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MT/SJ

21 March 2016

Dr Ron Ben-David
Chairperson
Fair Go Rates System
Essential Services Commission

Via Email: localgovernment@esc.vic.gov.au

Dear Dr Ben-David,

City of Casey 2016/17 Rate Variation Application

At its meeting on 15 March 2016 the City of Casey resolved to apply for a Rate Cap Variation for 2016/17 of 0.97% above the declared Rate Cap of 2.5%.

This decision has not been taken lightly. A 0.97% Variation would, through an increased rate base, secure the delivery of \$9 million of infrastructure over the next four years alone – infrastructure which has been planned as part of Council's previously adopted Strategic Resource Plan.

Council is implementing an Efficiency and Effectiveness program which is driving savings in the operating budget which can, over time, be passed onto the community as rate savings, be directed to other activities eg running the new Bunjil Place community facilities (800 seat theatre, art gallery, function centre, and larger library) or be expended on further reducing the infrastructure deficit. This has only been able to be achieved by the fact that the City of Casey was already on a path of service-led business and budget planning across all operational aspects of the Council. For 2016/17 this has achieved a \$1 million reduction in forecast expenditure across the organisation.

The effect of unvaried rate capping means that over just 10 years \$168 million less rate revenue would be available for the essential community facilities needed for Casey's rapidly growing community.

That's why Casey has applied for a rate cap variation of 0.97% for next year, or \$14 per household – to stave off the impending infrastructure black hole which rate capping would otherwise create.

The infrastructure gap in the interface and growth areas is substantial in terms of dollars required over the next 25 years of growth. The Government has responded with the Interface Growth Fund (\$50 million across ten Councils in 2015/16). The City of Casey has received \$5.02 million. While this assists, in reality it is only chipping away at the gap and will fall well short of the compounding effect of Rate Capping.

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It is the upfront capital cost of infrastructure that a Growth Area Council requires to run the services, programs and activities that the community needs and expects, and which cannot be adequately accommodated in a Rate Capped environment.

Council looks forward to the Commission's determination on this Variation Application within 60 days and will make any resources available to ensure that this can be achieved. Please contact Andrew Davis, Council's Chief Financial Officer, or Kathryn Seirlis, Council's Rate Capping Strategy Coordinator, on 9705 5200 as required.

Yours faithfully,



Mike Tyler
Chief Executive Officer



ESSENTIAL SERVICES COMMISSION
Local Government

Higher cap – Application cover sheet (2016/17)

Council name

City of Casey

Contact person and phone number

Andrew Davis

9705 5473

Base Average Rate (\$): (e.g. \$1,800)

\$1,490

Proposed increase for 2016-17: (e.g. 5%, \$4,000,000)

Proposed increase in Average Rate (%)

0.97%

Proposed increase in prescribed rate revenue (\$)

\$1,604.756

Summary of the key reason(s) for the application: (Please limit response to two pages)

- To support the provision of much needed infrastructure in Casey's rapidly growing community, without compromising council's ability to continue to provide the current range of services our community has come to rely upon and values highly.
- The population of the City of Casey is forecast to increase from its current 300,000 to 490,000 by 2041. This will be a community the size of Tasmania or Canberra, or the combined municipalities of Greater Dandenong, Monash and Kingston.
- With a rapid growth forecast, a long list of new and enhanced services and infrastructure is required to meet the growth needs of this large and growing community.
- New or expanded services required by the growing community need new community centres, kindergartens, sports fields and playgrounds.
- Council relies upon rates to fund the up-front capital costs of the infrastructure required to service Casey's growing community. The rates available for Capital Works will be insufficient for 2016/17 and beyond if this rate cap variation application is unsuccessful, with current year and future Capital Works Projects no longer able to proceed.
- Further reasons are provided in Council's attached 2016/17 Rate Cap Variation Application.

+ Please attach evidence of council sign-off/approval of application.



ITEM 6.13
DRAFT 2016/17 COUNCIL BUDGET & RATE CAP VARIATION

Council Plan Reference: 5.2

Purpose of Report: To consider the draft 2016/17 Council Budget and Rate Cap Variation

COUNCILLORS ROWE/STAPLEDON:

1. That the Draft 2016/17 Budget, including the Schedule of Fees and Charges for 2016/17, and Draft Strategic Resource Plan 2016-20, generally in accordance with the Attachment to this report, be used as the basis of Council's Rate Cap Variation Application for the 2016-17 financial year, and be approved for public advertising purposes, under Sections 125 and 129 of the Local Government Act 1989, with advertising to occur in May 2016.
2. That any submission received under Section 223 of the Local Government Act 1989 be considered at the Special Council Meeting to be held on 28 June 2016 at 6.30pm at the Civic Centre, Narre Warren, together with the adoption of the 2016/17 Budget and Strategic Resource Plan 2016-20, and setting of rates and charges.
3. That the Chief Executive Officer be authorised to certify the final form of the Rate Cap Variation Application for 2016/17 and the ESC specified Templates, as referenced in this report, prior to their submission to the Essential Services Commission by 31 March 2016.
4. That the City of Casey 2016/17 Rate Cap Variation Application be provided to the Parliamentary Inquiry into Rate Capping.

Carried

2016/17 Rate Cap Variation Application

21 March 2016

Executive Summary

The City of Casey has resolved to apply for a Rate Cap Variation of 0.97% for 2016/17.

This is a responsible decision to make, in the interests of the existing and future communities it serves, and one that has not been taken lightly by the elected Council. Meeting the needs of a growing population, balanced with the capacity of the community to pay for this through rates, is a complex balancing act. The City of Casey takes pride in delivering on its Council Plan Vision of being the city of choice to live, work and raise a family. Ensuring Council has the infrastructure required to deliver its vision underpins this application.

Council has worked hard over recent months to fully understand (and minimise) the impact of the 2016/17 rate cap on its 2016/17 Budget, having first revised its Strategic Resource Plan and 5 Year Capital Works Program before deciding to proceed. After careful consideration, the City of Casey has resolved to lodge a Rate Cap Variation Application for 2016/17 for necessary infrastructure to support community growth requirements.

In coming to this position Council has adopted the following approach to minimise rate increases:

1. Maintenance of the existing levels of service it provides to its community (allowing for population growth) but achieve savings and efficiencies in their delivery where-ever possible;
2. Meet existing contractual commitments, including for the provision of capital works;
3. Fund asset renewal demands as required;
4. Fund Council's contribution to support growth including to meet Development Contribution Plan requirements for infrastructure; and
5. Fund other capital works for the provision of new, upgraded or expanded infrastructure or facilities.

This approach has ensured that this Rate Cap Variation Application is fully considered and informed.

Leading up to the 2016/17 budget, Council, being cognisant of its community's capacity to pay, was taking the responsible path of increasing operational efficiencies to ensure rate increases into the future would be the lowest possible. This has included the identification of efficiencies and savings equivalent to 0.63% of rates for 2016/17, when compared to the previous Strategic Resource Plan adopted for 2015/16.

As an example of its future growth, the population of the City of Casey is forecast to increase from its current 300,000 to 490,000 by 2041. For perspective, this will be a community the size of Tasmania or Canberra, or the combined municipalities of Greater Dandenong, Monash and Kingston.

With this rapid growth comes a long list of new and enhanced services and infrastructure to meet the needs of this large and ever growing community. Council's existing 1564km of roads, 1816km of drains, 993 buildings, 113 sports fields and 290 playgrounds all need to be maintained, renewed and replaced over time. In addition, new roads, drains, community centres, kindergartens, pavilions,

sports fields, playgrounds and the like will need to be built for the growing community and then maintained. New and expanded services will also place increased pressure on Council's funding resources.

As an example of the forecast growth, by 2018, the City of Casey's open space alone will be equivalent in area to the whole of the City of Port Philip. That's over 2000 hectares, and includes over 250,000 trees. By 2041 this will increase to over 3200 hectares and over 420,000 trees. By 2041 the City of Casey will be responsible for the safe and efficient operation of drains which if laid end to end would extend from Melbourne to Townsville. Asset protection, maintenance and renewal is a priority for our community, as is the continued efficient operation of the Council. Managing a declining asset base is tough to come back from, as evidenced in New South Wales, which has had rate capping for a number of decades with little flexibility exercised to recognise cases of real need.

It is not only Council's assets that need to grow with our community. Growth in Council services is unavoidable with over 120 people moving into Casey each week as well as over 90 babies born in Casey in 2015. There are 2746 children attending Casey's 44 kindergartens and 2210 children in Family Day Care.

As a brief snapshot of the breath and complexity of some of Council's services, in the 2014/15 financial year, Council processed 25,327 dog and 7,152 cat registrations, collected 1,140 stray animals after hours, registered 5,693 new pets and hired out 394 cat traps, removed 34,000 square metres of graffiti from 2,868 reports of graffiti, provided approximately 5.4 million garbage services, 2.9 million recycling services and 2.3 million garden waste services, and serviced 49,389 hard waste collections, resulting in over 19,000 mattresses, 7,500 tyres and 120 tonnes of e-waste diverted from landfill.

New or expanded services required by a growing community need new community centres, kindergartens, pavilions, sports fields and playgrounds. All levels of Government acknowledge that there is a lack of infrastructure in the outer suburbs of Melbourne, where demand already outstrips supply, and that with new growth comes the need for more. The Interface Growth Fund, the Growth Area Infrastructure Contribution as well as Development Contributions Plans are State Government initiatives to provide some assistance with the funding requirements generated by growth. Although these avenues provide some funding support, they are insufficient to meet the Community's growing needs and to close the infrastructure gap.

Council has continually relied upon rates to contribute towards funding more and more infrastructure, to try to narrow this gap. The City of Casey is proud to have delivered the most infrastructure it can whilst maintaining the lowest rate rise possible in the past. With demonstrated efficiencies in the operational component of the budget, with benchmark information showing that Council had the second lowest operating costs per capita in 2014/15 and third lowest rates and charges levied per capita in 2015/16 across all Victorian Councils, all available resources are prioritised towards delivering new infrastructure.

Council is developing more sophisticated financial modelling capacity through service planning and capital works analysis to better understand the short and long term impacts of rate capping. This will evolve further in coming years as more refined data becomes available. Initial results indicate that rate revenue growth through supplementary valuations is sufficient to fund growth in recurrent expenditure but insufficient to fully fund the upfront capital investment needs.

The City of Casey understands that services are important to the community, as this was heard loud and clear through the *Casey Let's Chat* forum from October 2015, where the community wanted to maintain if not increase current services. However, services can be provided but only if there is the infrastructure to deliver them from. The willingness of the community to pay for this infrastructure to run services from was explored in the *Building our Future* forum in December 2015. This told us that the majority preferred to keep rates capped, but an understanding of the magnitude of what needs to be provided to meet the needs of a growing population also emerged as forum participants were informed and improved their level of understanding of what Councils do.

Casey is a rapidly growing community, principally expanding onto green field sites that require new infrastructure to run services, activities and programs that the community needs, expects and should be afforded access to. Adequate and timely provision of services and infrastructure is vital for a developing community. It is these services that build social connectedness and create a sense of place and community for a growing population, as well as contribute to the important goal of developing community cohesion and resilience.

Utilising the five point approach above Council has identified the following two capital projects which will not proceed if the 0.97% Rate Cap Variation in 2016/17 is unsuccessful:

1. The Hunt Club Football and Cricket Recreation Facility.
2. Autumn Place Family and Community Centre.

Somewhere to meet, recreate, play sport, socialise, watch sport, be outside or go for a walk ensures a healthy and active community. The Hunt Club Football and Recreation Facility will deliver this for the residents of Cranbourne East. If this Rate Cap Variation Application is not supported, this community will have to travel further to do these things, although access to playing sport part would ultimately depend on there being capacity elsewhere at other grounds to accommodate all who want to play, which may not be the case.

Somewhere to meet, visit the Maternal and Child Health service, take a child to kindergarten, or a play group or book club, or having a place to attend a session on managing financial stress or healthy eating ensures an engaged community with a high level of wellbeing. The Autumn Place Family and Community Centre will deliver on this by co-locating a number of Council services to one multi functional building, in the middle of the Town Centre of Autumn Place in Doveton, where it is easy to get to and convenient to drop by.

If this Rate Cap Variation Application is not supported, the community will have to travel further to access some of these services (at venues that may already be reaching full capacity), and others will not be able to be provided as Council will struggle to maintain the current inefficient network of community facilities and services in the area.

The City of Casey knows what the infrastructure and service needs are for a community of this size. Having experienced 30 years of growth and with another 25 years to go, there are plans in place to guide the provision of what a community needs to ensure that the City of Casey remains a great place to live.

A Rate Cap Variation Application for 2016/17 of 0.97% is required to secure funding towards the Hunt Club Football and Cricket Recreation Facility for construction in 2016/17 and the Autumn Place Family and Community Centre from Year 2 of the Five Year Capital Works Program. Council has prepared this plan in conjunction with the 2016/17 Budget and revised Strategic Resource Plan 2016-2020. This has ensured that other avenues of alternative funding and efficiency gains are maximised to ensure that any rate rise above the cap is as low as possible, resulting in a balance between the need to provide infrastructure and the capacity of rate payers to contribute towards this.

A successful Rate Cap Variation Application will ensure Council can continue to make the City of Casey a great place to live, work and raise family. The failure of this Rate Cap Variation Application will detrimentally impact two local communities now and even more over time as the cumulative impact of the 0.97% results in over \$21 million reduction towards capital expenditure over the next 10 years. The identified infrastructure deficiency and consequential service loss will only increase as the impact of the rate cap flows through the next 25 years of community growth.

This application shows that Casey has a responsible and mature management approach. This rate cap variation is sought to support the provision of much needed new infrastructure in our rapidly growing community without compromising our ability to continue to provide the current range of services our community has come to rely upon, and values highly.

Statement in Response to Rate Cap Variation Application Requirements

The following Criteria have been determined by the State Government through the Fair Go Rates legislation as the six matters the Essential Services Commission (ESC) must take into account when determining a Rate Cap Variation Application

Criterion One – Proposed Higher Cap

- » An Application must specify a proposed higher cap for each specified financial year.

Criterion Two - Reasons

- » The reason(s) for which the council seeks the higher cap.

Criterion Three - Engagement

- » How the views of the ratepayers and the community have been taken into account in proposing the higher cap.

Criterion Four – Value and Efficiency

- » How the higher cap is an efficient use of council resources and represents value for money.

Criterion Five – Trade-offs and Alternative Funding Options

- » What consideration has been given to reprioritising proposed expenditures and pursuing alternative funding options and why those funding options are not adequate.

Criterion Six – Long-Term Planning

- » That the assumptions and proposals in the application are consistent with those in the council's long-term strategy and financial management policies set out in the council's planning documents and annual budget.

The following submission is the City of Casey's response to each of the required Criterion. It is considered that this 2016/17 Rate Cap Variation Application strongly satisfies all of the matters that the ESC are to consider in making its determination.

Criterion One – Proposed Higher Cap

An Application must specify a proposed higher cap for each specified financial year

The City of Casey has resolved to apply for a Rate Cap Variation Application under the Fair Go Rates System, established by the Victorian Government.

The Variation sought is 0.97% above the declared Rate Cap of 2.5% for the 2016/17 financial year, which represents an average additional rate rise of \$14 per household in the City of Casey.

This Variation Application is for a permanent Year 1 Variation for 2016/17. It is considered that this approach is necessary to ensure that the upfront capital costs associated with continued high population growth can be met in 2016/17 and beyond.

The justification for this requirement will be made throughout this Application.

Attachment 1.1 provides the Essential Services Commission (ESC) required Budget Baseline Information. This addresses Criterion One which is to specify the higher cap.

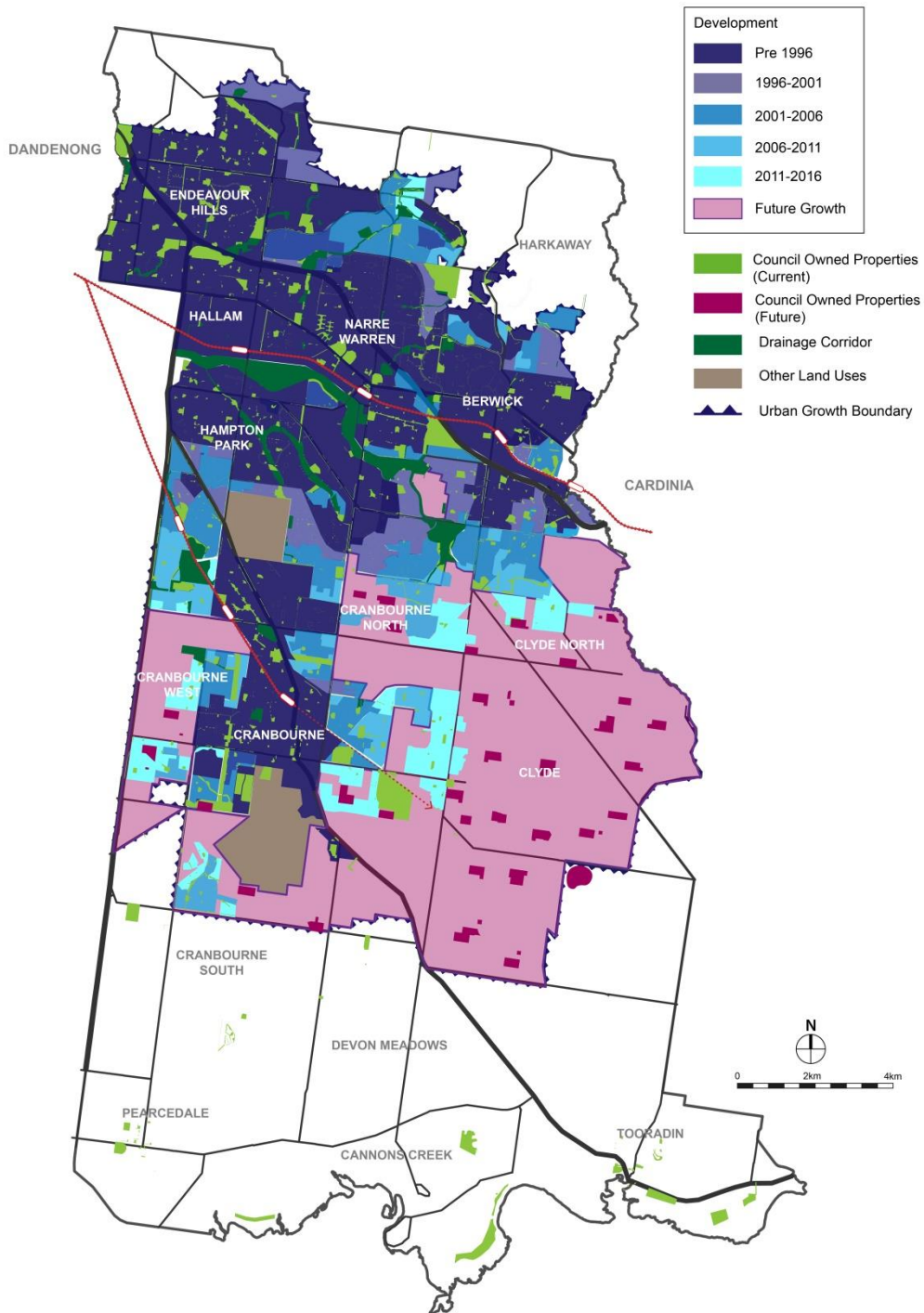
It is considered that Criterion One is addressed through the provision of the Budget Baseline Information as required by the Essential Services Commission. This confirms that the Variation Application clearly specifies the proposed higher cap to be applied for 2016/17 in the City of Casey, being 0.97% above the declared Rate Cap of 2.5%.

Criterion Two - Reasons

The reason(s) for which the council seeks the higher cap.

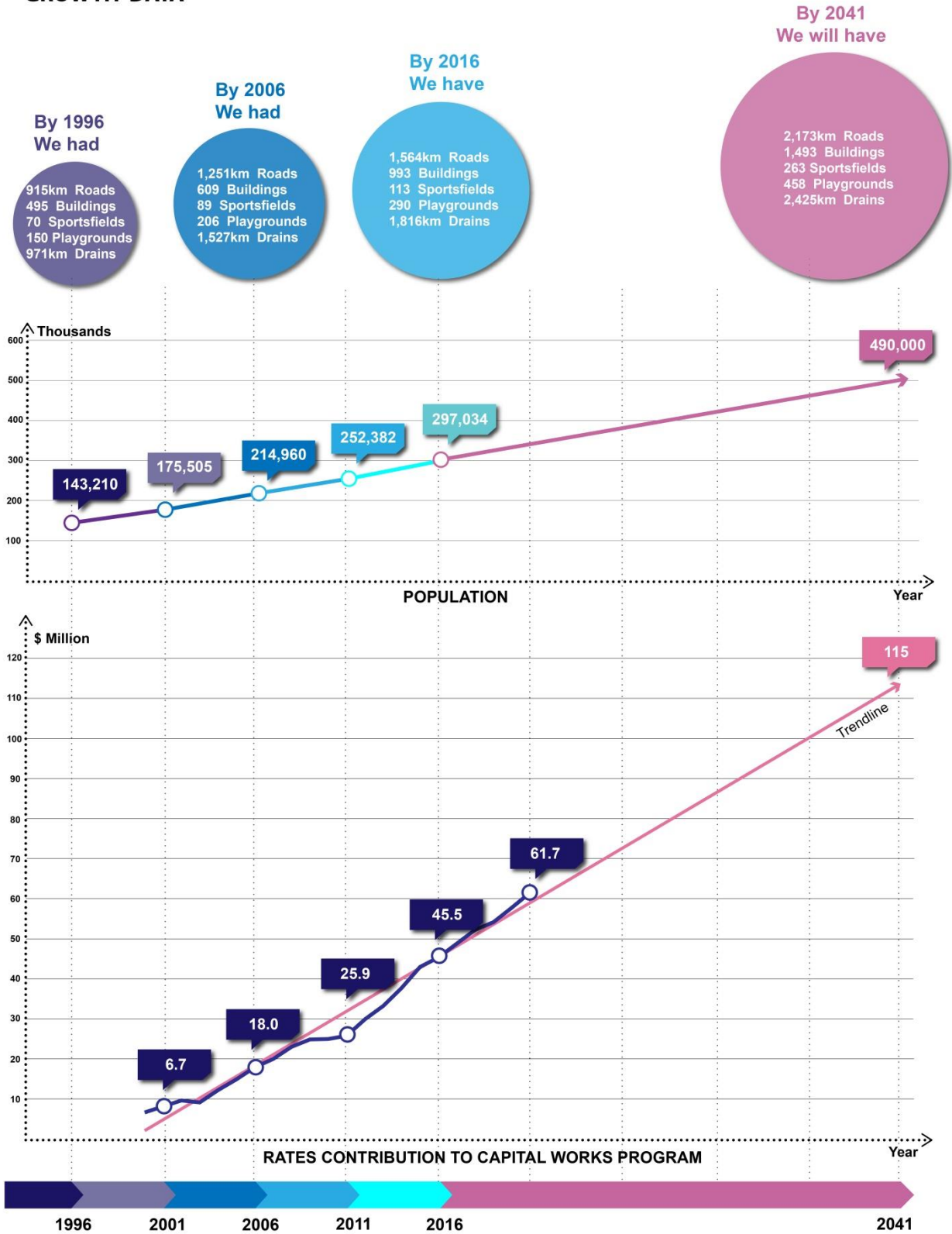
Growth

The City of Casey is big and growing fast.



Map 1: Current and Future Growth in Casey

GROWTH DATA



Map 2 Growth Data

As a Growth Area Council¹ the City of Casey is required to accommodate significant population growth in accordance with Victorian Government policy, including Plan Melbourne². The population of the City of Casey is expected to grow to over 490,000 by 2041. This will increase from the current population of 300,000 which itself has doubled over the last 20 years from 150,000.

Map 1 shows how this growth has occurred over the last 20 years. This has predominately occurred around the established Town Centres of Cranbourne, Narre Warren and Berwick. Hampton Park, Lyndhurst and Lynbrook have also grown substantially over this time. This has ensured that new residents have convenient access to a range of employment opportunities, transport and Council services as well as being able to meet their retail needs. In the future, growth will extend further out, with two new major Town Centres proposed for the Clyde area. The Clyde Township is a small rural centre currently and the second new Town Centre will be built from nothing and will take a long time to establish, well after a significant amount of the new residents have moved in. This will place pressure on existing centres with no convenient access to these available from the new growth fronts. Council services are also expected by the new community to be delivered in the new growth areas in a timely manner and this will require other infrastructure to be constructed in these areas.

Map 2 shows the resultant increase in population, increase in rates contribution towards capital works and the actual increases in a number of asset types, being roads, drains, buildings, playgrounds and sports fields over time.

Importance of Infrastructure to Provide Services from

With this growth comes significant responsibility to provide the existing and future communities with over 90 services that are currently provided by Council. Many of these services require by their nature, facilities to operate from or to be accessed by the community. It is this new upfront cost of capital works for the provision of new infrastructure that distinguishes growth area councils from established Councils. The whole of life cycle costs for the operation and maintenance of an increasing asset base, both from Council constructed and developer contributed assets, is also a result of this, which will also place increasing pressure on Council's future operational budgets.

Provision of these services are critical to the health, wellbeing and liveability of the City of Casey. Creating a sense of place for areas that are being developed in areas that are increasingly remote from existing services is an important objective of the City of Casey. Ensuring that established areas within the municipality are provided with access to the level of service that is required by those communities is also equally important. It is these drivers that have informed the prudent, efficient and appropriate assessment of risk, financial analysis and approach to prioritisation of the Capital Works Program.

With rates capped at CPI there will be increased waiting lists for the community to gain access to facilities that take longer to get to, as well as reduced participation rates for junior and senior sport, as there will not be enough court or field time at the available sporting facilities to accommodate all who want to play. Travel times will increase as families need to go further afield to access services, potentially outside of the municipality, which reduces time available to participate in sport, recreate or even cook healthy meals for example, which is undesirable and counter-productive when assessed in the context of the higher than average obesity rates already evident in the City of Casey.

This Rate Cap Variation Application is needed to ensure that the necessary funding for community infrastructure to service the significant population growth forecast for Casey is maintained in accordance with what Council knows is required. The impact of Rate Capping on a Growth Area Council is quickly identified when considering the disadvantage that will occur in newer areas compared to established Councils. The need to service a growing population from a substantially lower rate base per capita will result in an unsustainably low level and growth in rates.

¹ Under Section 46AO of the *Planning and Environment Act 1987*

² <http://www.planmelbourne.vic.gov.au/Plan-Melbourne>

These matters are explained further in the attached documents that have been prepared for each of the below projects as part of the Capital Works Program. Within the adopted Five Year Capital Works Program 2016-2020 funding security for the below two projects are fully dependent on the success of this Rate Cap Variation Application.

The Hunt Club Football and Cricket Recreation Facility

The details of this facility are included as Attachment 2.1. It is a single oval for use for AFL football in winter and cricket in summer with associated car parking, landscaping, pavilion, lighting and other works. This facility is a local level facility, within the hierarchy of Council's Leisure Facilities Development Plan³, that will be used by the local community in Cranbourne East who at this point are not provided with convenient access to a similar type of facility. The construction cost of this facility is estimated to be \$2.67 million, with delivery scheduled for commencement in 2016/17 and completion by 2018. Whilst this facility will service the Cranbourne East community, it has been determined by Council that if it is unsuccessful in receiving the required funding through the Rate Cap Variation Application this project will not be able to be delivered. Assessed through the development of the Capital Works Program, it has been identified as the provision of a new service which Council must forego in order to prioritise other capital works expenditure. As discussed later in this submission the first principle of funding of capital works is to maintain its renewal requirement, then fund projects that are committed or which have commenced already to completion. The funding available then is prioritised as it must be, towards funding the shortfalls that exist in the DCP funded infrastructure (including land). As a result of this prioritisation, the Hunt Club Football and Cricket Recreation Facility unfortunately cannot be accommodated within Council's available funding profile if Council were required to meet the Rate Cap. It is further considered that this is a responsible fiscal approach as the whole of life and renewal costs associated with the provision of this infrastructure will not be required to be forecast and accommodated which would put even further pressure on funding in future years.

The consequence of not funding this facility means that there will be increased demand on other facilities in the area, with many people likely to choose not to participate in sport. This is because of the travel time involved to get to a different ground or the reduced time on the ground that may already be oversubscribed by the current number of teams. This is evident in a number of existing sporting clubs which roster in additional 'byes' for example, or rotate through more substitute players in order to give everyone who wants to a chance to play. The other expected trend if sporting facilities are not provided will be a need to cap teams and clubs and turn potential players away. It is noted that over 60 teams participate in sports within approximately 2km from this site already which will come under pressure if the Hunt Club community also contributes to the growth in these numbers. The increase in demand on existing grounds will also compromise the condition of the ground as there will be pressure to use the grounds above recommended capacity, resulting in quicker deterioration of playing surfaces and the need to rehabilitate the ground, with the resultant costs. This scenario requires the site to be taken offline for a substantial period which impacts on the ability of a club to use the ground and therefore need to be relocated or suspended during this time.

³ <http://www.casey.vic.gov.au/council/policies-strategies/j-l/leisure-facilities-development-plan-policy>

Autumn Place Family and Community Centre

The Autumn Place Family and Community Centre is also not able to be accommodated in the Capital Works Plan in the event that the Rate Cap Variation Application is not successful. The details of this are included in Attachment 2.2. This facility is a Level 1 Facility in the City of Casey Community Facility Planning Principles⁴ Scheduled for construction commencing 2017/18. This project is reliant on the additional funding for Capital Works that results from a successful permanent Year 1 Variation of 0.97%. This project is important for the Doveton community and the successful implementation of the Autumn Place Masterplan which is expected to be adopted by Council in April 2016 after a period of community consultation⁵. This project will see the reconstruction and consolidation of kindergarten rooms to a single expanded facility which has capacity to deliver other services through its co-locational and multi functional design. This is a key objective of the Community Facility Planning Principles. It is located right in the heart of the Autumn Place shopping centre and is considered to be a catalyst project for the community renewal objectives within the Masterplan.

If Council's Rate Cap Variation Application is unsuccessful, this project would need to be reprioritised in the latter years of the Capital Works Program. It may not be possible to fund it then, given the higher priorities in those years will likely focus on renewal, new infrastructure in growth areas and funding the DCP shortfalls for infrastructure that are forecast.

The consequence of not providing this facility will be that existing facilities will come under more pressure with increases in demand expected over the next period. The ageing infrastructure in place will continue to drive requirements for renewal and maintenance. The operational inefficiencies in running multiple sites will also remain as a result. Also of significance will be the loss of benefit that will be achieved in demonstrating Council's investment into established areas, which can act as a catalyst for further private development confidence in the area.

Impact of Rate Capping over 10 years.

In addition to the two projects identified above, the absence of funding beyond year four of the Capital works Plan is projected to jeopardise the delivery of the Glenelg Football and Cricket Recreation Facility in Clyde North and the Soccer Centre of Excellence in Cranbourne East. The magnitude of the impact of an unsuccessful year 1 Rate Cap Variation Application will result in a funding shortfall of over \$21 million over the next 10 years. As the compounding impact of the reduction towards capital works expenditure of 0.97% is realised, the reality of the projects that will not be able to be delivered becomes clear.

Infrastructure Lag

It is widely accepted that there is an infrastructure lag in growth areas, and outer areas of cities including Melbourne. This infrastructure lag means that there is not enough infrastructure being built to meet the needs of the people moving in. The Victorian Government has acknowledged the importance of addressing this through the creation of the Interface Growth Fund in the 2015/16 State Budget. This \$50 million of one-off funding was available to bring forward works and the City of Casey was successful in receiving \$5.02 million from the first round of this fund. This welcome funding needs to be a first of many steps to overcome the infrastructure lag that exists. However, it is not an ongoing fund at this stage, although it is hoped that it continues (and increases). Additionally, there is no certainty to any local government about its allocation, as this funding can be expected to be contestable, with benefits and criteria to be assessed and prioritised by the State Government each cycle. To this end, it is the position of the City of Casey that this fund does not offset the Council's demonstrated need for a Rate Cap Variation Application. The Interface Growth Fund contributes to addressing the infrastructure lag, but there is a significant backlog and future program required in Casey that necessitates every effort possible to overcome it given the forecast increases

⁴ <http://www.casey.vic.gov.au/council/policies-strategies/a-c/community-facility-planning-principles>

⁵ <http://www.casey.vic.gov.au/council/advocacy-consultation/community-consultation/autumnplacemp>

in population over the next 25 years. The City of Casey has a strong commitment to the delivery of as much capital works as possible which is demonstrated later in this Application with amongst the lowest expenditure per capita going towards the operational activities of the Council, which increases the proportion of Council's rates available to invest in Community Infrastructure.

Funding for capital investment into infrastructure is vitally important to the City of Casey to meet the needs of the existing and future communities.

It is considered that Criterion Two is strongly satisfied by demonstrating the impact of growth on the infrastructure needs of the existing and future communities in the City of Casey. The impact of not being able to deliver on infrastructure from which to run services, programs and activities will have a detrimental impact on the health and wellbeing of current and future residents, as well as the liveability of the area. Growth is a key differentiating factor for Casey Council that presents ongoing infrastructure funding challenges for which this Rate Cap Variation Application is required.

Criterion Three - Engagement

How the views of the ratepayers and the community have been taken into account in proposing the higher cap.

The City of Casey invited residents to join in the conversation about the future provision of services and community infrastructure during October 2015 and December 2015⁶ with a dedicated community engagement program that included:

- » Two community forums, Casey Let's Chat and Building our Future; and
- » an online forum on Council's consultation website, Casey Conversations, for residents not able to attend the forums.

A copy of all relevant consultation material and reports is included in Attachment 3.1.

The forums were undertaken with a representative sample of the community and provided participants with an opportunity to give feedback on:

- » which Council services were important for their future and
- » the provision of future community infrastructure in the City of Casey.

During these forums the pressures facing Casey were shared, such as population growth, the commencement of rate capping, the influence of technology and the increased financial pressures facing Council. At the Building our Future forum the future of four projects were presented and levels of support tested for these projects to be delayed or even cease. Residents were asked if they would support Council applying to the Essential Services Commission to seek a variation to the rate cap to allow them to continue.

The overwhelming message from those residents that participated in the Casey Let's Chat focus group in October 2015 was for Council to deliver more or the same level of access to services and facilities for our community. The outcome of the Building our Future forum was a preference for Council to deliver a rate rise in accordance with the Rate Cap, with a degree of acceptance by some for a rate variation for one year to fund the identified projects

The outcomes of this engagement program have been used as an input into:

- » The development of Service Plans and a Long Term Financial Plan;
- » Development of the latest 5 Year Capital Works Program;
- » The 2016/17 budget process; and
- » How the City of Casey responds to Rate Capping.

Feedback received from the community has been considered by Council throughout the development of the 2016/17 Budget and Five Year Capital Works program. This demonstrates that Council has engaged with ratepayers and its communities in relation to the impact of rate capping and options available to respond to it. Underpinning the consultation was the IAP2 (International Association for Public Participation) engagement principles which, Council used throughout this consultation program and upon which the ESC four Engagement Principles are based. Details of the steps and actions that Council has taken against each principle is provided below.

⁶ <http://www.casey.vic.gov.au/council/advocacy-consultation/closed-consultations>

» ***Principle 1: The engagement program must contain clear, accessible and comprehensive information and follow a timely process to engender feedback from the community***

The opportunities for residents to participate in this consultation were promoted widely using the following communication channels:

- website
- social media
- media releases
- dedicated community consultation website, www.casey.conversations.com.au
- advertorials in local papers
- direct mail

The engagement programs used provided clear, accessible and comprehensive information by providing the community with facts about Council services, consequences of increased and decreased funding to services and infrastructure delivery and a summary of financial data. Attachment 3.1 provides the consultation materials prepared for the engagement programs which demonstrates the level of information provided as part of the forums.

» ***Principle 2: The engagement program should be ongoing and tailored to community needs.***

The City of Casey is committed to community consultation as a way of ensuring Council provides services and programs in line with the needs and preferences of the community. Council's annual community consultation program allows people to become involved in Council's decision-making processes so they can help shape decisions, policies and strategies that affect them and their community.

Examples of community consultation include asking the community for feedback on Council policies and service delivery performance or involving the community in the progress or review of specific projects or developments. From January 2015 to December 2015, the City of Casey undertook approximately 60 formal consultations with the community. Consultation included Council's:

- » 2015/16 Budget
- » Customer Focus Strategy
- » Public Art Policy
- » Myuna Farm Masterplan
- » Housing Strategy
- » Trees Guide
- » Electronic Gaming Machine Strategy
- » Western Port Green Wedge Management Plan
- » Rural Drainage Policy
- » Selandra Integrated Community Centre
- » Road Development Plans including Heatherton Road (Mixed Use) and Centre Road
- » Disability Access and Inclusion Policy

Residents have also been invited to have their say via a dedicated community consultation website - Casey Conversations that is on Council's website, and through a variety of face to face workshops and focus groups throughout the year. Overall between January 2015 and February 2016 approximately 10,400 residents visited Casey Conversations. The majority of residents participated

through surveys, polls and discussion forums. The project that received the greatest participation was the Draft 2015/16 Budget with 1,590 visitors.

Council has commenced work on a *Community Engagement Strategy* that will provide an ongoing organisational approach and framework to guide and inform engagement activities across the City of Casey.

The strategy will:

- » Strengthen the transparency of Council's decision making processes by using community feedback to inform decision making in the planning of services, setting of budgets and the development of policy and strategy.
- » Ensure the services delivered by Council are consistent with and meet the expectations and needs of residents.
- » Increase awareness of community engagement opportunities available to residents.
- » Be a living document that is regularly reviewed and updated to ensure ongoing relevance to Council and the community.

Further, Council is planning to continue this scale of consultation employing a similar model of representative focus groups for its 2017-2020 Council Plan development and 2017/18 budget preparation in mid to late 2016.

» ***Principle 3: The engagement program should prioritise matters of significance and impact.***

The engagement program undertaken did focus on two areas of significance and impact, being the value to the community of the services, activities and programs provided by Council and a focus on the upfront capital costs for infrastructure to provide these services from and the willingness of ratepayers to contribute to this via a Rate Cap Variation. It is considered that this Principle has been strongly achieved through the engagement program undertaken by the City of Casey in late 2015. The outcome reports from the two community engagement forums are provided in full detail in Attachment 3.1.

» ***Principle 4: The engagement program should lead to communities becoming more informed about council decision-making***

At each of the community forums, participants were given an opportunity to articulate and summarise their thoughts and provide a concluding comment to Council. The responses provided were concise and considered and demonstrated the increased awareness of the pressures facing Casey and the decisions needed to be made by Council to find a balance to accommodate these pressures and the needs of the community. A range of varying comments and feedback were collated during the numerous community engagement events and these have been summarised in the feedback sections of the summary reports included as Attachment 3.1.

The delivery of this engagement program by the City of Casey over October 2015 and December 2015 has strongly impacted the council's decision to seek a higher rate increase. At each stage of the consultation, Council was briefed on the process, learnings, outcomes, feedback and recommendations of the participants.

As articulated in the various Attachments that demonstrate how this Criterion has been addressed, it is acknowledged that a rate increase is not the preferred option of the majority of the community. Whilst there is some tension between the community valuing services, and wanting to see the same or increased levels of service provided by Council, it is considered that this cannot be achieved without the necessary infrastructure to run the services from. Council has reflected on this and agrees that one of the core functions of a Council is to provide the necessary services to the existing and future communities of the City of Casey. In order to do this, Council has (like it has over time) prioritised funding towards the necessary growth of its Capital Works Program.

Even with efficiencies and savings being driven in its operating expenditure, Council considers (with the benefit of its experience of 30 years of population growth behind it) that more funding and resources must continue to be directed to the Capital Works Program to enable this level of service to continue. It was also noted that this thinking was supported by many people in the Building our Future consultation session who, once informed, agreed that they could live with a 1% rate rise in year 1 above the cap for the benefit of being able to continue delivering the required infrastructure for the community.

It is considered that Criterion Three is addressed through the delivery and consideration by the Council of the *Casey: Let's Chat* and *Building our Future* engagement programs delivered in late 2015. These programs reiterated the importance and value of improved council services to the community and revealed the preparedness of the community to pay for the infrastructure required for Council to deliver these services from via an increase in rates above the Rate Cap.

Criterion Four – Value and Efficiency

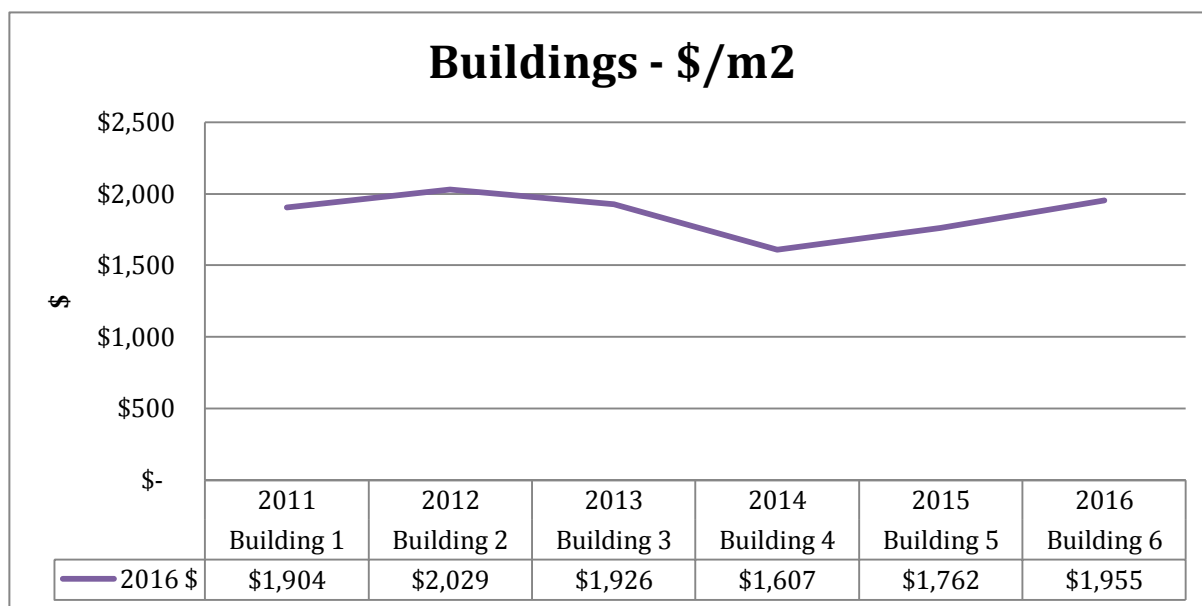
How the higher cap is an efficient use of council resources and represents value for money.

It is considered that the Rate Cap Variation demonstrates an efficient use of council resources and does represent value for money. As this Rate Cap Variation Application is one for capital expenditure, there is a substantial amount of supporting information available to demonstrate that this is delivered in an effective manner by the City of Casey. The following process outlines how the cost of the expenditure has been developed and will be managed:

- » Preparation of the recently adopted Five year Capital Works Plan commenced in November 2015 and concluded with the Council adoption of this plan in conjunction with the draft 2016/17 Budget and 2016/17 Rate Cap Variation Application on 15 March 2016.
- » This process involved preparation, review, assessment and consideration of the proposed Five Year Capital Works Program over a number of months. Included in the response to Criterion 2 are the relevant project nomination forms for the two projects that are proposed to be delivered via a successful 2016/17 Rate Cap Variation Application.
- » It is further noted that the type of works to be undertaken if the 2016/17 Rate Cap Variation Application is successful is considered to be core business for the City of Casey, like it is for all growth area Councils. Council is proud to deliver one to two new Football and Cricket Recreation Facilities every year through its Capital Works Program. These recreation facilities provide access to a range of opportunities for participation in organised sport as well as passive recreational opportunities. The same can be said for the construction of Family and Community Centres which are critical to the development of facilities for community members in new and established areas to access a range of Council services (such as Kindergarten, MCH, Community rooms, parent support groups etc).
- » Key components of the development of the Capital Works Program include:
 - » A requirement to outline the strategic need for the project based on existing policy of the Council.
 - » Detailed cost estimates developed. These are undertaken internally by Council staff and in house contractors who develop, deliver and drive efficiencies in the provision of capital expenditure for new and upgraded buildings and building renewals across the City of Casey. This approach allows benchmarking against the costs of previously delivered infrastructure of similar standard and type. Further efficiencies are gained by undertaking the design and project management in house as there is more standardisation identified and incorporated into the next project over time.
 - » A requirement to identify the ongoing costs of delivery of these capital projects including the operating costs and asset maintenance costs.
- » Throughout the delivery phase of each of the capital works projects subject to the Rate Cap Variation Application, as with all the projects funded through the Capital Works Program, regular monthly updates are reported to the Executive Management Group with an assessment of each project against relevant indicators to advise of the status of the various projects throughout the year. In addition, as part of the mid year budget review and regular quarterly updates, an update is provided to Council on the status of the Capital Works Program, and again at the end of each financial year through the finalisation of the Annual Report. Council has processes in place to

flag, manage, reduce, monitor and mitigate against any increase in costs associated with its Capital Works projects. Cost reduction opportunities are equally pursued during the delivery of the Capital Works Program.

A cost analysis of recent per square metre construction rates (in 2016 \$) for the types of buildings proposed further demonstrates that the costs are good value for money. The graph below provides historic dollar per square metre rates for the delivery of six buildings completed through the Capital Works Program over the last five years. This information has been presented in 2016 dollars to ensure an accurate comparison of figures. This graph clearly shows a drive for best value with the building costs experiencing positive trends in recent years. It is noted that these buildings have not been identified to ensure commercial confidentiality is maintained from the procurement process.



Within the ESC guidelines it is suggested that in response to this Criterion that tender documentation is provided. It is the position of the City of Casey that as there is no certainty to the security of the funds to deliver these works and therefore they cannot be tendered at this stage. It is further noted that no Capital Works Program projects are tendered until after adoption of the Budget for the year in which they commence. As noted earlier, detailed cost estimates have been developed for each of the projects, that are informed by similar projects that Council has delivered in previous years.

In order to meet the increasing community demand for our extensive and varied range of services, Council has a well-established Tendering and Contracting Program, with an emphasis on obtaining value for money for Council across its extensive procurement needs, whilst also being an ethical procurement partner. Public tenders are conducted for all procurements over the threshold as stipulated in the Local Government Act 1989 and Council’s Procurement Strategy. It is vital, from Council’s perspective, that these public procurements deliver value-for-money outcomes to our community. In addition, Council also has a very comprehensive quotation process for all procurements under the tender threshold.

It is considered that Criterion Four is strongly satisfied, and demonstrated through the processes in place to prepare, assess, deliver and review the provision of Capital Works in the City of Casey. This is directly relevant for the Rate Cap Variation Application as it is specifically for delivery of capital works and projects that will be subject to these processes to ensure value for money and an ability to demonstrate an efficient use of Council resources in their delivery if successful.

Criterion Five – Trade-offs and Alternative Funding Options

What consideration has been given to reprioritising proposed expenditures and pursuing alternative funding options and why those funding options are not adequate.

Council has assessed that the most appropriate and responsible remaining funding option available to Council to meet the infrastructure needs of the existing and future community is to apply for a Rate Cap Variation, having already made use of a number of re-prioritisation and efficiency measures.

The need for the infrastructure for the Casey community has been clearly demonstrated in response to Criterion Two. The response to this Criterion will outline the process undertaken by Council to consider alternative funding options and their impact.

A number of areas were explored as alternative ways to fund these capital works projects, being:

- » Use of borrowings;
- » Leasing and Public Private Partnerships;
- » Asset sales;
- » Reprioritisation of operational expenditure towards capital. This includes a review of services provided by Council; and
- » Reprioritisation of the Capital Works Program.

A further option, being not to apply for a Rate Cap Variation was also investigated. The consequences of not applying for a variation would be a detrimental impact on the ability of the Council to meet its responsibilities under the Local Government Act 1989 to operate a sustainable council that delivers on the needs of its communities.

Alternative Funding Options

The use of loan funding to deliver these two capital works projects on the face of it appears to have some merit. The ability to raise the funds required and repay over a period of time during which the community benefits from the delivery of the works and has access to the services, activities and programs provided to meet their needs and expectations. The City of Casey recognises this as a responsible way to fund upfront the major facilities that are required. This approach has been used by Council in the past to deliver the Casey RACE Aquatic Facility in 2009 for example. It is also the funding option chosen by Council to assist with delivery to the community (now) of the Bunjil Place precinct, which is currently under construction. Loans for significant one off projects are a responsive and responsible way to deliver these large community place making projects, which Council has used in the past, is about to do currently, and would expect to do again in the future when financially appropriate for large and significant projects of this nature.

Progressing this further, the City of Casey does not support the use of loans to deliver its ongoing upfront capital costs for the types of projects subject to the variation application, that would be enduring for the next 25 years. To utilise borrowings to pay for facilities that are needed due to growth and unable to be accommodated in a CPI Rate Cap would see loans required by Council in excess of \$160 Million over the next 10 years alone, and would probably be in excess of \$1.0 Billion if used exclusively for the Rate Cap gap for the next 25 years. The principal and interest payments for such a loan portfolio would be unaffordable in a rate capped environment. The use of debt was raised by community members at the Engagement Forum on 5 December 2015, and when the expected impact was explained, there was not support for this option from the community members. This was reinforced by dialogue with some community members during the next break.

Notwithstanding the discussion above, the use of borrowings was not assessed as a suitable option for the two projects, another consideration is the risk assessment criteria utilised by the Victoria Auditor General's Office (VAGO) for the financial sustainability indicators for Councils indebtedness. With 0 to 40% considered "green" or low risk, 40 to 60% "amber" or medium risk, and 60% and above assessed "red" or high risk. With the expected loan amount of \$85m required by Council to deliver Bunjil Place by late 2017, that will begin to be drawn down in 2016/17, Council's borrowing ratio will already exceed 40% of rates, so will be considered amber or medium risk, which negatively impacts Council's borrowing capacity for the coming years.

Council has also undertaken initial investigations into leasing of assets of this nature, noting that Council has utilised leasing for medium term office accommodation and for two of its customer service centres. It has also explored the possible use of Public Private Partnership (PPP) arrangements, however, it did not identify any established providers (for local level sports ovals or kindergartens/community rooms), nor are the assets and their operations of suitable scale (>\$100m) and type (staffing, facilities maintenance etc) to be attractive to the current PPP operators and consortia.

In its draft Strategic Resource Plan 2016-20, Council is planning on the sale of two properties to assist with the funding of Council's current and future projects in the Five Year Capital Works Program. The sale of a parcel of land in Lawson Way Endeavour Hills is proposed for the 2016/17 financial year, the proceeds from which will be used towards the Endeavour Hills Town Centre public realm improvements. There is also the sale of surplus land in Young Road Hallam, planned for the 2017/18 financial year, with the proceeds to be utilised to assist with new land purchase requirements in the growth areas. This is being undertaken in accordance with the Casey Property Strategy which guides the acquisition and disposal of Council land.

Efficiencies

With respect to reprioritisation of operational expenditure to enable the continuation of Council's Capital Works Program, a significant amount of work has been undertaken over the last 18 months to this end, as Council has endeavoured to achieve its aim to have the lowest rate rise possible.

The first aspect of this is an understanding that a number of current commitments and externally generated imposts already exist, which must be factored into any service or efficiency review. These existing commitments and external imposts have a double edged impact - being that they must be provided or allowed for in future budgets, and as many are above the 2.5% Rate Cap, they create untenable pressure over time. This includes internal and external commitments and includes the following items that have already been absorbed in the draft 2016/17 Budget:

- » Existing employment agreements, which are above 2.5% for 2016/17, as contemplated in the final report of the ESC in 2015.
- » Existing loan and lease commitments, which are fixed or have indexation above 2.5%.
- » The net costs of the October 2016 Council elections, after expected fines, which has a \$330k or 0.20% general rates impact in 2016/17.
- » Cost shifting from other layers of Government, as the indexation on Government Grants is less than the underlying costs incurred (or could be reasonably expected to be incurred) by Council, which results in a greater portion of the cost of the service falling onto Council. Another example is fees set by other layers of Government, that have little or no indexation applied to them. The impact of these types of cost shifting for 2016/17 is in excess of \$350k, or 0.22% general rate impact.
- » The third year of the Commonwealth Government's three year freeze on the FAG/VGC grant pool, being a \$320,000 or 0.2% general rates impact.

The next steps undertaken by the City of Casey to develop its 2016/17 budget, and identify its prioritisation opportunities, included development of detailed service plans to understand the business of Local Government expressed in terms of what services it provides for the community it serves. This review of all Council services was undertaken to inform the development of a 10 year Long Term Financial Plan, which identified the financial resources required to maintain service levels and standards (as contained in Council's adopted policies and plans). This service-led planning of the organisation was carried out as part of the 2016/17 budget development process and is discussed in more detail in response to Criterion six.

The development of the 2016/17 budget maximised efficiencies across the organisation with a reduction in forecast net costs to rates across the services of 0.63% from the 2015/16 Strategic Resource Plan forecast for 2016/17, which reduced the required rate increase for 2016/17 from an adjusted 4.10% to the 3.47% which is the subject of this variation application (ie 2.5% + 0.97%).

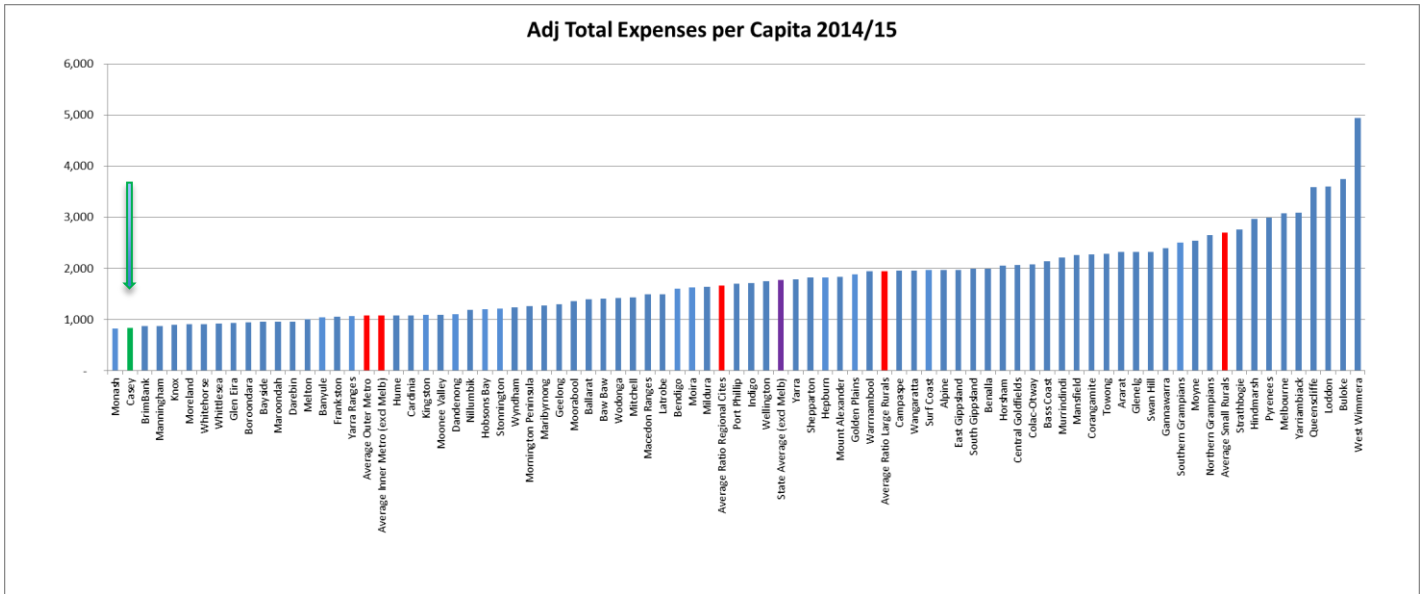
Numerous opportunities to find savings and efficiencies have been identified without materially impacting on the standard or level of the much valued service areas of Council have been achieved. Maintaining current service levels was driven by the results of the Casey Let's Chat community engagement program in October 2015 which identified the importance of services for Casey's community. A desire to provide the same or an improved level of service was a key outcome of this consultation and a focus for consideration throughout the development of the draft 2016/17 Budget.

There are two critical factors in this prioritisation of funding that has resulted in a decision to make an application for a Rate Cap Variation.

Firstly, the operational efficiencies were maximised across all services provided by Council. The City of Casey is committed to driving efficiencies, which is best evidenced through the establishment in the 2014/15 financial year of a three year Efficiency and Effectiveness Program, that aims for Casey to best prepare for its future community of over 490,000 residents, whilst having the lowest rate rises possible.

Once operational efficiencies for existing and required services are maximised, any further savings would necessitate a reduction in the standard or level of services provided to the Community. When preparing its draft 2016/17 Budget, Council has generally left service standards unchanged for the majority of services. However, Council will be exploring its options to minimise the impact on its future budgets of the unsustainable effects of cost shifting from other layers of government for services where Council's share of the overall service funding has been increasing over time, or Council is providing a higher level of service than another Government Department or entity would (ie Vicroads, Melbourne Water etc). This has occurred with the Council resolving to adopt the 2016/17 Annual Budget which includes a reduction in the standard or level of services relevant to a limited number of areas across Council.

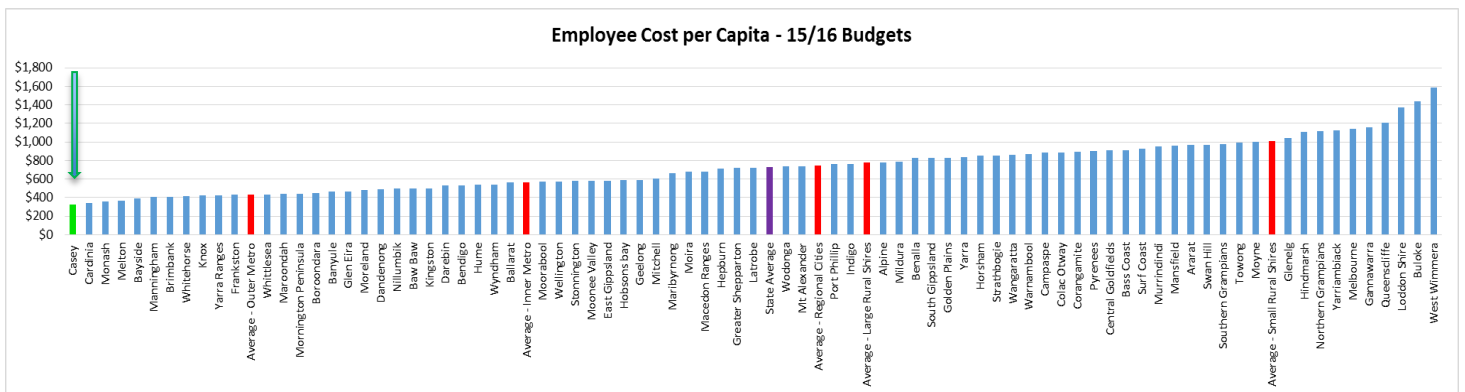
It is considered that Council cannot reduce funding from other services without negatively impacting the sections of the community that benefit from their provision. This point is further justified when the operational expenditure of the City of Casey is benchmarked across Victoria's Local Government Areas. On a per capita basis, based on results published in VAGO audited financial statements of all Victorian Councils for the 2014/15 financial year, the City of Casey had the second lowest operating expenditure costs per capita for Local Government, as detailed in the table below. If depreciation is excluded, Casey still had the 4th lowest costs per capita of all Victorian Councils for the 2014/15 financial year. Council has focused its analysis here on a per capita basis, as Local Government ultimately exists to provide services to and for the people within its community rather than to properties.



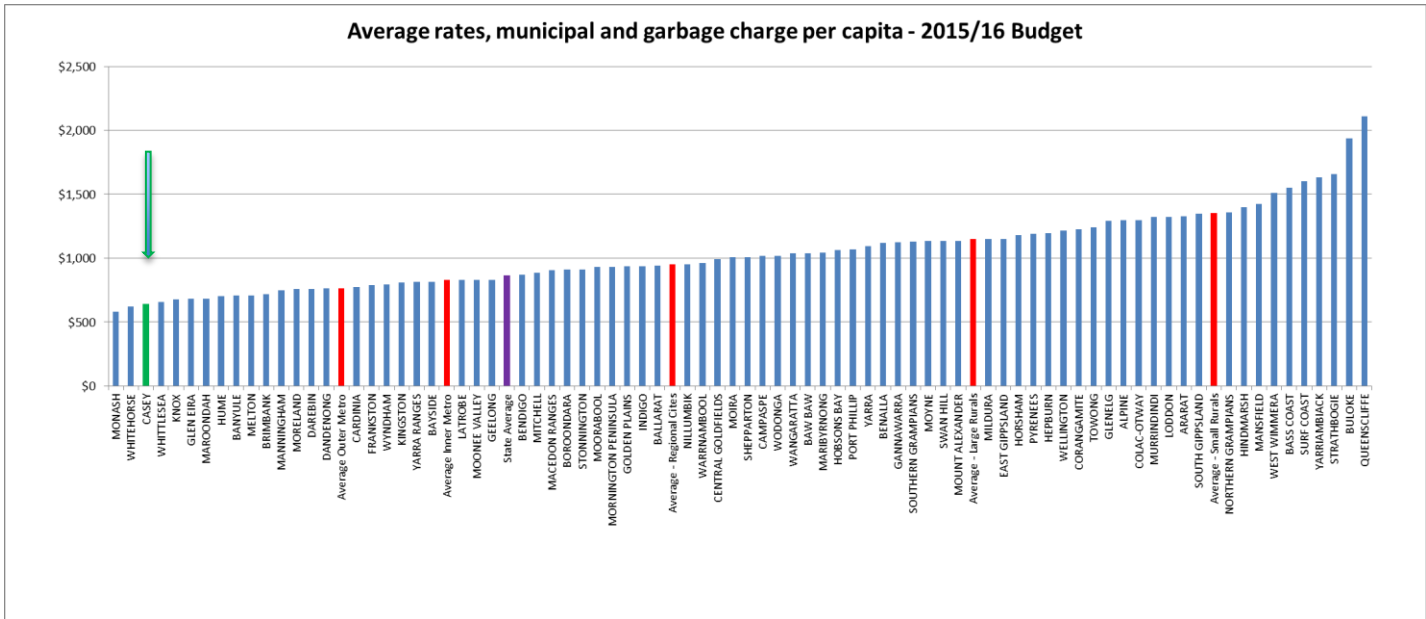
Source – Audited Financial Statements – 2014/15 Annual Reports – January 2016

The impact of having such a low operating base is that all things being equal (as in all Council's complying with a Rate Cap) this scale and outcomes for Casey, will continue to become more stretched as 2.5% growth on a higher base will yield more revenue to most other Councils every year (compounding). Building off this current lower base will necessitate a greater focus on efficiencies and will likely see a greater number of applications for variations in time as the rate dollar becomes more and more constrained. This will be exacerbated by the pressures of population and development growth that Casey is and will experience.

Secondly in order to ensure that all avenues were explored to find alternative funding or trade offs, the provision of one matter over another in order to conclude that a Rate Variation was required, a reduction in the growth of the Capital Works Program was explored. In addition to the graph above which shows one of the lowest operating costs per capita at the City of Casey, even when capital expenditure is included, Council's rates per capita, based on the 2015/16 Budget year, is still one of the lowest across Victorian Local Government. This is further supported by another indicator, with the City of Casey demonstrating the lowest employee costs when calculated on a per capita basis as identified in all Councils 2015/16 Budgets.



Source – Adopted Council Budgets – 2015/16 – March 2016



Source – MAV Rates Survey – 2015/16 Budgets – July 2015

Based on the response to Criterion 2, the City of Casey believes it has been able to justify the need to provide upfront infrastructure to meet the needs of its existing and future communities, which is being balanced with the ability to have the lowest rate rise possible. A significant reduction in the availability of funding towards capital works will eventuate, as this is how the gap from rate capping will be applied if the Variation Application is unsuccessful (noting the importance the community placed on the services Council provides). This is already articulated in the response to Criterion One where information is provided to demonstrate how Council has prepared its budget in a ‘No Higher Cap’ scenario.

To understand how this Variation Application came to the position that there were no alternative funding or trade offs able to be made in order to maintain the investment in the upfront capital cost of growth, the following principles were applied:

- » Casey has a strong understanding of its requirements to maintain, renew and replace ageing infrastructure. This is explained further in repose to Criterion Six – Long Term Planning. Policies provided show the importance of funding renewal first, prior to the funding of new infrastructure. It is Council’s highest capital works priority to ensure that we maintain the infrastructure we currently have, and this will continue to be the case.
- » Prioritisation of new infrastructure that provides access to services where they geographically do not exist or where there is not convenient access for the local community. This will ensure that as the residential areas of the municipality extend further south-east towards Clyde, away from established town centres and suburbs, timely provision of new infrastructure will be prioritised. The impact of this over time is that less funding will be available to provide new infrastructure in the established areas of Casey. The priority will always remain to build infrastructure to run services from where there is none already over providing a new facility which provides for a consolidation or replacement (of an existing facility) to run the same services, even if this would be able to demonstrate efficiencies in doing so.
- » Higher prioritisation afforded to the provision of funding for local level facilities above regional or sub regional facilities. The need to provide infrastructure to run basic and critical services will prevail over the need to provide access to sub regional and regional level facilities. If these are to be pursued in the future in a rate capped environment the ability to provide this infrastructure will be dependent on future variations and/or grants and external funding from other levels of Government or other funding bodies.

The Capital Works Program was reviewed with these three principles in mind and it was determined that the two capital works projects that were forecast to be provided prior to the Rate Cap being introduced, but would not be if the Variation Application does not succeed, are the Hunt Club Football and Recreation Facility and the Autumn Place Family and Community Centre. These two facilities will be provided over the course of the five year Capital Works Plan, with Hunt Club proposed to be funded in Year 1 and 2 and the Autumn Place Family and Community Centre in Years 2, 3 and 4.

This is considered appropriate as council cannot absorb the increasing gap in infrastructure funding that will result from an unsuccessful 2016/17 Rate Cap Variation Application which over the next five years is calculated to be over \$9M and over \$21M over the next 10 years. A successful variation will secure the funding to not only build these two facilities but an additional two facilities being the Glenelg Football and Cricket Recreation Facility and the Casey Fields Soccer Centre of Excellence. These are local and sub-regional level facilities that would otherwise not be able to be funded by rates with a CPI based rate cap.

The City of Casey has contemplated the impact on not securing a Rate Cap Variation on not just the existing, but the future communities that it will serve and considers that it is in the long term interests of the community to proceed with this 0.97% Rate Cap Variation Application for 2016/17. The benefits of access to infrastructure and facilities that provide services, activities and programs that would not otherwise be able to be provided is significant. These outcomes are also consistent with long term policy in the City of Casey about creating a sense of place where people are afforded timely provision of infrastructure and access to services that are needed. Health and wellbeing outcomes, increases in skills, employment opportunities and education levels are also key indicators that outline the benefits of providing the infrastructure that will be funded through the Rate Cap Variation Application. These are further identified in the Council's Municipal Health and Wellbeing Plan⁷.

It is considered that Criterion Five is strongly satisfied as it can be demonstrated that the City of Casey is committed to ensuring the Council is as efficient and effective as possible, which has resulted in a substantial reduction in operational expenditure from what was previously forecast for 2016/17. In addition, a thorough review of all services, operational and capital expenditure has prioritised the funding available, however it is considered that a Rate Cap Variation Application is required to ensure the ability to fund the upfront capital cost of infrastructure can be accommodated.

⁷ <http://www.casey.vic.gov.au/health-safety/health-promotion/health-wellbeing-plan>

Criterion Six – Long-Term Planning

That the assumptions and proposals in the application are consistent with those in the council’s long-term strategy and financial management policies set out in the council’s planning documents and annual budget.

As articulated in the response to Criterion Two, the City of Casey has a long history in delivering high quality, safe and fit for purpose facilities to meet the services and community infrastructure needed by its existing and growing communities. The organisation has evolved to become a leader in the provision of services and the infrastructure required to run services, activities and programs from. This is also reflected in the efficiencies that are able to be achieved in the organisation that has allowed continued investment to alleviate some of the infrastructure lag that exists due to population and development growth.

As a result of this history of growth and an understanding of the impact of the growth to come, Council’s corporate planning policies are focussed around how best to address this. These are articulated below, with a summary of the key component of each relevant document:

- » The landmark **C21 Strategy**⁸ was adopted in 2002 and refreshed in 2011. This was informed by significant levels of community engagement as a land use and population strategy for the municipality. This forward thinking City Strategy looks to where the City of Casey is going and how it is going to get there in terms of its regional and metropolitan context. In the Foreword from the 2011 Building a Great City, p4, it notes:

If residents have the jobs, facilities and services they need in Casey, time previously spent commuting or stuck in city-bound traffic, is now time that can be spent with family and friends, doing the things that matter and improving quality of life for Casey residents.

Community health and well-being is of vital importance and Council recognises its responsibility to set a wide-ranging agenda for community development, which includes the economic, cultural, social and environmental well-being of all our communities.

- » More recently, Council has looked ahead to its financial future, with the development of a **10 year Long Term Financial Plan** in late 2015, which has been revised based on the draft 2016/17 Budget. This has been directly informed through the development of service led planning to better understand the direct costs of all services and their income sources for the next 10 years. This includes analysis of which services are dependent on rates and which are sensitive to cost shifting by other levels of government. A copy of the updated 10 year Long Term Financial Plan is included as Attachment 6.1. It is noted that this Long Term Financial Plan has been updated to include the required rate rise of 3.47% for 2016/17 and this is used as the base point for the following years. This has been incorporated because this is the requirement that is demonstrated through this Variation Application to be necessary to continue to deliver the necessary facilities to enable the existing and future community to access services, programs and activities from. This Long Term Financial Plan provides guidance as to what is required due to changes and increases in demand for services, programs, activities and the infrastructure required to deliver these from due to population growth. It has not been limited to a CPI based Rate Cap, with this strategic service based perspective identifying what we know we are going to need to meet the needs and expectations of the existing and future communities of the City of Casey over the foreseeable future.

⁸ <http://www.casey.vic.gov.au/council/c21>

Long term strategic planning by the State Government directly impacts on the Council's ability to service growth. Forecast to grow to 490,000 by 2041 **Plan Melbourne**⁹ and the **South East Growth Corridor Plan**¹⁰ more specifically, outline where this growth will occur.

- » The South East Growth Corridor Plan feeds into the next layer of planning for growth, again driven by the State Government with no regard to appropriateness of sequencing of when each area will be developed which has now led to many growth fronts opening up in Casey at the one time. **Precinct Structure Plans**¹¹ are prepared by the Metropolitan Planning Authority. For Casey these provide the land use planning to accommodate population growth as well as endeavouring to set aside land for employment, commercial, open space, education, community and recreation facilities that will be triggered by this growth. The City of Casey has 11 Precinct Structure Plans approved and a number more either under preparation or yet to commence by the Metropolitan Planning Authority. It is noted in the Urban Development Program Report for 2015 that:

*The approval of a number of precinct structure plans over the past year in the Casey-Cardinia, and Wyndham growth areas, has resulted in the highest number of development ready lots across Melbourne's growth areas since the Urban Development Program began collecting the land supply data in 2001-02.*¹²

- » Accompanying Precinct Structure Plans are **Development Contributions Plans**^{13,14}, also prepared by the Metropolitan Planning Authority. These collect levies through the development process for land required for, and the construction in part of roads, intersections, sports reserves including pavilions, ovals, lighting, car parking and the like and community infrastructure such as Family and Children's Centre's and Integrated Community Centres. It is consistently acknowledged by the State Government that these Development Contributions Plans are just that - "contributions" towards this infrastructure and are not designed to fully fund them. Councils become responsible for the delivery of the Development Contributions Plans and by legislation are required to commit to manage the funds and deliver the infrastructure specified. Currently the City of Casey manages Development Contributions Plan land and infrastructure projects worth over \$850 million, with up to another \$800 million forecast as part of the future planning for the area. This is over a \$1.65 billion work program placed on the Council, with resultant liabilities, to manage, implement and fund shortfalls created by poor scoping and costing by the Metropolitan Planning Authority, external apportionments and indexation (including land revaluations) not keeping pace with costs.
- » These imposed State Government planning and infrastructure funding policies in turn drive the Councils planning, funding and servicing of growth. Additionally, these plans are currently being reformed in an attempt to cap how much can be levied from development towards land, road and community and recreation infrastructure which is necessary to provide services for the communities that will be moving into these areas. The impact of capped DCPs will mean Councils will need to contribute more rates funds towards securing the land for and funding the cost to

⁹ http://www.planmelbourne.vic.gov.au/data/assets/pdf_file/0019/131347/Fact-Sheet-Southern-Subregion-May-2014.pdf

¹⁰ <http://www.mpa.vic.gov.au/wp-content/Assets/Files/GCP%20-%20Chapter%205%20North%20Corridor%20Plan.pdf>

¹¹ <http://www.mpa.vic.gov.au/planning-activities/greenfields-planning/precinct-structure-plans/>

¹² http://www.dtpli.vic.gov.au/data/assets/pdf_file/0016/290104/Urban-Development-Program-Report-2015.pdf

¹³ <http://www.casey.vic.gov.au/building-planning/strategic-planning/growth-areas>

¹⁴ <http://www.casey.vic.gov.au/building-planning/strategic-planning/development-contribution-plan-maps-rates>

construct and deliver these facilities. In the alternative, if not subsidised by rates, significant reductions will occur in the standard and level of services provided for these new and vulnerable communities. Delays for years or indefinitely, to when funding (rates or otherwise) is available is also likely. This will result in reduced levels of participation in sports leading to decline in health and wellbeing indicators and also risks Council not meeting its requirements for certain levels of services that it is required to deliver. Increases in travel times for families to access services which may even be outside of the City of Casey may also eventuate.

- » Development Contributions Plans acknowledge they are only providing a contribution towards local level infrastructure. This leaves a funding gap as outlined above to meet basic community needs. If a Council wishes to endeavour to provide any regional or higher order facilities this will need to be funded from alternative sources, namely rates or partial grant funding. The City of Casey forecasts that in order to provide the regional level facilities that the future community will need, and that we know will be heavily utilised, approximately \$150 million is required over the next 15 years that is currently unfunded. A small proportion of this is included in the Council's 10 Year Long Term Financial Plan, but is all subject to the impact of Rate Capping and potentially subject to future Rate Cap Variation Applications in order for that funding to be available.
- » The **Growth Areas Infrastructure Contribution (GAIC)**¹⁵ is another levy that is being paid by developers, but to the State Government as a contribution to State Government infrastructure. This is legislated under Section 9B of the *Planning and Environment Act 1987* and must be used towards higher order infrastructure such as libraries, public transport, community and recreation facilities and the like. To date the State Government have received nearly \$110 million in GAIC receipts including almost \$40 million from the Casey Cardinia growth areas. Only \$1.1 million has been allocated for expenditure in the City of Casey so far, notwithstanding the 50,000 people that have made Casey their home during this same period.
- » There are a number of strategic policies prepared and adopted by the City of Casey that respond to the State planning policy framework as identified above and which have been developed to understand what is required to service the future growth in the municipality. For example this includes policies and strategies like the Open Space Strategy¹⁶, the Casey Arts Development Plan¹⁷, the Casey Arts Facilities Plan¹⁸, Youth Strategy¹⁹ and Casey's Children – A Plan for the Future²⁰. There are two important council policies that inform the development of facilities that are subject to this Rate Cap Variation Application. These are referenced in response to Criterion Two and are the **Community Facility Planning Principles** which determine how new facilities will be structured from a local level facility to a regional level facility and the **Leisure Facilities and Development Plan** which outlines what is required to meet the sporting and recreation requirements of a population of 490,000.

¹⁵ <http://www.sro.vic.gov.au/gaic>

¹⁶ <http://www.casey.vic.gov.au/council/policies-strategies/m-o/Open-Space-Strategy>

¹⁷ <http://www.casey.vic.gov.au/arts-leisure/arts-culture/arts-development-plan-2>

¹⁸ <http://www.casey.vic.gov.au/arts-leisure/arts-culture/arts-facilities-plan-2>

¹⁹ <http://www.casey.vic.gov.au/council/policies-strategies/v-z/youth-strategy-2011-2016>

²⁰ <http://www.casey.vic.gov.au/council/policies-strategies/a-c/caseys-children-a-plan-for-the-future>

After the long term strategic planning by the Council and State Government is taken into account, the medium term planning and policies that are relevant to the merits of the Rate Cap Variation include:

- » The **City of Casey Council Plan 2013-2017**²¹. Set every four years, the Council Plan sets out the priorities for the incoming Council as to what will be achieved for the term of the Council. The current 2013-2017 Council Plan includes numerous specific key directions that are relevant for growth. This underpins that the need for the Variation is consistent with the Key Directions of the Council Plan that identify the focus of the Council being best placed to respond to a growing population. The Annual Action Plan for 2016/17 which was adopted by Council at its meeting on 15 March 2016²² which outlines what will be the key objectives for the coming financial year to achieve the objectives of the Council Plan.

- » The **City of Casey Strategic Resource Plan 2015-19 and (draft) 2016-20**. This Strategic Resource Plan (SRP) is a component of the Council Plan and covers the financial and non-financial resources required by Council to achieve its strategic objectives, and deliver services, operations and infrastructure to the current and growing future community, in accordance with Council's its approved plans and strategies. The adopted SRP 2015-19, as included as Attachment 6.2, and draft SRP 2016-20 that was adopted by Council on 15 March 2016²³ and is provided in Attachment 6.3, have been used as the basis to inform the development of the Long Term Financial Plan which provides guidance as to what is over the horizon that Council may need to prepare itself for. The draft SRP 2016-20 incorporates a 3.47% rate increase for 2016/17, which is consistent with the Long Term Financial Plan, and is the basis of Council's rate cap variation submission of 0.97% for the 2016/17 financial year. The outer years of both of these plans return to the long term requirements needed to ensure growth can continue to be serviced and the upfront capital costs of infrastructure allowed for, consistent with Council's plans and strategies. These Strategic Resource Plans have been prepared to detail overall funding and direction for the numerous strategies that are underpinned by it, and identified further below. The draft Strategic Resource Plan for 2016-2020 has been prepared based on the rates requirement calculated and identified to meet and service Council's long term service and infrastructure needs, which is generally in excess of the expected CPI based Rate Cap for these financial years. This has been undertaken to ensure that Council and the Community understand the funding and resources required to service its future population and development growth.
Although there are numerous changes from the 2015-19 SRP to the 2016-20 SRP, there are three main parameter adjustments that drive these change. Firstly, the CPI assumption has been revised from 3% (top of RBA range) to 2.5% (DTF forecast for 2016/17) – which had the impact of reducing the expected rate increase for 2016/17 from 4.33% to 4.10%. There has also been increased property growth during 2015/16 which has impacted services and CWP requirements for 2016/17 and beyond, and there is also the internally generated savings and efficiencies for 2016/17 that reduced the net cost to rates of Council's services by 0.63%.
It is noted that the Strategic Resource Plans are subject to this and future Rate Cap Variation Applications being successful if they are to be fully met, without impacts to funding available for infrastructure or services.

- » The **City of Casey Capital Works Program 2016-2020**. This Capital Works Program prioritises expenditure of \$476 million over the next five years for the renewal of existing and provision of new infrastructure, of which \$275 million is planned to come from rates. This was adopted by Council at its meeting on 15 March 2016²⁴. The development of the Capital Works Program is

²¹ <http://www.casey.vic.gov.au/council/your-council/council-plan>

²² <http://www.casey.vic.gov.au/council/minutes-agendas> (15 March 2016 Meeting Agenda and Minutes)

²³ <http://www.casey.vic.gov.au/council/minutes-agendas> (15 March 2016 Meeting Agenda and Minutes)

²⁴ <http://www.casey.vic.gov.au/council/minutes-agendas> (15 March 2016 Meeting Agenda and Minutes)

discussed in more detail in the response to Criterion Four. The Capital Works Program is based on project costings and, if required, concept design plans. Detailed design plans will not be undertaken until the works have been incorporated into the Capital Works Program. All proposed capital projects will be reviewed annually and prioritised. The information from this Capital Works Program has been utilised in the completion of the relevant sections of the ESC templates as provided in response to Criterion One.

- » Asset management is a key driver of the financial plans and capital works program commitments. The City of Casey has a strong understanding of asset management and ensures that this is delivered in a structured and coordinated way across all areas of Council involved in the planning, maintenance and operation of Council's assets. The **Asset Management Policy**²⁵ and the **Asset Service Levels and Financial Forecasts** (Attachment 6.4) provide policy direction and detailed inputs into how asset management takes shape and influences the decision making of the Council to ensure assets are appropriately maintained and renewed over time.

As can be identified, there are a number of long term planning and resource management plans that are prepared and which inform the future requirements for the City of Casey. A series of key medium term documents with up to a five year horizon are subsequently prepared to understand what the focus is going to be over each five year period to have a clear path to achieve the long term objectives. Lastly, the series of plans detailed below outline how this is broken down into annual plans. As is identified in each of the annual plans, many of which have recently been prepared to guide the upcoming financial year.

- » The 2016/17 Service Plans have been prepared for each of the more than 90 services provided by the City of Casey, to identify key objectives and outcomes from each service, and identify the resources required to deliver each service. A summary of the information from each of the service plans is included in the completed ESC templates that accompany this Variation Application. A sample of a completed Service Plan is included in Attachment 6.4.
- » The draft 2016/17 Annual Budget, which was considered by Council on 15 March 2016²⁶, has been developed to guide the organisation in terms of financial resources that will be made available to deliver on the Service Plans.

It is considered that Criterion Six is soundly demonstrated by a clear and logical hierarchy of strategies and policies that guide the priorities of the City of Casey. These policies and strategies also responsibly act on the implementation of State Government policy for population growth. All annual planning, budgeting and allocation of financial and non financial resources is undertaken in line with medium term (up to five year) and long term (ten years and beyond) policies of the Council and State Government.

²⁵ <http://www.casey.vic.gov.au/council/policies-strategies/a-c/asset-management-policy>

²⁶ <http://www.casey.vic.gov.au/council/minutes-agendas> (15 March 2016 Meeting Agenda and Minutes)

Attachment List

Attachment 1.1 – Budget Baseline Information

See separate Excel Spreadsheet

Attachment 2.1 – Hunt Club Football and Cricket Recreation Facility Details

See separate document

Attachment 2.2 – Autumn Place Family and Community Centre Details

See separate document

Attachment 3.1 – Community Consultation Documents

See separate document.

Attachment 6.1 – Long Term Financial Plan (revised March 2016)

See separate document.

Attachment 6.2 – City of Casey 2015-2019 Strategic Resource Plan

See separate document.

Attachment 6.3 – Draft City of Casey 2016-2020 Strategic Resource Plan

See separate document.

Attachment 6.4 – Asset Service Levels and Financial Forecasts Policy

See separate document.

Attachment 6.5 – Sample City of Casey Service Plan Roads and Construction

See separate document.

Contact City of Casey

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PO Box 1000
Narre Warren VIC 3805

Customer Service Centres

Cranbourne

Cranbourne Park Shopping Centre

Narre Warren

Magid Drive

Narre Warren South

Amberly Park Shopping Centre

CERTIFICATION STATEMENT

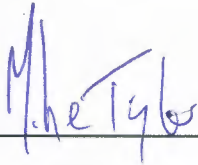
City of Casey

I certify that I have reviewed this completed Budget Baseline Information template, and understand that it will be used by the Essential Services Commission for the Fair Go Rates System.

I confirm that this data represents fairly the forecast financial transactions and position of our council for the period specified and that the forecasts are made on reasonable grounds.

I confirm that this is public data, and that I have no objection to the Essential Services Commission using and publishing this data for the purposes of the Fair Go Rates System.

Signed:



Mike Tyler Chief Executive Officer

21-March-2016