

## Submission re 2017-18 Draft Budget and Council Plan

### 1. Draft Budget

#### Summary

Overall, the 2017-18 draft budget shows improvement on recent past budgets, with the State Government Fair Go Rates system continuing to protect ratepayers against excessive rate increases.

We acknowledge the improved budget situation demonstrated by a forecasted underlying result of around a \$1.1M surplus.

This is a welcome turnaround from the 2016-17 forecast deficit of \$2.6M

Nonetheless we urge all Councillors to advocate for a discipline of rigorous fiscal responsibility and restraint within the Administration, and to always be mindful that it is the hard earned money of ratepayers that you are spending.

We remind you that your budget states that *"A combination of the relatively low skill based industries in Bass Coast and the significant aged population means that the average household wage of \$855 per week is over 40% less than that of the Victorian average of \$1,216"*

Despite the overall improvement in the budget, there remain areas of concern that we wish to bring to the attention of Councillors. These are discussed below.

#### Garbage Charge

The draft budget shows that the garbage charge will increase by 14.4%, from \$327 to \$374. It further advises the reader to refer to section 8 for more information.

However, section 8 contains no explanatory information to explain why such a large increase is being imposed on ratepayers.

Here is some other feedback that we've received from community members about the Garbage Charge increase;

*The first thing to note is that the 14.4% increase is for a reduced service for the 90%+ of ratepayers who did not want to pay for a green bin. The new service reduces general rubbish collections to fortnightly. Those who need the same general garbage collection capacity will need an extra bin and will pay a whopping extra \$143.40, on top of the 14.4%, to receive the same service as this year. If my quick math is correct, this represents a 58% increase in garbage charges.*

## Executive Remuneration

Many people across the Shire, and from all walks of life, have expressed concern at what are regarded to be unnecessarily high executive remuneration levels at Bass Coast Shire Council.

Last year's annual report shows that the CEO's remuneration was increased by as much as \$30K when compared to the previous year.

Here's a reminder of a quote attributed to Minister Natalie about executive remuneration;

*"Councils need to put a stop to over-the-top executive pay rises and needless waste"*

It is understandable that many in the community are disgruntled at the excessive increases being paid to the top tier executives, seemingly at the expense of ratepayers who are not reaping any of the rewards from Councils claimed efficiencies, and whilst services are being reduced and charges increased.

## Employee Costs

The draft budget shows that employee benefits are budgeted to increase by 3.7% over the current budget forecast.

It is disappointing that employee costs are not lower, and that expenses have not been contained to a lower figure in the proposed budget.

Responding to a question about budget figures at last month's meeting, the minutes' show that Council advised, in part, as follows;

*"...The best practice guide for reporting local government budgets in Victoria, 15th Edition, "Victorian City Council Model Budget – 2017/2018" published by Chartered Accountants Australia and New Zealand in February 2017, requires Councils to compare Forecast Actual Results for 2016/17 to Proposed Budget 2017/18 ..."*

On page 39 of the draft Budget, the Comprehensive Income Statement shows that in relation to Employee Benefits Expense, the forecast actual result for 2016/17 is \$28,255,000 and that the proposed budget amount for 2017/18 is \$29,313,000.

This represents a budgeted increase of 3.7% from the current forecast for 2016/17.

Clearly this level of employee cost increase is out of kilter with the current period of low inflation and low wage growth that is being experienced by most community members, and is not sustainable in the long run.

Further, BCSC still has employee numbers that are higher than comparable shires of Baw Baw and Surf Coast, who manage revenues of 24% more and 9% more respectively.

This might be more clearly seen in the table below, which shows the total income divided by EFT employees for the three Councils.

Revenue amount managed per employee		
Bass Coast	Baw Baw	Surf Coast
\$242K	\$348K	\$267K

Also, the average BCSC employee cost 2016/17 was \$91,525.

The average BCSC employee cost 2017/18 is \$95,340, an increase of 4.2% per employee.

This requires some explanation, as the EBA is 2.5% for three years and the grade increase is 0.7% i.e. a total of 3.2%.

The EBA was negotiated by the current executive at 2.5% increase per annum for 3 years at a time when wage growth was 1.9% per annum and CPI was 1.6%.

The draft budget for Surf Coast Shire shows that they negotiated at the same time a 2.0% increase.

What does that say about the Shire's negotiators ability to hold cost increases to sustainable levels?

### **Asset Renewal Sustainability Index**

Asset renewal is also disappointing in so far as 100% is not expected to be met over the life of the current Council.

Along with previous budgets, the current 2017-18 draft budget on page 37 states that *"A value of 100% or greater is considered to be an essential target."*

However, the budget shows that the average Asset Renewal Sustainability Index over the next four years is just 89%. This is well short of what Council acknowledges to be an essential target level.

Nonetheless, the current forecast of 89% is a huge improvement on the approximate 50% that was achieved in the budgets adopted during the term of the previous Council.

### **Capital Expenditure**

The draft budget claims that *"The capital expenditure program has been set and prioritised based on a rigorous process of consultation . . ."*

We dispute this, and argue instead that the year to year changes around what-is-in and what-is-out of the capital works major initiatives program is a much vexed issue for the community, and the community is not aware of these changes until such time as the draft budget is released for public review.

As history shows, and as the Manager for Governance and Organisational Development advised at the recent Inverloch budget information session, no significant changes will be introduced to the budget through the public submission period.

Therefore we encourage Council to consider introducing a citizen's jury across the Shire well before preparation of the 2018-19 budget, in order to improve transparency and democracy around the capital works allocations.

Here follows some other feedback that we are receiving from community members about the Capital Expenditure outlines in the 2017-18 draft budget.

*The proposal to spend \$M1.6 on buildings to be leased long term to PINP is outside the core business of Council which is to provide roads, waste management and disposal and services to ratepayers and residents of the Shire.*



*Council should not try to become involved in the Real Estate Business.*

*There is no immediate benefit to ratepayers, and whilst we may obtain an improvement to a building completely paid for by PINP, the \$M1.6 borrowed could have been used to obtain grants for further important infrastructure on a \$1 for \$1 basis.*

*There is no mention in the draft budget of a Transfer Station for Phillip Island, only the cost of a probity advisor. Surely our staff are competent, or should be, to determine the probity of tenders. As there is not a transfer station any proposal will require capital expenditure to cover the initial setting up to provide the service.*

*If this is contracted out, and it is understood that expressions of interest have already been promulgated, anyone taking on the contract will require a long term lease to enable them to recover the capital cost and obviously the operating costs plus PROFIT during the contract term. If Council were to undertake this operation then the profit would be added to the budget surplus and the infrastructure would remain a Council asset.*

*The inclusion of Phillip Island Transfer Station in Major Initiatives on page 3 of the Sustainable Development and Growth division in the Budget Service Statements would have given ratepayers more confidence that something will be done after so many years of waiting.*

### **Consultants**

The budget contains about \$1.2M for the use of consultants. With adequately trained and qualified staff this figure must be able to be reduced. The use of consultants should be restricted to very specialised knowledge and experience.

## **2. Council Plan**

Overall the Draft Council Plan 2017-2021 and Draft Municipal Public Health and Wellbeing Plan 2017-2021 appear to have found the right balance to meet the various needs of the community.

It is especially pleasing to see that the Council Plan includes objective measures by which the community will be able to assess the ability of Councillors and the Administration to deliver on the strategic goals that have been set.

Nonetheless, there remain areas of concern that we wish to bring to the attention of Councillors. These concerns are discussed below.

### **The Fair Go Rates System**

A glaring omission from the Council Plan is the complete lack of any commitment to abide by the Fair Go Rates System without making an application for variation.

As you all know, rate capping legislation was introduced by the State Government in 2015 to put an end to out of control rate increases which were being imposed Victorian Councils.

BCSC was no stranger to these uncontrolled and excessive rate increases.

The previous Bass Coast Council increased residential rates by an average of 4 times the inflation rate in each of their first 3 years. Had it not been for the rate cap, the gouging of ratepayers would have continued in 2016, as the LTFP sought to impose average rate increases of 4.7%, almost double the 2016 rate cap.

Here are two quotes attributed to Minister Natalie Hutchins at the time;

- *"Council rates have been rising uncontrollably for too long. It defies logic why any fair minded Member of Parliament would vote to continue to inflict this on Victorian ratepayers."*
- *"Councils need to put a stop to over-the-top executive pay rises and needless waste"*

And you are also probably well aware that excessive rate increases were one of the main drivers that led to the community's enthusiastic formation of BCRRA.

For too long in our recent past, Councillors have taken the easy option of reaching into ratepayer's pockets, rather than to vigorously manage the CEO, and thereby the Administration, to drive down costs.

There may be some people in the Administration that might encourage Councillors to seek an exemption to the cap, if not this year then perhaps in following years. The MAV and other organisations representing Victorian Council Administrations have previously expressed opposition to the rate cap.

But the Fair Go Rates system is an effective, fit-for-purpose framework that gives ratepayers transparency and confidence in their council's rating system and assurance that they are receiving maximum value for money in the longer term.

We strongly urge that you include a firm statement of commitment to abide by the rate cap, without any variations, for the remainder of this term.

### **Strategic Resource Plan**

The Strategic Resource Plan is obviously an essential document for Council and the community.

So it is odd to see that whilst the Municipal Public Health and Wellbeing Plan is clearly stated to have been incorporated in the Council Plan, no such attribution is afforded to the SRP.

Council might like to consider including mention of the SRP on the cover page of the Council Plan, as it does for the MPH&WP.

### **SRP – Employee Benefits**

Page 23 of the SRP shows no restraint being imposed to employee benefit increases post the current EBA, with the level of increase moving up to be 3.4% in 2020/2.

As mentioned earlier, these continued level of increases are unsustainable as they are above both the general inflation rate and wage growth rates for the private sector.

### **SRP – Rates and Charges**

Similar to Employee Benefits, page 23 of the SRP shows no restraint on forecast increases to rates and charges.

The increases are shown to average 4.4% in each of the four years of the SRP.

This is another example as to how ratepayers would be unprotected from excessive rate increases if it were not for the Fair Go Rates System, or if Councillors are unwilling or unable to instil proper fiscal discipline onto the Administration.

### **Conclusion**

Your new Council has made a good start, and we hope that you will continue your efforts to improve transparency, consultation and engagement with the community, and increased fiscal discipline for the remainder of your term.

We hope that all Councillors will genuinely consider the points and suggestions that have been put through this document.

Yours sincerely,

Kevin Griffin & John Swarbrick.