

Ratepayers of Port Phillip



17 May 2019

Your chance to influence rates in Budget 2019-20

Fellow RoPP members, we write with reference to our previous newsletter which asked that you take the time to read the DRAFT City of Port Phillip (CoPP) budget for 2019/20.

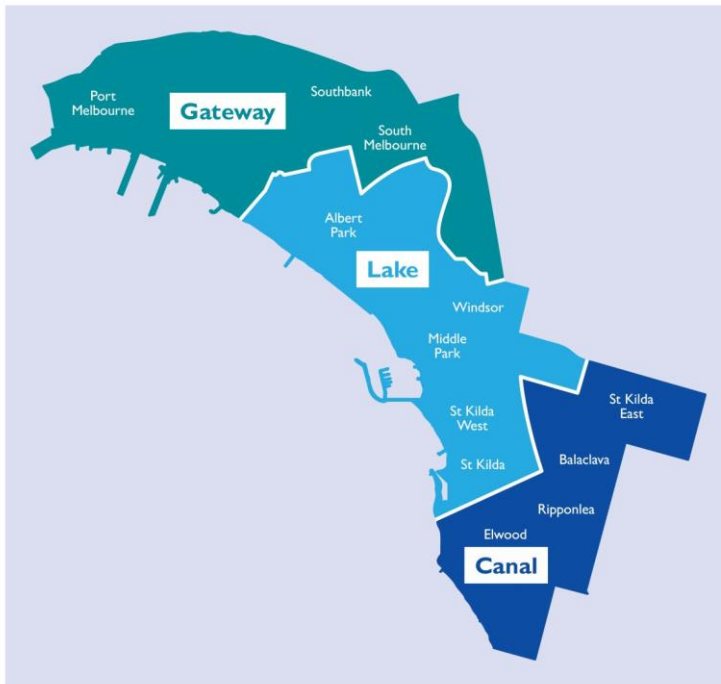
We thank those members who took the time to lodge a submission on the budget or register your concerns via the 'have your say' survey. RoPP has feedback that CoPP is taking our community group seriously and they are listening to us.

RoPP has 500 members and is getting traction through your membership. We urge you to encourage your friends and neighbours to sign up and grow what is the largest community group in CoPP.

We invite you to get suitably aggrieved and demonstrably loud in your communications direct to councillors regarding the lack of financial and commercial reality in framing a Budget.

Some of you have asked for assistance with your submission on the Budget. We are pleased to provide the following information. Please note your submission is due by close of business on **Tuesday 21 May**. You can express your views on the budget by:

- 1) Email your submission to helpdeskabpp@portphillip.vic.gov.au and send copies to the Councillors who represent your ward – see map below and contact details for each Councillor: http://www.portphillip.vic.gov.au/your_councillors.htm
- 2) Provide comments at <https://haveyoursay.portphillip.vic.gov.au/draft-budget-2019-to-2020-and-year-3-of-the-council-plan>



Everyone who lodges a submission is able to speak to it at a Council Meeting on Tuesday 4 June, 6.30 pm at St Kilda Town Hall. Please let us know if you are interested in speaking at the meeting.

Please feel free to use some or all of the content of this Newsletter to help prepare your submission.

Overview of the Draft Budget

You can find a copy of the Draft Council Plan and Budget for 2019/20 at <http://www.portphilip.vic.gov.au/april-2019-meetingagendas.htm>

1. CoPP total revenue \$228M, of which rates are \$125M of that total for 2019-20.
2. Rates are proposed to increase by \$4 million in the 2019-20 budget.
3. The CoPP spend every dollar of that revenue without reservation.
4. Council wastes millions on pet projects, irrelevant spending, poor asset management and with no apparent regard to fiscal responsibility for ratepayers.
5. Council has too many employees and is paying too much to consultants and contractors. Why has Council budgeted for 879 employees at a cost of \$96m when the comparative Councils employ fewer people and have lower labour costs (see below).

6. We object to CoPP's suggestions that ratepayers can reverse mortgage their home to pay rates and Self Funded Retirees to defer rates indefinitely at a penalty interest rate 5% (half of normal penalty) if they are not able to pay the rates.

7. We believe the rate increase is not justified because the City is already spending too much on services that are:

- a) Not required by ratepayers and residents
- b) Not statutory obligations of local government

For members who want details

The CoPP need to be held to account, below please find a list of wasted expenditure items and issues that RoPP has identified. We have provided page numbers of Budget papers if you would like to look at the details.

- CoPP's claim that 'without action, the Financial Plan forecasts a cumulative \$75 million funding gap due to rate capping' (page 98). This is a breathtaking comment and highlights the ambitions of CoPP to deprive ratepayers of an additional \$75 million if it were not for the rate cap.
- We question CoPP's expenditure on \$22.3 million for Customer Service (\$10m in 2019-20) plus 30% contingency (page 52). This cost is not justified because the Budget papers indicate only 4.1% of people surveyed used customer services and only 11.8% said customer service is important to them. We understand the \$22.3 million Customer Service program aims to change processes and automate a number of manual systems. We challenge CoPP's claim that the program, will deliver \$35 million efficiency gains over the 10 years. Where does this efficiency translate in actual \$ savings in Expenditure. There is no evidence in the Budget papers of a tangible improvement in efficiency when the number of employees and labour costs increase from \$93.3 million in 2018-19 to \$126 million in 2028-29.
- We also question why CoPP require a bespoke Customer Service program when surely the ratepayer can reasonably expect all 74 Councils in Victoria to be using the same systems and processes. There must be an off the shelf solution that all Councils can use and the cost savings should be given back to ratepayers as a dividend.
- What is the justification for the South Melbourne Market Solar installation \$770,000 (page 64) when CoPP is purchasing 100% renewable electricity? RoPP understands CoPP has signed a contract with Melbourne Renewable Energy Program (MREP) to purchase 100% renewable electricity from a windfarm near Ararat from 2019-20 (page 59).
- Why is CoPP budgeting to spend \$2.8 million on the EccoCentre redevelopment (page 63)?

- Installation of electric vehicle charging stations (\$240,000) – how can this be justified (page 63)? How many electric vehicles are expected to use the facility and who pays for the charging? Is this the responsibility of local government?
- Cost of resealing road per square meter is \$65 in Port Phillip which is 5X more for all councils and twice for similar councils. The Council Officer's explanation is roads need to be thicker in Port Phillip due to higher rates of traffic is not plausible. We have been advised by a civil engineer that this is nonsense.
- 'Fisherman's Bend Funding Gap' is a 'Catastrophic Risk' with an 'Almost Certain' probability (pages 146-148). The total infrastructure bill is \$376 million and costs are planned to be shared between Vic Gov, Melbourne City Council and CoPP. Fisherman's Bend is a looming problem for CoPP but the draft Budget does not present a strategy for dealing with the issue. What plans are CoPP undertaking to manage this almost certain catastrophic risk?
- CoPP has paid \$13.4 million to construct Kirrip Park at the Ferrars Street Education and Community Precinct as a part of the Fisherman's Bend Major initiatives (Strategic Direction 4 – page 72). CoPP must stop spending on infrastructure when it is not the responsibility of ratepayers to fund infrastructure in Fisherman's Bend. Developers should be asked to contribute to the cost of infrastructure.
- Memberships (\$300,000) – there is no need for CoPP to be members of other organisations when the value to ratepayers is non-existent.
- The cost of the Inner Metro Sustainability Hub business case and land acquisition that is costed at \$18.9 over 4 years in the Budget. What is the hub and is this Hub required due to the required closure of the Resource Recovery Centre in South Melbourne? Will the proceeds of the land be used to offset the cost of the new facility? What is the estimated cost of the land? Is this a part of the Fisherman's Bend development?
- CoPP are wasting ratepayers money on consultants who undertake research studies, surveys and reports. Many reports are written by consultants that are never implemented. For example traffic study at the South Melbourne Market. It is difficult to identify expenditure amounts in the Budget that relate to research and reports.
- CoPP have many underperforming assets which should be raising additional revenue and reducing the pressure on ratepayers and residents (page 95-96). For example St Kilda Marina, West St Kilda Bathing Pavilion, Sth Melbourne Town Hall, Schiavello Group and Café Watersedge. What can CoPP do to improve the dividend for ratepayers and residents?
- Rent from the St Kilda Marina is \$172,000 when an independent property analyst has valued the market rent should be an \$800,000 p.a. (not \$276,000 disclosed in the Budget). We cannot understand why Council approved a 3-year interim lease agreement with the current tenant after leasing the marina for a peppercorn rent over 50 years. Why were the

terms of the agreement put to the community for consultation and Councillor's approval when the deal was already done. CoPP voted to tender for the operation of the St Kilda Marina in 2016 and in 2019 you still have not called for tender proposal. What can CoPP do to improve the dividend for ratepayers and residents?

- South Melbourne Town Hall Renewal and Upgrade (\$7.1M over 4 years) – this is an under performing asset due to the pepper corn rent received from the current tenant, Australian National Academy Of Music (ANAM) – what plans does the CoPP have to recover the costs of the upgrade? The Budget papers state the market rental of the Sth Melb Town Hall is \$450,000 when the current tenant pays rent of \$1,000 p.a. and \$120,000 for building outgoing costs but this amount does not cover the cost of electricity, gas, cleaning, lift maintenance etc). The lease delivers a substantial financial subsidy to ANAM from CoPP. Why are the ratepayers of this city being asked to subsidise a National Academy with students from not only around Australia, but also overseas? We understand that ANAM receives a major grant from the Victorian Govt. What attempts have been made / should be made to receive a grant from the Vic Gov to assist in the Town hall repairs/ upgrades? The responsibility for adequate funding rests with the Federal and State governments, not CoPP.
- CoPP has disclosed they have a problem with the cost of running the Council operated childcare centres. The Council has stated in their childcare policy document that "increasing cost of providing childcare services is not sustainable under the current service model". RoPP supports a more financially sustainable service model in which "Council ceases operating Council run childcare services and transition services to community run /not-for-profit providers". Council have also disclosed that the subsidies are not targeted to assist disadvantaged families and essentially CoPP is providing middle-class welfare.

RoPP advocates for a Council initiative that will deliver a win-win for ratepayers and residents. RoPP members are users of both Council run and Community operated childcare services and we know from experience that the community operated services are superior to the Council run services. We are therefore, confident that transitioning to Community operated services is likely to improve services while saving \$2 million p.a. An additional \$2.6m in capital costs required to upgrade aging facilities can be avoided if this option is adopted.

Port Phillip Council have also disclosed they are at risk of not complying with the National Competition Policy and are at risk of being sued by private service providers unless Council reduces its level of subsidies and/or increase fees to cover the subsidised amount. This is not a hypothetical risk because Hobson's Bay Council was sued for this very same thing.

Finally, most of us are being taxed three times in relation to childcare. We pay income taxes to the Australian Government, indirect taxes that go to the Victorian government and rates to the local government. Childcare is not the responsibility of local government and many other Councils have stopped subsidising childcare.

- The Diversity magazine costs \$200,000 p.a. and is not wanted by many people in our community. Why can't Diversity Magazine be subscribed to by email instead of printed media. It is a cost that is completely unnecessary. If you want to help elderly residents who don't have internet access then you can make the Magazine available at Libraries and you can reduce their rates and stop forcing them to reverse mortgage their home or taking an equity position in their properties.
- Why are CoPP producing a large number of annual/monthly/quarterly reports, the size content and the number of pages which are just too large to consume?

Summary of Cost Savings over 4 years

Budget Item	Cost savings
Customer Service Program	\$10,000,000
Diversity magazine	\$200,000
Memberships	\$300,000
Transition to Community run childcare	\$4,600,000
South Melbourne Town Hall Upgrades	\$7,100,000
EccoCentre redevelopment	\$2,800,000
Solar installation for Sth Melb Market	\$770,000
Electric vehicle charging stations	\$240,000
Total	\$26 million

Comparative data for your understanding

Council	Port Phillip	Bayside	Glen Eira	Stonnington
Coverage area (square km)	21	37	39	26
Population	110,942	102,882	140,900	103,832
No. of Residential properties	64,261	42,014	65,649	57,125
Total No. of residential, commercial, industrial	72,126	45,209	65,675	63,533
General rates (\$)	124,479,184	74,160,052	92,145,000	89,865,000
Total Rates & Charges (\$)	124,899,470	95,416,000	109,328,296	113,932,000
Total Income (\$)	221,456,000	130,747,000	182,320,000	187,212,000
Total Expenditure (\$)	220,419,000	111,145,000	163,660,000	149,373,000
Staff numbers (FTE)	875	432	831	650

Source:

COPP: http://www.portphillip.vic.gov.au/ICP_2017-27_Y2%20Spreads.pdf

Bayside: https://www.bayside.vic.gov.au/sites/default/files/facilities_and_venues/bayside_adopted_budget_2018-19.pdf

Glen Eira: <https://www.gleneira.vic.gov.au/Council/Our-organisation/Publications-and-reports/Budget>

Stonnington: <https://www.stonnington.vic.gov.au/files/assets/public/council/council-budget/adopted-2018-19-budget.pdf>

Do you want to be a RoPP Champion or a Council Candidate?

Many of you expressed an interest in being a member of the RoPP Committee of Management and we received hundreds of applicants. However you may be able to assist us in other ways. RoPP is urgently seeking Champions to research issues and present alternative views at council meetings.

RoPP wishes to talk to people who have an interest in becoming a councillor on an apolitical agenda focused on CoPP accountability.

RoPP support a plan to reduce rates by 10% year on year for the next 3 years, cut waste in employee costs by building productivity efficiencies and being creative about finding alternative sources of revenue by applying hard decisions on the issues as described above.

Whilst the apathy of Rate Payers is a prerogative, we have allowed "rent seekers" to increase their share of existing Rate expenditure without creating any additional or alternative wealth creation ideas.

(Rent Seeking is a concept in public choice theory as well as in economics, that involves seeking to increase one's share of existing wealth without creating new wealth)

If you would like to be involved in our activities please let us know. We are looking for people to assist in our communications, advocacy, social media and potential candidates for the Council elections in October 2020. And naturally all donations are welcome to help progress our cause.

You can contact us at

<https://ropp.org.au/> or

PO Box 2043 South Melbourne VIC 3205