

Ratepayers of Port Phillip, Inc.

Submission on Draft Council Plan and Budget for 2021-22

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Executive Summary

The COVID-19 pandemic has severely impacted the Australian economy, employment and the savings of ordinary Australians. This once-in-a-generation pandemic has been met with unprecedented fiscal and monetary intervention from federal and state governments which has prevented economic catastrophe. Nevertheless, household budgets are tight, and sectors of our community are struggling. Consumer price inflation is at a 70-year low and wage growth is also at record lows. In this economic environment, it is unconscionable for the City of Port Phillip (CoPP) to increase rates in the 2021-22 budget.

We strongly object to the proposed \$2.0 million increase in rates revenue and request CoPP to find savings in the budget to fund a much-needed rates freeze. We do not accept the argument put forward by council that this is not possible due to the compounding effect - residents also face compounding of rates over many years and household budgets are struggling more than the council budget. The proposed efficiency gains are inadequate because they still are not able to fund a rates freeze. We call on the Council to find additional savings without cutting services.

Ratepayers of Port Phillip advocates for:

1. A rates freeze for this budget funded by more efficient delivery of existing services,
2. A review of contractor payments and employee headcount particularly in the management division,
3. A renewed focus on service delivery, and a reduction in report writing which comes at great cost but delivers little value to ratepayers or residents,
4. An honest admission by council that rate increases fall disproportionately on the owners of free-standing homes.

Rate freeze opponents claim the rate rise only amounts to \$27 per property, but that includes the large number of flats & apartments across CoPP. House owners bear a far higher proportion of this rate rise, and often face yearly rate increases in the hundreds, and sometimes thousands of dollars which then compounds year after year. For many house owners, CoPP rates exceed the annual cost of groceries. This rates burden makes CoPP an increasingly unsustainable city to live in for ordinary Australians, and means that increasingly, only the rich will be able to afford to live in some parts of our city.

CoPP's rates are excessive compared to neighbouring councils, yet residents in CoPP are under-serviced by council. We believe this is due to mismanagement of funds, with chronic inefficiencies, lack of governance, and a neglect to focus on value for money for ratepayers.

The current division of rates revenue by property value exacerbates this problem in an era of property value inflation by allowing year-on-year rates revenue increases to fall disproportionately on house owners, relieving most residential properties from contributing. This model may be progressive, but it is unsustainable, and the council must act to, at the very least, stop increasing overall rates revenue.

Introduction

Our submission raises substantive and long running concerns that we have argued for years about high council rates. Again, we propose this here by showing ways this council can cut its spending. Local Governments are responsible for delivering services and infrastructure required by ratepayers. RoPP's contention is that this council is failing to meet this responsibility by:

- delivering services, funding events, and building infrastructure that are neither the responsibility of local government nor required by ratepayers,
- not delivering core services in an efficient and economical way, such as roads, garbage collection, management of public properties and cost blowouts on projects, and
- expanding bureaucracy which prepares an endless number of reports that are never actioned, that never deliver a measurable outcome and are a significant waste of ratepayers' funds.

This document details where RoPP believes council can rationalise its services and infrastructure project costs without reducing the level of service delivered to ratepayers in those areas which are the responsibility of local government.

General Comments

We were astounded to read that *'without action, the Financial Plan forecasts a cumulative \$109 million funding gap due to rate capping'* on page 57 of the draft Council Plan. This disclosure highlights the ambitions of CoPP to deprive ratepayers of an additional \$109 million if it were not for the State Government's protection of the 'fair go' rate cap.

Council should consider their broader responsibilities to our fractured community recovering from the COVID-19 pandemic by showing strong leadership and passing on a zero-rate increase for 2021-22. This could easily be achieved by finding efficiencies such as reducing the corporate consultant and contract spend allocated in the Budget at \$48.5M. We are astounded by the amount paid to contractors and consultants. CoPP needs to get a better deal for ratepayers. Our city requires strong leadership to find spending efficiencies and to help the repair of the economic emergency. This submission has been prepared by Ratepayers of Port

Phillip Inc. (RoPP) for consideration by council during the finalisation of the budget for 2021-22.

Port Phillip rates are too high

Port Phillip ratepayers are paying more than our neighbours in Bayside, Stonnington and Glen Eira. Using the median property value in Port Phillip of \$1.68 million in June 2018, Port Phillip rates and charges would be \$3,132 compared to amounts of \$1,978 in Stonnington, \$2,580 in Glen Eira and \$2,451 in Bayside for the same value property.

Sources: <https://economy.id.com.au/port-phillip/housing-prices> and <https://ropp.org.au/property-rates-calculator/>

It is inequitable that ratepayers in CoPP pay excessive rates with year-on-year increases, and in return get poor value for money!

Port Phillip is under-serviced

We are paying more than neighbouring councils and getting less services. Our neighbours pay less rates and get green and food waste bins and free parking permits, as shown in the table below.

Table 1 - comparison of kerbside waste services and parking permits between councils

Service	Port Phillip	Stonnington	Glen Eira	Bayside
Kerbside Waste services				
Landfill bin	120 L	120 L	120 L	140 L
Green bin	NO	YES*	YES	YES
Food bin	NO	YES*	YES	YES
Parking Permits				

For eligible residential properties	\$84 each	Two free	One free	Four free
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**\$98 p.a. optional*

It is surprising that Port Phillip Council purports to be a leader in sustainability yet does not provide food waste and green waste bin services. Port Phillip sends over 70% of waste to landfill, whereas the average Victorian council saves **50% more** waste from landfill than Port Phillip. Source:

<https://knowyourcouncil.vic.gov.au/councils/port-phillip/reports/waste-collection>

The option to introduce green and food waste bins was considered by council in 2018 but rejected because it "was found to be extremely expensive due to high set up costs, and would only meet the needs of half of our community." This decision by our council to deny residents green/food waste bin services has resulted in an extra 8,000 cubic tonnes of waste going to landfill **per year**. Source:

<http://www.portphillip.vic.gov.au/Minutes%20Ordinary%20Council%202017%20October%202018.pdf>

Council trialled FOGO (food organic and garden organic) waste bins in 2020, only after the Victorian government mandated these bins to be rolled out by 2030 ('Recycling Victoria, a new economy'). Council must prioritise spending on waste management and find efficiencies to fund green bins and food bins if we are going to be a sustainable city.

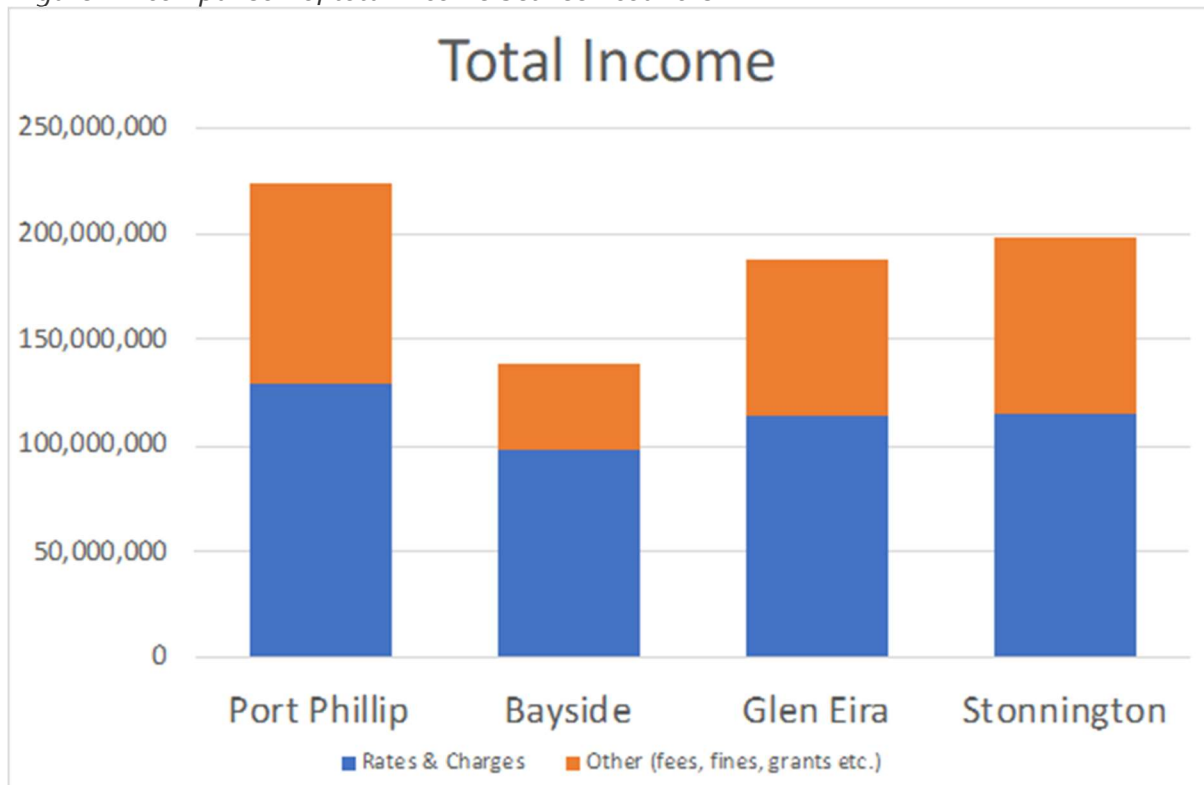
Other councils have had these bins for many years, and they are highly effective at reducing waste sent to landfill. For a council that has declared a 'climate emergency', it is very contradictory that this important sustainability measure was not introduced earlier and even now, it will not be fully implemented for some time yet. Source:

http://www.portphillip.vic.gov.au/default/WasteManagementOperationsDocuments/WM_Waste_Recycling_A4_6PP_0317_PROOF5_Spreads.pdf

Why are Rates too high in Port Phillip?

Port Phillip collected \$129 million in Rates & Charges, and \$95 million in other charges such as fees, fines and grants, that's much higher than neighbouring councils in 2019-20 (Fig 1). Rates and charges are proposed to increase from \$133 million in 2020-21 to \$136 million in 2021-22.

Figure 1 - comparison of total income between councils



There are a few potential reasons why Port Phillip might need to collect higher rates than other councils:

1. Coverage area & length of local roads
2. Population
3. Total number of properties
4. Average cost per staff member

1. Coverage area

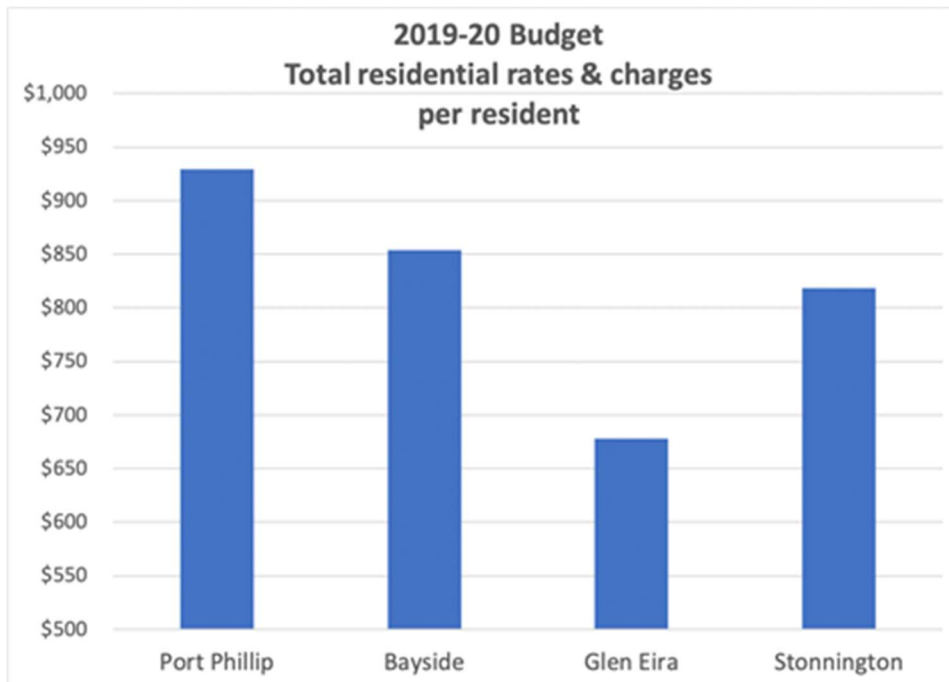
The larger a municipality is, the more money needs to be spent on maintaining roads, footpaths, parks, streetlights, stormwater pipes etc. However, Port Phillip has the smallest area and the shortest length of roads, but the highest rates. Port Phillip spends more than double compared to some neighbouring councils based on these metrics.

	Port Phillip	Bayside	Glen Eira	Stonnington
Coverage area (square km)	20.7	37.2	38.7	25.7
Rates (\$mil) / km ²	\$6.24	\$2.63	\$2.95	\$4.48
Length of local roads (km)	215	355	433	261
Rates (\$K)/ km	\$602	\$276	\$264	\$442

2. Population

Council services are most fairly compared based on population. This is because the council provides services like libraries, parks, activity centres, childcare, customer service centres, parking permits etc. based on how many people they need to service. Does this explain the high rates?

	Port Phillip	Bayside	Glen Eira	Stonnington
Population	110,634	104,274	151,439	113,737



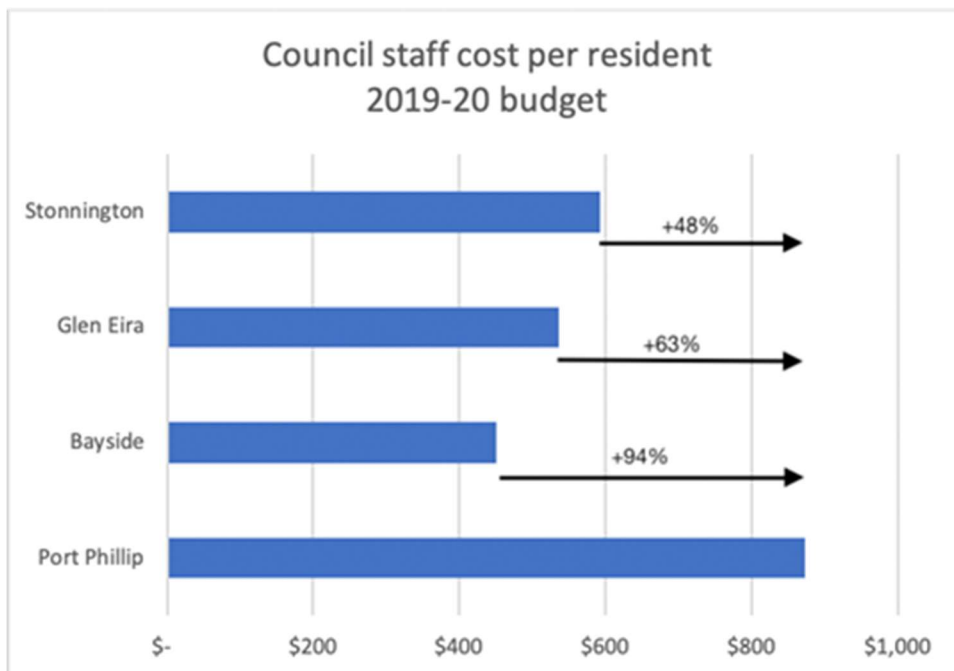
No it doesn't. Port Phillip has **higher rates & charges per resident** than neighbouring councils, and there is an interesting reason for that. Port Phillip Council employs more staff than neighbouring councils, and pay their staff more than neighbouring councils. The cost to ratepayers is huge and cost \$96.6 million in 2019-20:

	Port Phillip	Bayside	Glen Eira	Stonnington
Staff numbers (FTE)	883	440	860	642
Average staff cost	\$109,442	\$106,619	\$94,477	\$104,850
Total staff cost	\$96.6 million	\$46.9 million	\$81.3 million	\$67.3 million

Each resident in the City of Port Phillip pays \$873 for council staff costs, whereas for the other three councils, the cost ranges from \$450-592. The City of Port Phillip say that because they choose to provide services that others may not, that this is an unfair comparison. And yes, we agree to an extent.

Port Phillip Council states that the extra staff they employ are for council-run childcare centres parking enforcement, for street / beach cleaning, and for teams to run South Melbourne Market and major festivals like St Kilda Festival. **But even when these additional staff costs**

are removed, Port Phillip remains the most expensive and inefficient council compared to its neighbours.



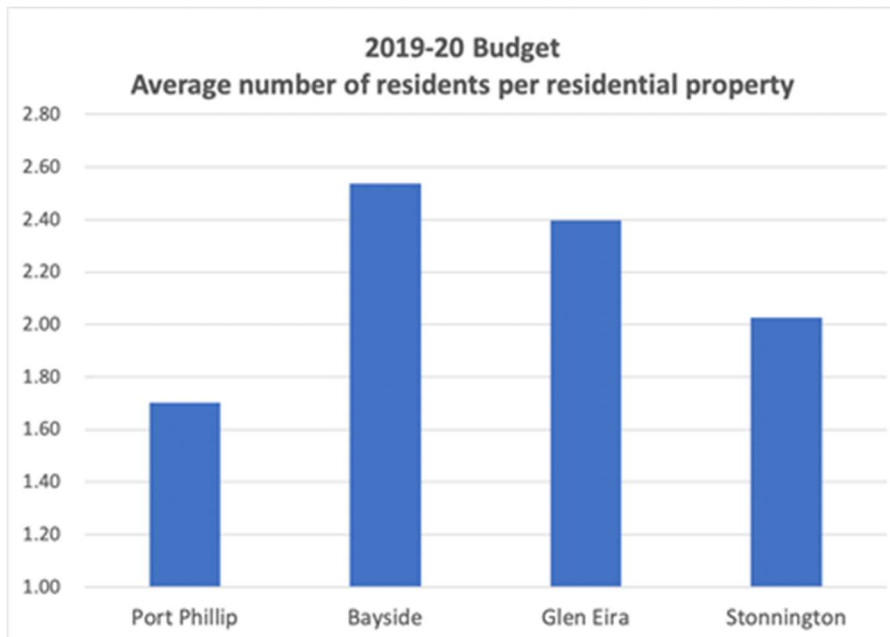
3. Total number of properties

For a minority of services, like collecting rubbish, the number of properties does influence cost. But in the City of Port Phillip, waste management only accounts for 5.3% of the total spend, according to the Essential Services Commission.

Some groups with vested interests in keeping rates high have claimed that **average rates** should be used to compare the rates charged by different councils. Let's look at why that is not a valid way to compare rates (and why those groups use this metric to deceive the public):

Reason 1 – Port Phillip has a higher number of residential properties

We know that most services council provides depend on the number of people they provide services to and the infrastructure they service (see sections above). Port Phillip has a high number of residential properties. Or alternatively, you could say that there are less residents per property:



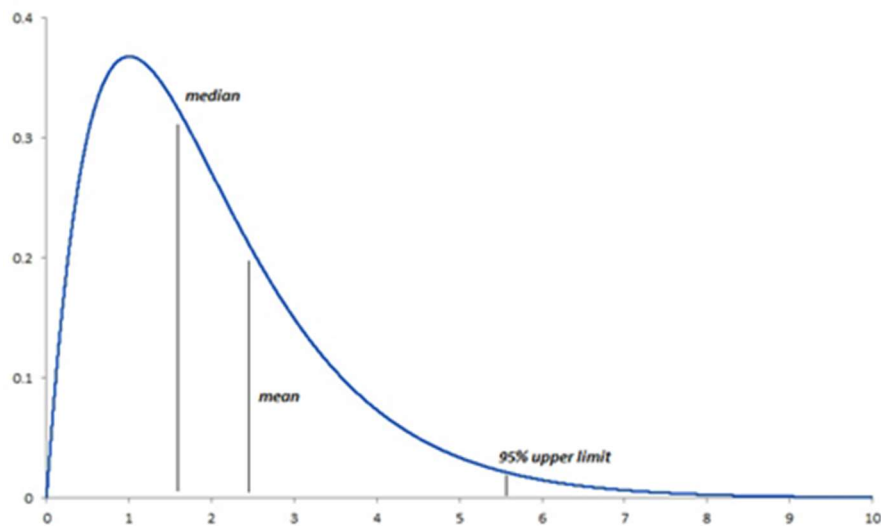
Whether residents live in large properties together, or in small properties alone, this doesn't change the total amount of rates being charged by a council; it only changes the average rates per property. That's why average rates per property is a poor measure of whether council rates are comparatively high or low. The fact is, that given we have so many residential properties in a small area, rates should be a whole lot lower!

Reason 2 – Not all properties are the same

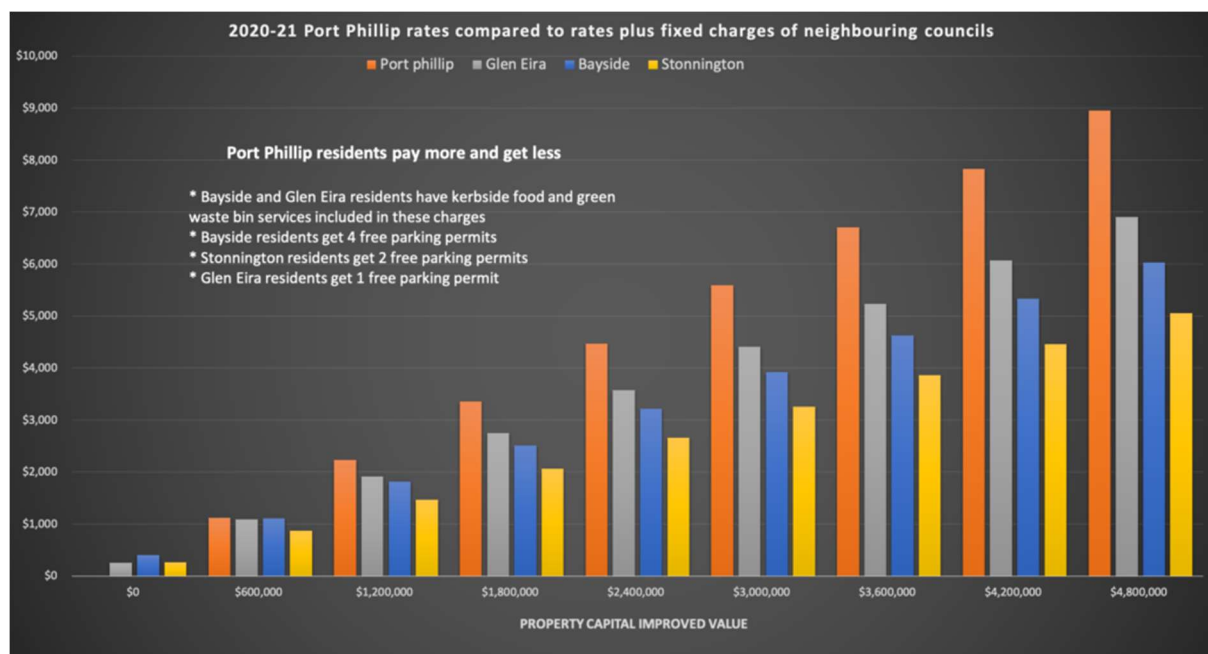
We have a progressive rates system whereby the level of rates you pay is proportional to your property value. While there are many small apartments paying rates similar to neighbouring councils, the brunt of high rates is borne by those with higher property values, many of whom may not have the propensity to pay (the value of your property does not always indicate your income).

The reason average rates in Port Phillip are the same, or even slightly lower than neighbouring councils, is because of the positive skew in property values. Port Phillip has many apartments which are lower in value than the median (middlemost) property value. This should result in vastly lower "average" rates compared to neighbouring councils but Port Phillip council has the same average rates. This is only because the overall rates burden is far far higher. This statistical deception - *that average rates per property does not reflect why rates are so expensive overall* - is the reason that *average rates* cannot be used without a clear understanding of the

skewness of property values in a municipality which is the case for Port Phillip. To reiterate, *the average rates per property* does not reflect why rates are so expensive overall, especially for many ratepayers in Port Phillip. This is demonstrated when the median value is higher than the average value as in the diagram below; and would be a similar graph for Port Phillip for *rates value vs number of properties*.



Comparison of rates plus fixed charges in 2020-21



Port Phillip council has significantly higher rates than neighbouring councils. The high number of apartments explains why using the average rate per property is a poor comparator between

councils. When viewed fairly, the City of Port Phillip is shown to be a high taxing and comparatively inefficient council. The table below shows that on any measure Port Phillip is a high taxing and inefficient Council compared to its peers.

Budget 2019-20 (from June 2019)

Council	Port Phillip	Bayside	Glen Eira	Stonnington
Total residential rates & charges per resident	\$ 929	\$ 854	\$ 678	\$ 819
Total Rates & Charges per resident	\$ 1,167	\$ 939	\$ 754	\$ 1,013
Total Income per resident	\$ 2,029	\$ 1,324	\$ 1,240	\$ 1,750
Total Expenditure per resident	\$ 2,080	\$ 1,110	\$ 1,119	\$ 1,373
Budgeted surplus per resident	\$ (51)	\$ 214	\$ 121	\$ 377
Residents per staff member	125	237	176	177
Rates & Charges/Coverage Area (\$/square km)	\$ 6,239,081	\$ 2,630,693	\$ 2,950,069	\$ 4,484,708
Average cost per staff member	\$ 109,442	\$ 106,619	\$ 94,477	\$ 104,850
Staff cost per resident	\$ 873	\$ 450	\$ 537	\$ 592
Residents per km of roads	515	294	350	436
Total rates & Charges per \$ of NAV (shown in cents)	3.76	2.78	3.42	2.38
ESC: total operating expenditure per person, 2017-18	\$ 1,745	\$ 848	\$ 875	\$ 1,192

4. Average cost per staff member

Why are the City of Port Phillip employee costs so much higher than the Melbourne and Australian averages, and how is Council planning to reduce these costs going forward? The City of Port Phillip, Services Profile budget for 2020-21 lists employee costs at \$89.5 million. This is:

- \$3.2 mil. (3.8%) above the Melbourne average cost, and
- \$15.6 mil (21.1%) above the Australian average cost.

Of the 28 Services listed in the budget papers:

- 21 of the 28 services (75%) are above the Melbourne average cost, and
- 27 of the 28 services (96%) are above the Australian average cost.

These numbers infer:

- employees are being overpaid, or
- the ratio of management to workers is too high.

These disproportionately high costs and are contributing to the unacceptably high level of rates demanded by Council from ratepayers. While it may be unreasonable for ratepayers to expect Council to be operating at best practice, it is not unreasonable to expect Council to be planning to be better than average, not worse.

What benchmark is Council planning to use to measure employee costs in 2021-22?

How will working from home contribute to improved service efficiency and lower employee costs in the future?

Source: <http://www.salaryexplorer.com/salary-survey.php?loc=13&loctype=1>

Budget 2020/21 - Employee Costs

#	Service Profile	Employee Cost	FTE	Average Cost	Comparison to Melbourne Average Salary	Comparison to Australian Average Salary
		2020-21		2020-21	2021	2021
		\$	%	\$	\$	\$
1	We embrace difference and people belong					
1	Affordable housing	530,000	3.7	143,243	135.1%	158%
1	Ageing and accessibility	5,093,000	55.9	91,109	86.0%	100%
1	Children	10,013,000	107.0	93,579	88.3%	103%
1	Community programs and facilities	1,986,000	16.9	117,515	110.9%	129%
1	Families and young people	2,602,000	24.3	107,078	101.0%	118%
1	Recreation	747,000	5.6	133,393	125.8%	147%
2	We are connected and it's easy to move around					
2	Transport and parking management	6,384,000	66.6	95,856	90.4%	106%
3	We have smart solutions for a sustainable future					
3	Sustainability	1,514,000	12.2	124,098	117.1%	137%
3	Waste management	2,223,000	22.6	98,363	92.8%	108%
4	We are growing and keeping our character					
4	Amenity	5,986,000	58.7	101,976	96.2%	112%
4	City planning and urban design	2,694,000	18.7	144,064	135.9%	159%
4	Development approvals and compliance	6,754,000	59.9	112,755	106.4%	124%
4	Health	1,543,000	13.0	118,692	112.0%	131%
4	Local laws and animal management	1,927,000	17.6	109,489	103.3%	121%
4	Municipal emergency management	436,000	2.6	167,692	158.2%	185%
4	Public space	2,093,000	17.1	122,398	115.5%	135%
5	We thrive by harnessing creativity					
5	Arts, culture and heritage	1,373,000	11.0	124,818	117.8%	137%
5	Economic development and tourism	712,000	4.8	148,333	139.9%	163%
5	Festivals	2,253,000	18.2	123,791	116.8%	136%
5	Libraries	4,190,000	42.8	97,897	92.4%	108%
5	South Melbourne Market	1,589,000	11.7	135,812	128.1%	150%
6	Our community to you					
6	Asset and property management	4,078,000	34.3	118,892	112.2%	131%
6	Communications and engagement	2,176,000	17.8	122,247	115.3%	135%
6	Customer experience	2,687,000	24.5	109,673	103.5%	121%
6	Finance and project management	7,105,000	62.8	113,137	106.7%	125%
6	Governance risk and policy	2,938,000	28.1	104,555	98.6%	115%
6	People, culture & safety	2,876,000	16.1	178,634	168.5%	197%
6	Technology	4,964,000	38.9	127,609	120.4%	141%
	CoPP total employee cost	89,466,000	813.4	109,990		
	CoPP total employee cost at Melbourne average salary	86,220,400	813.4	106,000		
	CoPP total employee cost at Australian average salary	73,856,720	813.4	90,800		
	CoPP employee cost excess over Melbourne average	3,245,600		3.8%	% Variance	
	CoPP employee cost excess over Australian average	15,609,280		21.1%	% Variance	
	Total number of services within average				7	1
	Total number of services over average				21	27
	Total number of services				28	28
					25%	4%

Transparency and Efficiency measures

There seems to be a trend over the last decade or two of cost shifting, from the State and Commonwealth Governments to Local Governments. This, combined with the Council's clear propensity and voracity for spending every last rates dollar on services that are not core functions of local Government, has created the perfect storm that CoPP now faces: a budgeted spend much higher than necessary, and without the necessary reserves able to deal with emerging issues.

We ask that CoPP address the first issue by fighting back and not accepting cost shifting from other levels of Government. We ask that CoPP address the second issue by immediately identifying which of its outputs are "core" (mandated by legislation or universal community expectation) and which are optional (nice-to-haves). This would increase transparency and accountability for the choices that CoPP makes when it comes to spending public ratepayer money. We expect Council charges market rents for Council assets. For example, the Australian National Academy of Music's (ANAM) rent of the South Melbourne town Hall, St Kilda Marina and West St Kilda Beach Pavilion.

We ask that CoPP address the second issue by immediately adopting Zero-Based Budgeting (<https://www.investopedia.com/terms/z/zbb.asp>). This would enable CoPP to clearly identify which of its outputs are "core" (mandated by legislation or universal community expectation) and which are optional (nice-to-haves). This would increase transparency and accountability for the choices that CoPP makes when it comes to spending public ratepayer money.

Conclusion

Port Phillip council has significantly higher rates than neighbouring councils based on all relevant metrics except average rates, which are not useful in making comparisons between councils. We call for meaningful reduction in council expenditure by improving efficiencies, rationalising the top heavy management and eliminating those services not required by all rate payers, and for the money saved to be directed towards a rate freeze in the 2021-22 Budget.

What more can we say? If our rates were truly the same as neighbouring councils with the same level of services, our community group wouldn't need to exist at all.

Disclaimer:

All figures stated in this article are taken from the 2019-2020 council budgets. Rates & Charges quoted include the fixed per property charges that almost all councils charge (75 of the 79 Victorian councils charge for waste services on a per property basis).

Sources:

<https://www.propertyandlandtitles.vic.gov.au/valuation/council-valuations>

http://www.portphillip.vic.gov.au/ICP_2017-27_COUNCIL%20PLAN_year%203_Complete.pdf

https://www.bayside.vic.gov.au/sites/default/files/council/item_10.2_-_attachment_2_-_annual_budget_2019_20.pdf

<https://www.gleneira.vic.gov.au/media/4649/2019-20-annual-budget.pdf>

<https://www.stonnington.vic.gov.au/files/assets/public/about/corporate-documents/budget/council-adopted-budget-2019-2020.pdf>

<https://haveyoursay.portphillip.vic.gov.au/budget-20202021/online-budget-session-4-may>