/t) & FTE rate (exc. outlier) (\$9,048 per worker)	3.81	5.40	4.52	4.58	4.96
Option 4: CIV \$207m, All council average for tonnage & FTE rates (exc. outlier) as per Option 3	2.07	5.40	4.52	4.00	4.96

The contribution options range from \$2.07m to \$5.40m in each of the scenarios. The contributions are substantially lower with the lower CIV assumption (\$207m), and when the Singleton LGA benchmarks are applied, rather than the all project benchmarks.



We consider that the recommended contribution for United Wambo should be based on the average of the contributions based on coal production and job metrics only. This approach best links the contribution amount to those aspects of the project which could conceivably impact the costs borne by the local council and its community, because:

- The social costs associated with mining are strongly related to the amount of coal produced. The more coal, the more likely noise and pollution will be generated, and the more likely there will be costs associated with ensuring sustainability of the employment in the region.
- The number of FTEs provides an indication of the additional pressure on community infrastructure and services by the workers and their families who reside in or relocate to the LGA. There are arguments that workers would not reside in the LGA, but this might be offset by other worker of mines in other local areas that come to reside in this area, especially when there are clusters of mines in the Hunter region.

Conversely, the capital investment value does not link directly to either the local infrastructure or social costs, in fact in some cases, an increased investment in mitigation measures can result in reduced negative costs to the community.

A reasonable contribution would be in the range of \$2.65m to \$4.96m based on the averages production and job metrics (right hand column of Table 2). The lower end of the range reflects an average of contributions previously negotiated in VPAs for Singleton LGA mine projects, while the upper end reflects the average of contributions negotiated for mines across NSW, including the Singleton mines but excluding significant outliers.

We consider that the higher figure of \$4.96m reflects the broader community impacts identified in the SIOA assessment and the higher contributions that have benefited other coal mining communities in NSW.

On the other hand, this is a brownfield mining project and local conditions and expectations need to be considered carefully in the context of the negotiation.

For these reasons, our judgment, based on available information, is that an acceptable contribution would be at the lower end of this spectrum, rounded to \$2.65m.

10 Recommended distribution of contribution funds

GLN Planning was also requested to provide advice about the appropriate distribution of funds.

The proponent acknowledges that the funds should be based on the impact of the project on community programs and services, consistent with the principles in the Draft Practice Note for Planning Agreements.

During our consultation for this project, Singleton Council officers indicated a preference to allocate the majority of contributions in any agreement on United Wambo to its Singleton Community and Economic Development Fund,

We understand that this Fund focuses on the sustainable growth of the social and economic capital the community and provide for future economic development planning and ultimately the creation



of a stronger community. The policy is to be interrelated to Council's Community Strategic Plan to ensure alignment with the desires of the community. As we have stated, the Council recently secured a contribution from the proponent of the Mt Thorley Warkworth mining project towards this Fund.

We consider that another contribution to the Fund by the United Wambo proponent in the VPA would also be consistent with the DPE's draft 2015 mining-related VPA guidelines which support 'life-of-mine planning' activities in VPAs. It would also be reasonable for this project to make a contribution to this Fund to help address the cumulative and broader community impacts of the project.

The proponent identified \$600,000 in works towards LGA-wide programs, which it understood would be held by this Fund, and another 50% on local projects in Jerrys Plains and Warkworth (**Table 1**).

The negative impacts of the mining project will be felt most significantly on the local communities in closer proximity to the mine, and the expenditure outcomes on specific local works will be more tangible to the community. Therefore, we recommend a more even distribution between the LGA-wide Fund and local works project allocations for the VPA contributions: essentially a 50/50 split.

The offer of \$600,000 towards local projects only provided a small proportion towards the Jerrys Plain Main Street Upgrade (\$125,000 of a proposed cost of some \$3m-\$4m). Singleton Council also has masterplans for the local villages in the area, including Jerrys Plains, which includes civic upgrade works. We consider that the final allocation of funds (approximately \$1.325m) towards local projects would be a matter for Council and proponent but these projects would form the logical starting point.