



Wyndham City Submission: Essential Services Commission (Arup) Growth Study

October 2017

Introduction

Good growth area planning in regards to transport, economic and residential growth, community infrastructure and services that keep pace with changing demographics as well as population growth will have intergenerational impacts, not only for local communities, but for greater metropolitan and regional areas.

Wyndham City therefore supports and encourages strategic foresight and collaborative planning with State and Local Governments on issues affecting Growth Councils.

As such we welcome the public release of the Essential Services Commission's (ESC) independent Growth Study report provided by Arup.

Wyndham City appreciates the collaborative manner in which the ESC commissioned and then consulted on the report. This consultation included significant opportunities for Wyndham City to comment on the draft report and improvements were made.

In particular, we appreciate the following findings in the report:

- That Developer Contributions are committed funds for capital works and therefore not available for operational costs
- That growing Councils do require more financial resources to meet infrastructure demands.

We believe a number of areas in the report better reflect feedback provided by Wyndham City and that it now represents a constructive starting point for further work to better understand the unique service and infrastructure needs of Melbourne's Growth Councils.

Wyndham City agrees with the finding in the report that further areas of investigation are required. However we do not agree with all of the areas identified, in particular those that mention alternative infrastructure and service delivery vehicles. We believe that these conclusions go beyond the remit of the ESC's role to in regulating Local Government rates.

Wyndham City believes further research work could be done by the ESC and Growth Councils on a common and agreed set of terms of reference.

Our overriding recommendation is that it would be highly beneficial for the State Parliament to hold an inquiry which would seek, consider and report back on submissions made to it. Wyndham City will be discussing this recommendation with the ESC, officers of the Parliament, State Government, Opposition and other Members of Parliament, so that all parties can better understand the 'dynamics of growth' and impacts for Melbourne's Growth Councils.

This submission expands on matters that need further attention including their potential inclusion in any inquiry, as well as commenting on specific conclusions made by Arup in their independent report.

Wyndham City reiterates its view that the Fair Go Rates System should apply different rate caps for different categories of Councils. Furthermore, we advise that the need for a Growth Council category was supported by the Municipal Association of Victoria's State Council meeting earlier this year.

Our view is also supported by an independent report we commissioned from Professor Brian Dollery which we attach to this submission.

Snapshot of Wyndham's role and growth

Wyndham City is a municipality of great economic and social significance at the State, regional and greater metropolitan levels. Positioned on the South-Western fringe of Melbourne, it is the link between the two largest cities in Victoria (Geelong and Greater Melbourne) and the gateway to Melbourne for Western Victoria.

The 2016 population of Wyndham is 222,656 people, with a projected population of 424,476 forecast for 2036. With net growth of 12,106 residents in 2016, Wyndham is the largest growing municipality in Victoria, and the third largest growing Australia-wide. Moreover:

- On average, 86 babies are born to Wyndham mothers each week, approximately 12 babies every day
- Over 3,200 new homes are built in Wyndham each year
- Over the past 10 years, there has been a nearly 60% increase in permits issued for new dwellings in Wyndham
- Wyndham's net population is growing by about 254 people every week.

Given this context, Wyndham City sits at the coalface of the great challenges confronting our generation of growing cities – the need to plan smart, well, economically viable, socially vibrant, decentralised and highly connected urban and suburban communities.

To achieve this there will need to be a pattern of settlement and associated infrastructure investment and life-cycle services to support jobs and services closer to home.

The provision of this infrastructure and these services also needs to be complemented by improved public transport connectivity; road networks and broadband connectivity. Moreover, education and health related facilities and services are also critical to enable people and places to realise their potential.

Therefore a fair, sustainable and effective rating and financial framework are all areas that impact upon the ability of Melbourne's Growth Councils to play these important roles in the future.

Further areas for investigation

As mentioned in the introduction above, Wyndham City believes there are a number of areas that require further investigation.

We believe that most should be considered by an Inquiry of the State Parliament with agreed Terms of Reference and the active participation of Melbourne's Growth Councils.

Wyndham City has identified these areas for further investigation and summarised Arup's findings in the table below, along with comments where appropriate.

SUMMARY	COMMENT
Arup finds there could be an investigation of whether the rate cap could be applied differently to infrastructure and operations	Wyndham City does not support this recommendation for further investigation as it goes well beyond the scope of the ESC's role and is not supported by evidence
Investigate whether asset delivery could be conducted by an 'arms-length organisation, perhaps at regional level'	Wyndham City strongly opposes this recommendation. it goes well beyond the scope of the ESC's role and is not supported by evidence
Investigate interest-only finance, bonds	Wyndham City agrees with this recommendation but believes leadership and collaboration between State and Local Governments should lead this policy discussion across Victoria
Investigate alternative infrastructure and service delivery models	Wyndham City supports further exploration and delivery of shared services as mentioned previously. However this does not include our support for asset delivery to be delivered by an 'arms-length organisation, perhaps at regional level'
Arup finds Councils should be using debt financing more	Wyndham City believes this finding cannot be supported until more sector and bipartisan support and further research regarding the pros and cons of this policy option are undertaken

Agreement with other Arup findings

There are a range of findings in the Arup report that Wyndham City supports, without qualification. These are outlined below.

SUMMARY
Arup finds it would be good for governments to provide more certainty re: funding (4 year horizon)
Arup finds there is value in growth Councils systematically adopting best practice asset management approaches
Arup finds that if a rate cap variation is applied for then tradeoffs between rates, fees and charges and debt need to be discussed with residents
Benchmark growth Councils against National Asset Management Assessment Framework standard ISO55000

Other comments on Arup findings

SUMMARY	COMMENT
Arup conclude that growing Councils do require more financial resources than non-	Wyndham City does not agree that there is insufficient evidence of the growth

growth Councils. They agree this relates to infrastructure but evidence is inconclusive re service provision (operating and maintenance)	implications on service provision
Arup find that main infrastructure costs for growth Councils is for new assets	Wyndham City believes more research regarding the impacts of legacy and end-of-life-cycle assets is required
Arup find that growth Councils at the early stage of growth face the largest infrastructure funding challenges	Wyndham City believes this is an incomplete finding. It does not consider related issues such as the number of growth fronts; the impacts of legacy infrastructure; as well as the need to replace end-of-life- assets
Arup find that the socio-economic distribution is likely to have some effect on Councils, but if anything this is an impact felt more in rural and regional areas than growth Councils	Wyndham City believes this finding does not adequately consider the scale of life-cycle services and infrastructure needs in Growth Councils
While Arup find that relative to the rest of Melbourne, growth Councils are limited in their capacity to draw further income from their communities, there is still scope to consider increases to user fees for specific services	The impact of further user fees and charges in areas that have a disproportionate level of social disadvantage needs to be explored. Moreover, the impact of high transport and other costs associated with living away from established infrastructure and services must also be more fully explored and informed by evidence
Arup finds there is likely to be an impact from the younger distribution of the population, but cannot quantify the significance. Same finding for older distribution of population	Wyndham City supports the need for further research and an Inquiry
Arup finds that it did not have any evidence that the community's current and future income was insufficient to fund its local infrastructure	Wyndham City provided extensive information in our only application for a variation to the rate cap during the first year of the Fair Go Rates System. We note the Arup report was not resourced to make this finding
Arup finds that Councils should investigate the community's willingness to pay for user charges at the facility or service level	See comment above
Arup finds there is further scope for Councils to use special rates schemes in defined growth precincts and we should consider these in our future financial planning	Wyndham City does not believe this is a realistic policy option and that it would require significant support from the State Government as well as the community, and would need to be supported by a solid policy framework, and perhaps even enabling legislation or regulations
Arup finds that no evidence was provided that showed the cost of providing youth services and facilities, other than the Northern Horizons study of Hume, Mitchell,	Wyndham City believes there is adequate evidence in Northern Horizons to point to the high costs of providing youth services and facilities

Moreland and Whittlesea	nowHowever, we acknowledge that further socio-economic evidence should be presented and considered as part of any State Parliamentary Inquiry we are recommending
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Conclusion: intergenerational equity and the costs of growth

Although this issue was not specifically considered and therefore no findings were made in Arup's Growth Study, Wyndham City is keen for any further research and an Inquiry to consider the principle of intergenerational equity when considering who meets the immediate and future social and economic costs of growth.

Wyndham City would also like to see this principle embedded into the Fair Go Rates System policy framework which is another argument for why there should be a Growth Councils category.

In our view, it is arguable that the current situation which sees existing residents having to bear the costs of the earlier provision of infrastructure and services to meet the demands of future growth through rates, charges and fees is unfair.

Moreover, our view is that it is unfair to expect cuts to services or increased user fees and charges to fund these expenditures as current residents again unfairly bear the costs of infrastructure and services associated with future growth.

Finally, Wyndham City looks forward to holding further discussions with the ESC, officers of the Parliament, State Government, Opposition and other Members of Parliament so that all parties can better understand the 'dynamics of growth' and impacts for Melbourne's Growth Councils as well as current and future residents.