

City of Casey 2016/17 Rate Cap Variation Application – Response to Essential Services Commission RFI follow up Questions

26 April 2016

Introduction

On the 15 March 2016 the City of Casey resolved to submit a Rate Cap Variation Application to the Essential Services Commission (ESC) for 2016/17. This was lodged on 21 March 2016, receipt of which was acknowledged by the ESC on 22 March 2016. Two weeks following this on 4 April 2016 a request for further information (RFI) was received from the ESC, some of which had been informed by a meeting held between the City of Casey and the ESC on 24 March 2016. Casey responded to this RFI on 13 April 2016.

On 20 April 2016, a few follow up questions in relation Casey's response to the RFI were received from the ESC. Council officers have provided a response to these follow up questions below, to the best level of understanding and capacity to which it can be addressed in the timeframe available, noting that the responses were sought as soon as practicable.

Table of ESC Matters and City of Casey Response

Ref#	ESC Comment/Request for Information	City Of Casey Response
	Engagement	
1	<p>Just to confirm that we have not missed anything, could you please clarify whether during the October 2015 forum the following information were considered or provided to the participants:</p> <ul style="list-style-type: none"> the trade-offs within a service area if Council's rates revenue is capped (for example, if you want more services then this would be the impact on your rates in general) the trade-offs between service areas if Council's rates revenue is capped (for example, if you want to spend more on a particular service it could mean 	<p>During the forum on 10th October 2015, the first half of the day was allocated to informing all participants about the challenges Council is facing and providing facts about the community and Council's services. Participants were given access to an exhibition of poster based information and provided with summary financial data.</p> <p>Additionally participants received a context presentation from Council's CEO on issues such as population growth, the commencement of the State Government's rate capping program, the influence of technology and the increased financial pressures facing council such as higher utility costs and reduced grants from other levels of government.</p> <p>Having established an overview of the operating context for Council, all participants were invited into a series of conversations with Council Directors.</p>

	reduced spending on other service areas)?	<p>Each discussion group were provided with further financial data and services narratives from Council around the possible impact of increasing or decreasing funding to a particular service. Groups worked together to highlight key insights about a service area they would like to share with the other participants. These summary points were used as the basis for further small group conversations to help participants express an opinion on if they would like to increase, decrease or retain current expenditure levels for each service category and to articulate their reason for the choice they made. As noted in material previously provided by Council, the majority of participants expressed a desire to maintain or increase current expenditure levels of Council's services.</p> <p>The October forum (as well as the December one) was facilitated by experienced community engagement facilitators, who are experts in conducting workshops in line with IAP2 best practices, and who had been made aware of the content of the ESC's 17 April 2015 Consultation Paper and 31 July 2015 Draft Report. They recommended that most of the (October) day would be needed to inform the group of Council services and challenges faced by Council in planning for future services. As there was a limited timeframe to undertake community engagement, we were unable to seek further feedback from the group on specific financial variations based on if rate revenue is capped.</p> <p>However, the feedback from this forum, especially the high value that was placed on Council's existing services, informed the conduct and content of the subsequent engagement session on 5 December 2015 (which was also informed by the release of the final ESC report and Government Reponse on 22 October 2015, although was held prior to the ESC guidance material released on 11 December 2015).</p>
Capital Works Program prioritisation.		
	Thank you for the Prioritisation Process 2015-16 you have provided us and the 5 Year Capital Works Program (Attachment 30B).	
2	Could you please confirm that this the same Prioritisation Process the Council used for 2016-21 Capital Works Program?	<p>The same prioritisation process has been used for the 2016-21 Capital Works Program. These principles are used by the Executive Management Group to develop the draft program that is prepared for Council review and consideration.</p> <p>As discussed in the meeting on 24 March 2016, the elected Councillors also bring their local knowledge and understanding on prioritisation to their consideration and finalisation of the Capital</p>

		Works Program. This, takes account of their experiences, and the views and feedback that has been provided to them by the community that they represent.
3	Could you please clarify the linkage between the Prioritisation Process 2015-16 and the three principles used to develop the Capital Works Program which were discussed in pages 22-23 of the application?	<p>The first principle links to Priority 3 – “Renewals” and relates to expenditure on existing assets or replacing an existing asset that returns the service capability of the asset to its original capability. Projects assessed as Priority 3 for the 2016-21 Capital Works Program are based on long term expenditure forecasts for each significant asset class or service area (including the 4 main Asset Management Plans that are in place).</p> <p>The second principle links to Priority 5 – “Net Benefit – Corporate” and relates to projects linked to key policy and strategic plans that deliver critical new and upgraded community infrastructure that meet the needs of Casey’s growing and changing population in the most efficient and effective manner. These projects have high community support and provide vital social connection, improve health and wellbeing outcomes and help prevent financial stress.</p> <p>The third principle includes projects that fall under Priority 2, 4, 5, 6 or 7.</p>
4	Could you please advise us on what is the Priority No. for the Hunt Club and the Autumn Place based on the Prioritisation categories used by Council?	Hunt Club Estate Local Level Cricket & Football Oval and Pavilion is a Priority 6 rated project and Autumn Place New Family and Community Centre is a Priority 5 rated project. These projects deliver vital multi-use community facilities which are not currently available or no longer meet the needs of the local community.
5	Also, are there are any Priority 8, 9 and 10a or 10b in the capital works to be implemented in 2016-17? If yes, what are these projects (including the corresponding amount if the discretionary project is a component or part of a bigger project shown in the Capital Works Program)	<p>The 2016-17 Capital Works Program includes 4 projects rated as Priority 8 or 9, that had a total value of \$237k (\$187k (8) + \$50k (9)). Details of the projects are shown below in Table 4.</p> <p>There were no projects rated as Priority 10a or 10b for the 2016-17 Capital Works Program.</p> <p>The total value of these Priority 8 & 9 projects for 2016/17 (\$0.237m) fall well short of the \$1.6 million annual Capital Works funding reduction that Casey would experience as a result of an unsuccessful 2016/17 Rate Cap Variation Application.</p>
	Untied or uncommitted funding.	
6	<p>Casey mentioned in response 23 that "there are only minimal amounts of untied or uncommitted funding held by Council, which is consistent with Council's aim to have the lowest rate rise possible."</p> <p>How much is the Council's total untied/uncommitted funding for 2016-17, 2017-18 and</p>	<p>Council’s current estimate of untied/uncommitted funding, across these 3 years, is in the order of \$350k.</p> <p>This allows for some prior year projects that are expected to be completed for less than the funding currently allowed to them, as well as including Council’s most recent end of year forecasts for</p>

	2018-19?	2015/16 (at the time of Council considering the draft 2016/17 Budget on 15 March 2016), which were forecasting a positive rate result outcome of \$215k.
	Interface Growth Fund.	
	<p>We understand that the following three projects of Casey were approved for the Interface Growth Funding (IGF):</p> <p>First round of funding: - Bridgeway Family and Community Centre Redevelopment - Casey Cycling Precinct - Support Facilities (Source: http://www.delwp.vic.gov.au/local-government/council-funding/interface-growth-fund/successful-igf-funded-projects)</p> <p>Second round of funding: Selandra Integrated Community Centre (Source: http://www.casey.vic.gov.au/council/news-publications/mediareleases/growthfund21mar16)</p> <p>We put together, in the tables below, the capital expenditure related to the three projects from the Council's adopted 2015-16 Capital Works Program, the 2015-20 Capital Works Program and the draft 2016-21 Capital Works Program. The IGF data for the first two projects were sourced online while the IGF data for Selandra Rise was based on Casey's media release.</p>	
7	Table 1: Adopted Capital Works Program for 2015-16	Casey has reviewed the table prepared by the ESC, and included a revised Table 1 below. The "Casey Cycling" project that was submitted to the IGF process, incorporated 2 projects from Council's 2015-20 Capital Works program. Details for the other project " <i>BMX Track Development and Car Park Construction</i> " are incorporated below.
8	Table 2: Interface Growth Funding Approved for Casey	Casey has reviewed the table prepared by the ESC, and included a revised Table 2 below.
9	Table 3: Draft Capital Works Program as at 10 March 2016	Casey has reviewed the table prepared by the ESC, and included a revised Table 3 below.

9	<p>Could you please explain the basis of the \$475,000 and \$292,500 capital expenditure for the first 2 projects (see table 3 above) including any reduction in rates revenue requirements as a result of the IGF received for the two projects?</p>	<p>The Casey response to this item, for Bridgewater (\$475k) and the Casey Cycling (\$292.5k), is included below, underneath Table 3.</p>
10	<p>Could you please fill up the shaded parts in table 3 above? For Selandra, please update the capital expenditure based on the recently approved \$2.5 million IGF for the project? (We have noted from Casey's media release that the IGF approval for Selandra was only made in late March 2016).</p>	<p>The Casey response to this item, is included in the revised Table 3 below.</p> <p>Within the revised Table 3, details are included for Bradman Drive Reserve - 3 soccer pitches / 2 Cricket Ovals and Pavilion project (that was also referred to in the Casey media release of 21 March 2016). Please note that the Bradman Drive project is currently listed as New Unnamed Reserve #2 (Alarah Blvd?) or CWID No. 2010 in the draft 2016-21 Capital Works program</p>
11	<p>Also, could you please explain why the implementation year for Casey Cycling was changed from 2017-18 to 2018-19 (over a two-year period) to 2016-17?</p>	<p>As noted above, the Casey Cycling project is made up of two separate projects - BMX Track Development and Car Park Construction and Shared Use Pavilion.</p> <p>The IGF funds received in October 2015 enabled major elements of the project to be brought forward and be included in Council's 2015/16 program. IGF funds were allocated to the two projects as shown in Table 3A below.</p> <p>The previous project scheduling of the 2 projects in the 2015-120 Capital Works Program, across a number of years, was due to constraints on rates funding availability in the early years of that program.</p>
<p>Casey Revisions to ESC Tables/Other responses (Items 7 to 11)</p>		<p>Please see below on the following pages.</p>

Table 1: Adopted Capital Works Program for 2015-16 – With Casey Revisions

Table 1: Adopted Capital Works Program for 2015-16

Project	Funding source	2015-16 Capital Works Program				Total cost
		2015-16	2016-17	2017-18	2018-19	
Bridgewater	Rates	1 150 000	1 725 000	0	0	2 875 000
	Grants	0	0	0	0	
Casey Cycling Precinct - Shared Use Pavilion	Rates	0	0	75 000	750 000	825 000
	Grants	0	0	0	0	
BMX Track Development and Car Park Construction	Rates	505 000	590 000	0	0	1 345 000
	Grants	250 000	0	0	0	
Selandra Rise	Rates	0	1 675 000	2 017 000	0	5 000 000
	Grants	0	0	0	0	
	DCP	250 000	1 058 000	0	0	

Table 2: Interface Growth Funding Approved for Casey – with Casey Revisions

Table 2: Interface Growth Funding Approved for Casey

Project	IGF grant approved	Approved in
Bridgewater	1 400 000	15 October 2015
Casey Cycling	1 120 000	15 October 2015
Selandra Rise	2 500 000	21 March 2016

Table 3: Draft Capital Works Program as at 15 March 2016, revised for second IGF announcement on 21 March 2016

Table 3: Draft 2016-17 Capital Works Program as at 10 March 2016

Project	Funding Source	Draft 2016-21 Capital Works Program				Total cost
		2016-17	2017-18	2018-19	2019-20	
Bridgewater	Rates	475 000	0	0		475 000
	Grants	0	0	0		
Casey Cycling Precinct - Shared Use Pavilion	Rates	292 500				292 500
	Grants	0	0	0		
Selandra Rise	Rates	1 675 000 0	2 017 000 1,192,000	0		4 750 000
	Grants	2 500 000	0	0		
	DCP	1 058 000	0	0		
Bradman Drive Reserve - 3 soccer pitches / 2 Cricket Ovals and Pavilion	Rates	0 1 675 000	300 000 1 625 000	3 000 000 0		6 972 230
	DCP	3,372,230*			3 672 230 0	

*Amount reduced as \$300,000 has been allocated from DCP to Bradman Drive Reserve for Design in 2015/16

Bridgewater - \$475k Rates in 2016/17

The Rates amount shown in 2016-17 was adjusted from \$1,725,000 to \$475,000 after Council had received the \$1,400,000 IGF funds in October 2015 and included in its 2015/16 program. Due to the application of accounting standards, the full amount of the grant was required to be recognised upon receipt. The Rates amount is approximately \$150,000 more than originally estimated due to Furniture, Fit-out and Equipment costs being higher than the budget had originally allowed for.

Casey Cycling - \$292k rates in 2016/17

The Casey Cycling project is made up of two separate projects - BMX Track Development and Car Park Construction and Shared Use Pavilion.

The IGF funds received in October 2015 enabled the overall project to be brought forward, with the majority now included in Council's 2015/16 program. IGF funds were split across the two projects as shown in the table below.

Table 3A – Reconciliation of Casey Cycling projects

Project Description	Total Other Funds Summary	Rates Funds 2015/16	Rates Funds 2016/17	Rates Funds 2017/18	Rates Funds 2018/19
BMX Track Development and Car Park Construction	2015/16 \$250,000 Grants				
	2015/16 \$665,000 IGF Grants	580,000 505,000	590,000 0		
Casey Cycling Precinct - Shared Use Pavilion	2015/16 \$457,500 IGF Grants	0 75,000	0 292,500	75,000 0	750,000 0

Table 4: Draft Casey 2016/17 Capital Works Program as at 15 March 2016, listing of priority 8 and 9 projects

Priority Rating	Program Name	Suburb	Project Location	Project Description	CWID No.	Total Other Funding Summary 2016/17	Total Other Funds 2016/17	Rates Funds 2016/17	Total
8	Bushland Reserves Management	Various	Various	Bushland Entrance Signage	2261		\$0	\$50,000	\$50,000
9	Car Park Works	Endeavour Hills	Hallam North Road	New Car Park and lookout under power lines	New		\$0	\$50,000	\$50,000
8	Recreational Facilities - New & Improved	Various	Various	Exercise Stations in Local Parks	2360		\$0	\$42,000	\$42,000
8	Recreational Facilities - New & Improved	Cannons Creek	Cannons Creek Reserve	Upgrade half court to a full size basketball court	2559		\$0	\$95,000	\$95,000

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Customer Service Centres

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