TRANSCRIPT

STANDING COMMITTEE ON THE ENVIRONMENT AND PLANNING

Inquiry into rate capping policy

Melbourne — 20 September 2017

Members

Mr David Davis — Chair
Ms Harriet Shing — Deputy Chair
Ms Melina Bath
Mr Richard Dalla-Riva

Ms Samantha Dunn
Mr Nazih Elasmr
Mr Cesar Melhem
Mr Daniel Young

Participating Members

Mr Greg Barber
Mr Jeff Bourman
Ms Colleen Hartland

Mr James Purcell
Mr Simon Ramsay
Ms Jaclyn Symes

Witnesses

Mr Andrew Davis (affirmed), Chief Financial Officer, and
Ms Kathryn Seirlis (affirmed), Executive Adviser to the CEO, City of Casey.
The CHAIR — I welcome Kathryn Seirlis, the executive adviser to the CEO of the City of Casey, and Andrew Davis, the chief financial officer of the City of Casey. I welcome you both and ask you to make a short introductory statement. We have a note in response to earlier questionnaires, but there may be matters that you want to raise directly now that go to our terms of reference on the impact of rate capping.

Mr A. DAVIS — Thank you, Chair. I will make a presentation on behalf of the secretariat for the interface councils, but possibly during the hearing I can also then respond to questions in particular around Casey.

First, thanks to the committee for the opportunity to address you tonight. With the interface councils, I guess they support initiatives that enhance transparency, accountability and efficiency of local government, and we would like to work collaboratively with state government to ensure that the development of a rate capping policy will not have long-term detrimental impacts on service provision and infrastructure delivery to local councils, particularly those experiencing high rates of growth and change.

The seven growth area councils in Victoria — the City of Casey, the City of Wyndham, Cardinia shire, Hume city, Melton city, Mitchell shire and the City of Whittlesea — are growing quicker than ever, with 400 babies being born each week and an average of approximately 160 families moving into our municipalities each week. That is about 32 houses every day being completed. We are certainly doing our bit for economic growth and development.

We have not just been growing in numbers and people; we have also been growing outwards, noting that the most productive areas had been developed and now we are certainly developing into paddocks. As a result each year we are being provided with 110 hectares of land which is for open space — pocket parks and things like that — approximately 100 kilometres of roads, 200 kilometres of drains, much of which developers have made and appear in our operating statements as contributed assets that people then confuse with a surplus, despite the fact that they are non-cash assets being given to us that then actually have future liability.

In addition to the growth being higher than expected, growth councils are also facing potentially up to $1 billion worth of unfunded liabilities in PSPs across those growth areas, noting that in the DCP some items are capped or some have external attribution; they are not all fully funded.

If we look at issues facing councils which would be exacerbated by the standard cap, interface councils are quite different to established metropolitan councils. This is characterised by a lack of access to non-rate revenue sources, such as parking fees and fines; larger geographic areas to service — although certainly not to the extent of Mr Bailey’s West Wimmera — resulting in additional costs for servicing remote parts of their municipality; and a higher ratio of local infrastructure assets to state infrastructure assets — for example, interface councils typically have a higher proportion of local roads, sealed and unsealed, and a lower proportion of arterial main roads when compared to inner-city metropolitan municipalities. This places extra demands on interface councils’ finances relative to the demands placed on the inner and middle metro councils. There is a high requirement for the provision of new infrastructure, so we are trying to manage our existing asset base as well as build new infrastructure for our growing communities.

To use Casey as an example, we are growing at over 8000 people a year, so it is really the equivalent of a new Gisborne every year. Think of all the facilities you might see at Gisborne.

Ms BATH — That is huge.

Mr A. DAVIS — Casey is not alone. Wyndham is in the same boat, Whittlesea I know has gone through it and Hume still has it. To put it in context, these are very real things. We want to have equity of service for our new communities as well. I guess if you move in, you do not want to have to drive 10 kilometres for a tennis court; you want to be able to play tennis close by — I do — or you do not want to use your car; you want to walk somewhere. These are the sorts of things; we want to have equity of asset provision across our whole community.

Additionally, unlike rural councils, interface councils are not eligible for rural grant programs, even though some of our area that might still be getting developed actually is on that rural interface.
It should be noted that, like all councils, growth councils must fund the maintenance of their existing infrastructure and services, which are often in areas not experiencing growth, while simultaneously meeting the high requirement for the provision of new infrastructure and services.

It should be noted developer contributions provide a part contribution to the infrastructure costs incurred for new residents but not always 100 per cent. In saying that, obviously we are trying to manage that to minimise that percentage gap, but it is not always possible to get 100 per cent coverage in that. An unintended consequence of the new developer contribution system will potentially be a further reduction in the share of infrastructure costs paid for by DCPs, with a greater share to be funded by ratepayers in general. Talking from the Casey experience, we have not yet had one of the new ICPs actually come through — Kathryn?

Ms SEIRLIS — No.

Mr A. DAVIS — I do not have exact evidence on that, but the sense is there is a balance between what developers want to pay that then feeds into the price of the land. We have that dual challenge of trying to also have affordable land and housing, but also then that leaves a liability behind.

We would also say the Growing Suburbs Fund — it might have had another name initially — is a positive policy development that, certainly when it was first announced was intended —

The CHAIR — It was zapped.

Mr A. DAVIS — It has been halved, I guess in some ways to help rural councils in terms of spreading the cost for the VICSES. I think perhaps it is spreading the money further, but if you look at what it was originally intended for, it was to actually address backlogs of infrastructure that government had identified. I would acknowledge that the state government is dealing with the same growth pressures in their own service provision, whether that be hospitals, police, VicRoads or public transport. It is a challenge that I think all levels of government share in terms of how we plan and manage growth, but that is what it was originally intended for. I guess it soon became in some ways a proxy or a fill-in for rate capping.

Conversely, the interface councils and growth councils really appreciate the funding that has been provided. It has helped us deliver projects that we would not otherwise be able to provide. Ultimately it is about how we provide those essential assets and community services to our communities, so obviously the interface and growth councils are very appreciative of the money provided.

If we look at the growth councils from when rate capping started, the estimate is that over the 10 councils there would be an impact over four years of about $180 million, so with the Growing Suburbs Fund there will now be $150 million over four years. Even that is not enough. It has been enough in the early years, but one of the difficulties with the impact of rate capping is the cumulative impact. If you were to say the impact in year one is $2 million, in year two it is $4 million, in year three it is $6 million, in year four it is $8 million — so $2 million in year one, if you times it by 10 at the end of four years you are up to a $20 million impact over four years with that cumulative impact. Obviously councils need to now look for savings or do the rate cap variation. It is that very quick cumulative impact that is impacting all councils.

From the interface councils, one of the solutions we would propose is that we believe a different cap should be applied for different groups of councils, as the minister has discretion for under section 185D of the act. Any rate capping framework should provide a higher cap for growth councils in recognition of the unique pressures mentioned previously. The ESC had commissioned a growth study some time ago. It has actually hit their website this afternoon at about 4.24.

Even Arup, who the ESC had utilised to do that study, has recognised there are up-front infrastructure costs, notwithstanding they are proposing that there are probably other ways apart from rates to fund it. We can probably give our quick feedback on it, noting that it has only been up for about an hour or so this afternoon for us to look at it. Even the ESC’s consultant has noted the up-front costs that are affecting growth councils, so we believe the minister being able to use that ability to set a cap for a class of councils should be considered and utilised. Obviously the rural councils would be another candidate, I believe, for that.

In saying that, and not dissimilar to what Mr Bailey said in the earlier session, if a cap of 3.5 per cent or 4 per cent was afforded to growth councils, it would assist in providing much-needed infrastructure and services. I
guess the other thing, similar to even Towong, which was approved for a variation, is councils would still use their discretion about capacity to pay and what would be the appropriate level of rates they would then raise, which would be considered in each budget cycle. We would put forward that it is quite clear we are going to have additional pressures to provide the level of facilities our new community is expecting. I will leave it at that. Thank you.

The CHAIR — I had not caught up with the 4.24 p.m. growth study going up on the site, but I will certainly look at that closely.

I wanted to ask you first about the Growing Suburbs Fund. Essentially this has provided, it seems to me — and tell me if I am wrong — that quite a lot of uncertainty. It has come in; it is $50 million a year, then instead of going up as was portrayed, it has actually halved and it is only there for two years and then falls to zero. This is going to have a significant impact and great uncertainty for interface councils, it seems to me.

Mr A. DAVIS — I agree with that. Obviously when it was first announced in year one it was $50 000 for —

The CHAIR — Fifty million.

Mr A. DAVIS — Sorry; my apologies. It was $50 million for year one. Certainly at the IPAA budget briefing, the secretary of DTF probably hinted it would be the first of many years of that and certainly implied it would increase, and I appreciate he is a bureaucrat.

The CHAIR — The minister also said that too, I think.

Mr A. DAVIS — Yes. I appreciate he is a bureaucrat and not a politician or Treasurer.

The CHAIR — The then minister, I should say.

Mr A. DAVIS — So we had one year at a time. Obviously it was then approved again for the next year. So for a council trying to potentially develop projects to be shovel ready to use in that, the lack of a forward plan does make it difficult. Otherwise councils need to divert their resources that are developing plans, having projects ready, to have those projects ready on top of what its existing programs are. The same would apply to a number of other grant funding programs, particularly if the ability to apply for three or four-year applications to have that certainty of three or four-year rolling funding would certainly make it a lot easier for council. But I acknowledge the state government is in the same boat with the federal government. At times you guys get to the end of your funding agreements too and you would love to have rolling programs as well. Obviously some funding that comes to council partially comes from the commonwealth and goes through the state. Certainly having long-term visibility and more certainty of the length of the program I think would provide more certainty to councils and ultimately better outcomes to the community, because you might bring forward a project that you know you can do. It may not be your highest priority or give the most benefits to the community, but it is one that meets the criteria, so you want to do it just because you can —

The CHAIR — It is worthy, but —

Mr A. DAVIS — and you can piggyback off the money available. So at times it could lead to where not the highest priority project at that period of time goes, purely because it can meet the readiness and the criteria most easily. Obviously councils, when there is funding available, want to try to optimise that to use that with our current resources to get the best outcome for the community.

The CHAIR — The second area that relates in the same way is the GAIC, the growth areas infrastructure charge. Now a significant amount of GAIC is collected from Casey, but not very much has been spent in Casey. Is that having an impact?

Mr A. DAVIS — I believe it would. The last annual report that I have seen was that close to $50 million had been collected in the Casey-Cardinia area — Casey and Cardinia are combined for GAIC reporting purposes — and I think about $5 million had been spent, of which $1 million was on a health service in Cardinia and some money had been spent on expanding the car park at Berwick railway station. They are the ones I am aware of. I have to be honest, I have not looked at that recently, but that was probably about nine to 10 months ago. I guess the difficulty for council is it is actually not clear how we would apply for GAIC funding for a project.
The CHAIR — As I understand it, there are guidelines that would enable you to apply for projects that fit the guidelines.

Mr A. DAVIS — Okay. To be honest, I am not aware of that, but that is not to say that other people on council are not aware.

Ms SEIRLIS — I believe that we have been working on GAIC funding opportunities, but nothing has been announced at this point. I am not aware of the detail.

The CHAIR — And the Cardinia one I will own up to as health minister. It was a good project that was needed in the area, and I will take credit for that along with Michael O’Brien.

Mr A. DAVIS — My apologies if this was one of your questions; the EPA levy would be in the same boat.

The CHAIR — I was going to ask you about that.

Mr A. DAVIS — It is paid and collected, and it never seems to come back the other way.

The CHAIR — How much is collected from landfills and other things that the municipality is impacted by? Do you have a figure? You may not have it with you, but if you could provide it.

Mr A. DAVIS — If I could look at an email, I could tell you because someone sent it to me this afternoon. Can I look at it during the hearing and get back to you on it?

The CHAIR — Yes.

Mr A. DAVIS — I have turned my phone off. It is in the order of $5 million to $6 million that Casey is paying, noting that if we look at —

The CHAIR — That is in the rate burden, isn’t it? Obviously if you have got a certain number of tonnes going to landfill, there is a levy on that, and that comes back on to the rate notices. Am I correct in understanding that?

Mr A. DAVIS — Yes, Chair. It is part of our waste charge. So council has a separate waste charge that collects the cost for waste items, but certainly it goes to the community as part of their rates bill but as part of a separate waste charge.

The CHAIR — When they write their cheque in the first couple of weeks of February to pay their rate notice there is a charge there that goes straight to the state government and does not go to council in effect?

Mr A. DAVIS — Yes. Council is paying it every month, and we collect it from the ratepayer in February.

The CHAIR — You collect it and then it is passed through.

Mr A. DAVIS — It is built into the gate charge that we pay for landfill.

The CHAIR — Tell me, are there projects in the City of Casey that you could have used that levy for?

Mr A. DAVIS — I know we are involved in a new green waste facility that has been organised through one of the regional metro waste committees to try and improve green waste collection and disposal.

The CHAIR — Has that been funded out of the levy?

Mr A. DAVIS — I honestly do not know. I know the cost of the gate toll to council is higher than it has traditionally been, notwithstanding at the moment green waste is often put in a paddock and just swapped over a few times so it is quite low technology. This is going to be a much higher technology facility. I do not know the answer to that, but I could check with my waste contacts and try to get back to you.

The CHAIR — You do not have to have it today. The final point that I wanted to follow up is the impact of some of the proposed changes with the valuation system. What is the impact on your municipality of a
centralisation of the valuer-general function and all the proposals that are there for an annual valuation system? I am particularly interested in supplementary rating.

Mr A. DAVIS — I was involved in a session last week that DTF was at and also the valuer-general’s office. I was in the afternoon session so I think I actually had Mr Marsh, who is the valuer-general. The indication at this stage is that it should not affect us. They are saying it should be cost neutral. I certainly asked the question: is that in aggregate across the industry or based on an average? But they are saying it will be looked at by each individual council. The difficulty for the sector — and as local government we want to have constructive dialogue and a partnership with the state government — is that at the moment there is not really a model to comment on. So for councils to really say, ‘What does this mean for us or how does it impact us?’, the model has not been actually defined at this stage. If we look at the model under what is called —

The CHAIR — My understanding is that it will be a cost recovery model in effect, so that there will be a charge that applies for the cost of doing the valuations in the municipality, which the state government will then use for land tax and councils will then use for their valuation purposes. It will be an annual process, so that will increase the cost — tell me if I am wrong on any of this — to council. But I understand that all the supplementary valuations will have an additional charge related to them too.

Mr A. DAVIS — What we were shown last Thursday was that it will be cost neutral, that the government in essence would not invoice councils for the additional cost of, I guess, the off year — what is the off year at the minute — notwithstanding the valuations under the current process. This is one of the concerns for councils — and I am sorry, I am in finance and I am not totally across that, but I have had rates in my area for about 10 months so I have got more of a handle on it than I would have had 12 months ago. The reality is that is what is called valuation best practice at the minute is a five-stage process that takes about 16 months. So for the valuation that is due to be returned at 1 January 2018, the first lot of work actually started in February this year, and there were returns that had to be done at the end of February this year, 2017. That rolls through to about the end of May next year, 2018, and it is certified as at 1 January. So in essence at the moment we have basically a 16-month process. I guess the question for practitioners is —

The CHAIR — How does that work with an annual cycle?

Mr A. DAVIS — Yes. We will be doing the Sydney Harbour Bridge but painting each other’s toes. That will be one of the issues.

Mr Marsh the other day indicated that they will probably be moving to a three-stage process. I think it has been widely reported it was obviously the Treasurer’s idea and he included it in the budget, so it probably has not been consulted on widely. In fairness to DTF and the valuer-general I think they are trying to genuinely consult with the industry at the minute, but the devil will be in the detail and also how long it stays in place. Whether it is two years or four years, it is not much different in cost to council, but as I was saying, the Treasurer used his pen —

The CHAIR — So there may be some diminution with a three-stage process as opposed to a five-stage process in the quality of the valuation?

Mr A. DAVIS — I am not a valuer, but that would be —

The CHAIR — Your understanding.

Mr A. DAVIS — an observation that a layperson would make, so, yes, possibly. Our concern is also how objections will be dealt with. The valuer-general is indicating that we will still be able to specify what we want in our contracts to maintain as close to how we do things currently. But once again we need to then see how that operates in practice. But that is certainly what councils have been told at the moment, so that is all we can rely upon at this stage.

Ms BATH — In no way do I want to jump in, but I just want to tag on. Do you do in-house valuations?

Mr A. DAVIS — Our valuations are done by a contractor. Because of our volume of supplementary rates — I am sorry, you asked about supplementary rates. At the moment we pay to have supplementary rates done, but they are then sold to SRO and also sold to the water boards. The government is indicating that the 50 per cent that the SRO currently contributes towards the valuations costs will remain and that the valuations that we have
been selling — in essence the new assessments we have been selling to the water boards — will still be council’s information to sell. Certainly it is what they have presented to us, but obviously a presentation is very different to the legislation guidelines. In all honesty the devil will be in the detail, but they are trying to stick to the principles that have been agreed with the Treasurer and the MAV. But that is all we can say at this stage.

The CHAIR — I am not going to say much more; I am going to hand over to Samantha now, but I will just make one point here, that if the interface councils in particular have a detailed submission to make to the committee with respect to the impact of supplementary rates and the impact on their revenue, particularly in the context of rate capping, they should feel free to do so.

Mr A. DAVIS — Sure. If I may, and I know you want to go to the next one, we have been told we can still specify the frequency of supplementary valuations that we want. So if we are doing it, for instance, once a fortnight, we can still do it once a fortnight. Casey does it six to seven times a year, so we will still be able to specify that, noting we try not to fall on instalment dates et cetera.

The CHAIR — There might be some variation in different municipalities in the interface group. Some have their own rating arrangements. I would be interested in anything from the interface generally about this, but I will stop now.

Ms DUNN — Thank you, Andrew and Kathryn, for coming in today. Andrew, you talked about a solution in terms of the interface councils and that the minister could exercise her powers under 185D to put a different rate on the interface councils. You talked about the range of 3.5 to 4 per cent. My view has always been that communities should be at the forefront of having a say on what services and infrastructure they want and what they are willing to pay. I am just wondering: if that was an outcome and a way for the interface councils to create a greater revenue stream to deal with those enormous infrastructure pressures, what is the intersection between local government and its community and you selling that higher rate to your community? What does that look like?

Mr A. DAVIS — Council in the last couple of years has adopted a community engagement strategy, so we have been very committed to community engagement. I suppose we look at a lot of the items that rate capping drives, but also if we look at the provisions and the proposed rewrite of the Local Government Act, Casey probably started that journey about four years ago with what we called efficiency and effectiveness plans. We had about 21 different projects that fed very much into this. So certainly then when rate capping came in we had already started internally those works and discussions and a lot of those concepts, so we were glad we had started that journey two years earlier.

If we look at community engagement, last year — August to September — to help inform our council plan and to talk to our community, we did our biggest community engagement exercise ever. We contacted or touched over 3600 people to get their thoughts on Casey’s long-term vision but also on the things that were important to them to include them in the council plan. That is a publicly available document, and we saw one of you guys looking at it earlier. That has been very important to us.

Also when we applied for our first rate cap we had 60 members of the community come in to two different sessions to have that discussion, to understand what services were important to them and whether they were prepared to pay for that. The reality is that not everyone at this stage is, so we acknowledge that. It is always hard to convince everyone to pay more.

We understand that challenge. So council is very much working on what we call our value proposition, to share with the community as much information as we can and make them aware of all the services we provide. Certainly the next area we are looking at is about the discussion around levels of service, and I know Mr Bailey earlier also spoke about that. But it is about opening hours, quantity, quality and what your trigger points are. Is it the footy oval per 5000 people, 7000 people or 10 000 people —

Ms DUNN — Where is the threshold in all of those.

Mr A. DAVIS — And also Casey this year, partly to sign off on its council plan but also to understand what was important to the community, did a people’s panel. We aimed for 60 people but I think we had about 54 attend all four sessions. They came up with 24 recommendations for council. They presented to council and its
officers, and the council then ensured that all of their recommendations were adopted in our council plan as an action of some description. Probably 22 or 23 were ones that officers had already considered or had factored in.

There are, I guess, great discussions across a broad range of the community including our current community. We also try to have representation of our future community. We had people who are 18 and working at Kmart and people who are 70 and things like that. We tried to have a statistically valid sample. Also I think in November we are going to bring the people’s panel back to show them what we have done to the end of the first quarter with implementing council’s plans.

In Casey — and these are probably my words rather than council’s words — we have got 300 000 people there. We need to harness them and get their best ideas. From our point of view we want to work with our community to best serve them and get their input. As part of that discussion — and ultimately it will need to be a mature discussion with the appropriate level of information — we will reach that line of best fit between low rates and what services and assets they want.

Ms DUNN — Yes, and the nexus between.

Mr A. DAVIS — That will take many years. As I said, that is not a one-month process; it is a many-year process, and Casey certainly started that journey and committed to that journey.

Ms SEIRLIS — I might just add that at the panel that we held earlier this year the level of understanding and maturity of the community when they came along, they understood the challenges we face. They see it every day. Kindergarten enrolments are 50 per cent higher than we have got capacity for at some of our kindergartens. They feel that. We have full council chambers with sporting groups wanting a new oval allocated to their club. They understand what it means to be in a growth area — they are living in it — and they are wanting us to come up with a way forward that is amenable to them.

The CHAIR — Is there a public document?

Ms DUNN — That would be good.

Ms SEIRLIS — Absolutely. We have got full reports and videos and the like.

Ms DUNN — It would be great to see that, because certainly the interface councils have been very active this week in the Parliament. I think it is interface councils week in the Parliament.

Ms SEIRLIS — Yes, it is.

Ms DUNN — You can correct me if I am wrong, but I think the figure quoted was $9 billion required in infrastructure across those 10 interface councils. I just wonder what is required to bridge that infrastructure gap. If you have a rate cap scenario, admittedly there are other mechanisms of funding you can use — and the GAIC is an example of that — so how do you actually get to the point that you can deliver the infrastructure you need for the enormous growth that is happening in those interface council areas? Who wants to go first?

Mr A. DAVIS — I think one of the difficulties for council at the minute — and we currently have a 10-year long-term financial plan — is that some of the areas still developed we do not actually know the final shape of and parameters obviously under the UGB. They keep changing the name. They used to be the GAA or the MPA. I am not sure.

Ms SEIRLIS — The VPA.

Ms DUNN — They are the VPA now.

Mr A. DAVIS — Casey is currently 311 000 people. We are going to get to 514 000 by 2041. So we know roughly the number of people coming to the area, but I guess the exact set-up and what that will look like in some of those areas that have yet to have their DCPs and precinct plans declared, we do not have that information yet. Certainly we are looking at 10 years, and we can see what we have right now with what is approved, but we know more approvals are coming.
We all know about the Collins class submarines. They put 286 computers in, and by the time they were in the water they had Pentiums and whatever. It is a bit like that for the councils. We have got this two or three-month window to try to agree on what infrastructure the community needs in the DCP. It might get delivered 17 years later. So it is a very challenging environment in which to try to get that exactly right. But a lot of it is quite standard, and part of it is about trying to have consistency of service provision and those issues.

They are some of the challenges that the growth and interface councils have. We are trying to make decisions now and specify items that may well come in 15 years time, but we have this few-months window to do it.

**The CHAIR** — Just having said that, just to follow the DCP aspect, is it helpful for councils to have more of that done as an in-kind contribution up-front rather than delayed into the future? So developers are building the new DSP bridge or oval, and it is built up-front earlier, is that a better advantage in that context than trying to hold it?

**Mr A. DAVIS** — Kathryn will be best placed to answer that because that was her prior role.

**Ms SEIRLIS** — I think the challenge is that each developer has a certain amount owing under a DCP, and usually most of that is absorbed by having to satisfy the land requirements of the DCP and roads. So quite often there is not enough within each developer to bring forward —

**Ms DUNN** — Because there is not enough left.

**Ms SEIRLIS** — Yes, and the community infrastructure is usually the last thing on the list of things to do. Usually we want to secure land to get that before it escalates in value, and the developers clearly want works in kind for roads that are in the DCP as well, so it does become a challenge to do that.

**The CHAIR** — Should GAIC be brought in parallel?

**Ms SEIRLIS** — The GAIC is for the next level of type of facility. DCPs are for your local level, kinders, sporting ovals and the like, and GAIC is regional, so it becomes difficult to tap into for those local-level purposes.

**Mr A. DAVIS** — To use Casey as an example, we use a mixture of work-in-kind and direct delivery. To pick up on what Kathryn just said, developers are quite happy to do the roads because that opens up their frontiers and makes it easier to sell the land. They are probably not as keen to do some of the community facilities, partly because they want to get in and sell the land and move off, I think.

**Ms SEIRLIS** — We have certainly become efficient in the way that we deliver them. We roll out a new kindergarten every year and usually additions to multiple other kindergartens because of changes in standards or a need for increased capacity within established or older growth areas.

**Ms DUNN** — Can you keep up, or is there going to come a point in time when you actually cannot keep up with the growth in your municipality?

**Ms SEIRLIS** — I think Casey is without peer in some respects. We have been a growth area council for the last 20 years. We have got a population higher than any other in the state, so we have managed fairly well.

**Ms DUNN** — So far, so good.

**Ms SEIRLIS** — But I think we are at a period where there would be one other within the last 20 years of this sort of rate of growth. The number of growth fronts — there are several that are active at the one time, which is delivering on the policy intent of the VPA to open up as much growth as possible. That is certainly proving a challenge in staging and sequencing of infrastructure. We are getting a lot of things to work through because of that.

**Mr ELASMAR** — Thank you, Kathryn and Andrew. Talking about the Growing Suburbs Fund, can you please tell me how the fund assisted your community infrastructure and why it is important that the fund continues beyond the two years which have been allocated in the budget?
Mr A. DAVIS — Yes, sure. Ultimately it has helped council either bring forward or deliver projects that it
would not otherwise have been able to do, particularly with the rate cap. If we look at year one, council received
about $5 million of funding, which allowed three projects to be brought forward in particular. That then frees up
council money for other projects. I guess a number of the projects that council was unsuccessful with with its
rate cap variation have then actually been funded through the Growing Suburbs Fund. So it has allowed projects
that were that next priority for council and that we may not have then bee able to fund to be brought forward to
benefit the community. Certainly the Growing Suburbs Fund is helping to deliver assets and projects that would
otherwise have happened further down the track or in some instances would have ended up being a project that
you could not afford to do. Certainly from a growth council point of view we certainly appreciate the fund and
those extra benefits and services it allows to be delivered to the community.

Ms SEIRLIS — I might add that we are at a point in time when we have now lodged $10 million worth of
applications for funding under the Growing Suburbs Fund for the next round, and that will be a really critical
stage to see how successful we are in those applications to deliver on the needs of our community in the absence
of being able to do so because of the rate cap. I have got a media release if you are interested in understanding
what we have applied for. I can table that.

The CHAIR — That would be very good, thank you.

Ms BATH — Thank you. You have covered off on a number of things. I was interested in the rate
valuations and how that was going to affect you and also just with 8000 new people per year how you were
going to cover off on those kinders and mass human facilities, really.

Mr A. DAVIS — With that, in the last couple of years it has probably been 10 000-plus. I know we had
Cranbourne East: 3000 or 4600 people in the one year, in a recent year.

Ms SEIRLIS — It was the fastest growing suburb.

Mr A. DAVIS — Suburb in Australia.

Ms BATH — I will move over to my more random question in effect. In relation to putting people in an
intensive area in a short space of time, I am wondering about crime in your area and I am wondering about how
you cope with that as a council? Have you got a lot of CCTVs? Or what are some of the mechanisms that you
use to monitor, combat, deter, and how does that impact on your budget?

Mr A. DAVIS — I can probably talk generically. It is not my area so I do not have the exact level of detail. I
think Casey would be reported as having a certain amount of crime, but whether on a per capita basis that was
actually the highest or not, I do not know. But any crime that then affects people in their homes or affects people
we are concerned about. I think it is similar to the state government and the perception of safety. I know from
my time in government a number of years ago it was very important. Certainly at the local government level it
is very important.

I know we have very close relationships with the local police and have regular briefings and discussions with
them. Council does not have a whole lot of CCTV for public spaces and things like that. We certainly have it for
some council facilities, from that point of view. For instance, say a City of Melbourne or things like that, we do
not have cameras in our streets, but I guess probably the make-up of our areas is not like that. Somewhere like,
say, Fountain Gate, where people might congregate, is a private facility. They may well have things.

Ms BATH — That is their jurisdiction.

Mr A. DAVIS — But certainly we have worked very closely with the local police command in the Casey
area, and when Inspector Breen was there we worked very closely with him. I know Casey ran a very high
profile campaign to get more police out on the street as well. The state government has recently made
announcements — when I say recently, it may well have been 12 to 18 months ago — in that space to have
more police out on the street. But Casey had certainly campaigned and advocated very vigorously in that space
to achieve that outcome.

Ms SEIRLIS — And continues to do so. So we heard very strongly in our community engagements that
safety is one of the most important things that the community desired and felt was important to them. I think
just at council last night there were additional motions passed to advocate for additional police in stations in our
new growth areas as well to ensure coverage of those sorts of emergency services. With our people’s panel, I think one of the challenges with working with that panel was trying to explain the differences between levels of government and the things that council was responsible for and that others are for state and federal governments. As a result, advocacy is a big part of what the community want us to do on their behalf — to try and lobby for public transport, roads and safety measures.

Mr A. DAVIS — I can answer that earlier question, Chair. So approximately $3.6 million we paid in EPA levies, which is about 60 000 tons at $62 a ton.

The CHAIR — So it is a significant impost.

Mr A. DAVIS — Yes. Particularly because a number of years ago it was $10 a tonne and now it is $62 a tonne.

Ms BATH — That is reasonably average, though, is it not — $60 a ton?

Mr A. DAVIS — That is set across the state, but as I say, a number of years ago it was $9. It went to $30, $40, $44, $48, and it has been going up 10 per cent a year, but I think it is now moderated to CPI.

Ms DUNN — And is it more about, that those landfill levies do not flow back to your municipality in terms of initiatives to reduce waste?

Mr A. DAVIS — We are not strictly seeing them. As a council, we understand that at some point landfill will run out or it will need to be further out or in less desirable areas or reusing sites that had industrial usage in the first instance et cetera. Being, we would say, a strategic land use planner ourselves as an organisation, we understand the pressures and issues around that. But it is not clear, either to councils or ultimately to the community, where that money they are paying is coming back to.

Ms BATH — Once upon a time Casey was farmland, and good-quality farmland — market gardens and the like, to some degree — and with progression you are encroaching on it. It is now becoming housing developments. A, are there any plans for, and I may be showing my ignorance, medium-density housing — more two-storey developments or more compact living — in council? B, does it get to a point where you actually do have some spaces that are retained as farmland and farming land?

Ms SEIRLIS — The densities that we see in the new growth areas, the new estates and the like, are certainly much higher than the densities in established areas already. The lot sizes have been reducing significantly, which does allow for additional population growth but puts other pressures on things like service provision and lack of private open space and the need for parks and so on. Council has just adopted a housing strategy, so we are certainly open to higher densities around our activity centres, particularly Fountain Gate, which is one of, I think, a handful of metropolitan highest order in hierarchy of activity centres, so we are certainly welcome and open to it and the councillors are as well.

But there is just not a demand for it from the private sector at this point, so we are trying to see that. It will be a maturity thing, as you can see in Doncaster, Box Hill — it is sort of coming out eventually. One day hopefully it will come to Fountain Gate as well, and we can retain an urban growth boundary and retain some of our agricultural land. To that end, we have also just put on exhibition a new green wedge management plan for our Western Port green wedge, which is the south of Casey in particular. We are trying to put policy in place to protect what we have left, and I know other councils in the interface are doing the same.

Mr A. DAVIS — If I can perhaps add one more thing to that, when the urban growth boundary was last redrawn in 2010, Casey had put forward a different proposal to actually try and maintain I think it was called the Bunyip food belt, or certainly more of it, but that did not ultimately prevail. Council has been very conscious of maintaining that food belt but also maintaining local jobs. At the minute over 70 per cent of people leave Casey every day to go to work. We are doing a whole lot of work to try and promote more industry in the Casey-Cardinia-Dandenong area so people do not have to leave or travel as far to go to their employment. One thing: it is always a balance.

The CHAIR — Can I thank both of you for that presentation? There is perhaps one more question that I thought might be worth asking in the context of council revenues. Planning fees were increased last year. What additional collections has Casey done in terms of planning fee charges? You may not have it now, but —
Mr A. Davis — I believe it is in the order of about $600,000 or $700,000, and part of that we have used to actually put more planning staff on temporarily because —

The Chair — To move through the backlog.

Mr A. Davis — of the level of volumes and to help provide that service. There is just one other thing. I mentioned before the growth study that had been released today by the ESC, and that has been a project that has been happening over a number of months. Unfortunately it has run a number of months late, so that has been put out today with submissions due by 18 October. Council has not had a full chance to review it or to consider its response. Although on the one hand it is indicating that there are up-front costs for councils, conversely it is almost making the criteria harder for the growth councils to apply, whereas I would have thought the intent of Mr Brown’s recommendation was to actually try and streamline and fast-track to make it easier for growth councils. Without having fully read it, it almost feels like it has been made harder for growth councils, not easier.

Anyway, we will need to work through that and provide a thorough response to the ESC on that to see where that goes. I think council would commit that we can also provide a copy of our submission to the committee in due course.

The Chair — It seems to me the overwhelming theme here is that growth councils have more costs but have capacity to absorb the issues and the challenges and ought to use more debt. That is my summary of the report. Does council have a position on taking on more debt?

Mr A. Davis — Council’s position is that we are happy to use debt for major and, I suppose, special regional projects. At the moment we are taking on debt for our Bunjil Place development, which is about six weeks away from opening. That is a $125 million project. We have used our own funds, some federal funds, a land sale and borrowings to do that. We will borrow $62 million for that, and that will take our borrowing ratio into the high 30s. VAGO at the minute mentions that 40 per cent is considered low-risk borrowings; 40 per cent to 60 per cent, medium; and above 60 per cent, high. The ESC obviously has a different viewpoint on what acceptable use of debt is. I think that certainly comes out in what they hint at and say —

The Chair — They are in the ‘let it rip’ camp. Let us go for it and subvert the rate cap by taking on more debt.

Mr A. Davis — There are two things with that. One is that if that is to be the case, our ratepayers are probably quite conservative so we would also have to listen to our ratepayers about what they think is an acceptable level of debt for council to use. But the ESC, to my mind, just has to be very clear then about what they think the level of debt councils should have is. In my observation, we have this mixed message of ‘Ignore the VAGO one’, which is out there and at least published, and the ESC — and I have heard them and read the transcripts of everyone who was spoken here — are saying they are not trying to force more debt, but it seems very much —

The Chair — It is certainly the signal they have given around the countryside.

Mr A. Davis — that in all honesty they are. But once again then say what you think the level of debt councils should reasonably use is. The other thing with that is you have this magic pudding approach of ‘use more debt’, but how do you pay it off? If we are directed to use more debt or use debt as the first option, it should then be almost a variation that is waved through. Otherwise how do you either meet the interest or pay it off? I think as a sector, an industry, and with the ESC as a stakeholder, we need to have that discussion and define the rules.

One of the problems, I guess, with the variation process at the minute is that there is not enough exposed form for council to have confidence in exactly how it is going to operate. There seem to be some unwritten rules that the ESC is using that are not strictly in their guidance, and I will use council as an example. We went through the process last year, thought we had complied with all the rules and then there were these other unstated ones that were then raised as, ‘You didn’t meet this’. I think it is very important that the ESC include everything they are using to assess councils on it, because if we are going to have a workable, Fair Go Rates system, we need to have a viable variation process for it to be fair for all the stakeholders involved in the process.
The CHAIR — I thank both of you for your very helpful contributions and ask that you pass back our thanks to your municipality. There are a few bits and pieces for the secretariat to follow up as well. Thank you very much.

Mr A. DAVIS — Thanks for your time.

Witnesses withdrew.