

COUNCIL RESPONSE TO “2020-2021 BUDGET – OPEN LETTER TO COUNCILLORS”

From: Cr. Margaret Esakoff <MEsakoff@gleneira.vic.gov.au>

Sent: Friday, 15 May 2020 10:09 AM

To:

Subject: Re: Budget Questions

Dear Bernadette,

I refer to your email dated 7 May 2020.

In preparing the draft budget for 2020-21, Council has taken into consideration the significant impacts on residents and businesses as a result of COVID-19. Service closures, emergency response, and financial concessions to sustain community resilience have all had a substantial impact on Council's financial position.

On 7 April 2020, Council endorsed a \$7.3m 'COVID-19 Response and Recovery Package' which contains a mix of both financial concessions and new initiatives for the Glen Eira community. In the 2019-20 financial year it will be resourced through re-prioritisation of existing budgets and the re-allocation of resources (staffing and budgetary) from activities now unable to be progressed due to COVID-19. In 2020-21, Council's operating and capital works budgets will also be significantly impacted by COVID-19.

Please find below responses to your specific questions:

- a. **Why would a Council commit to a loan of \$60 million over the next few years?**

Council has committed to undertaking a significant strategic work plan over the 10 years of the Strategic Resource Plan, which includes completing a comprehensive update of the Glen Eira Planning Scheme and implementing our approach to place based planning and integrated transport. New loans of \$60m have been included in the Strategic Resource Plan to fund these strategic projects. This is considered an appropriate funding source for long-term community assets.

- b. **Why would a Council continue to decrease the Pensioner rebate on Council rates?**

Ratepayers are entitled to a total pensioner rebate of \$270 (if eligible), which includes Council's contribution of approximately \$29. Council previously agreed to hold the total pensioner rebate at \$270, with Council's contribution to the pensioner rebate determined by the portion of the State Government's contribution.

- c. **Why would a Council raise the cost of Waste collection by 15-18%?**

Council's policy is to levy waste and recycling charges on the basis of cost recovery. This is consistent with the position of the majority of Councils given that waste charges are outside

the Minister's Rate Cap. The 2020-21 budget reflects the recovery of increased contractor expenses for waste and recycling charges.

d. Why does the value of land, which is integral to calculating rates revenue, increase by 8.8% in the 2020-2021 budget?

The current revaluation is effective as at 1 January 2020. A general revaluation of all properties in the Municipality occurs every year and reflects the market valuation of properties with an effective date of 1 January. This general revaluation is authorised and signed-off by the Victorian Valuer-General. A revaluation which shows rising (or falling) property values has no effect on Council's total rate income.

e. Why should supplementary rates and Waste/Recycling increase by 25% and 15% respectively?

Supplementary valuations occur when: properties are physically changed, for example, when buildings are constructed, renovated, extended, altered or demolished. The income received for supplementary valuations is outside of the rate cap calculation and is an estimate only for properties that are likely to have supplementary adjustments performed in 2020-21.

As mentioned in point c), Council applies waste and recycling charges on the basis of cost recovery.

f. Why are employee costs increasing 3.55% and contractor payments increasing 3.7% in these austere times?

Employee costs include all labour related expenditure and on-costs such as allowances, leave entitlements and employer superannuation. The increase in employee costs is represented by: Increase for Council's Enterprise Agreement - \$2.04m; new positions to support development in Council Services \$1.57m (partially offset by increased income and diversion from consultancy spend); award increases and increases in hours and allowances - \$1.26m. These increases are offset by a \$2m reduction attributable to the closure of services due to COVID-19.

Contractor costs relate mainly to the provision of Council services by external providers. External contractors are expected to increase mainly due to: Waste Management contract costs, overall increase of \$1.83m. These cost increases are recovered from waste management fee income. In addition, Council has budgeted for Election costs of \$750k.

g. Why are \$3 million in employee costs capitalised, which is an increase of \$0.5 million from the 2019-2020 budget? What programs justify this change?

Salaries are capitalised when the salary relates directly to a capital works project. These costs are directly attributable to the actual construction/development of the project including the design. This is an accounting treatment only and there is no impact on Council's operating result.

- h. The rate revenue assumptions are based on an additional approximately 1,000 homes. How has this been calculated?**

The estimated increase in the number of assessments is attributable to a forecast increase in development across the municipality. This may or may not occur during 2020-21 and is difficult to forecast.

- i. Why is there a loss on disposal of assets each year?**

These amounts are difficult to predict when the budget is set. Items include disposal of: buildings, road surfaces, pavements, kerb and channels, footpaths, drains, right of ways and local area traffic management. These items are accounting in nature and have no impact on Council's operating result.

- j. Why does the budget not include provision for purchasing land required so desperately for open space within Glen Eira?**

Council considers land acquisitions as these arise. Council has provided \$33m over the next 10 years in the Strategic Resource Plan for Open Space Strategy expenditure.

- k. In the Cash Flow Statement, the PPE is down \$2.9 million in 2019-2020 forecast v budget and down a further \$5 million in the 2020-2021 budget. Why is this?**

This line item reflects the estimated cash component of payments for property, plant and equipment. The movement is dependent on physical cash payments for capital works projects and will vary to the amounts shown in the capital works statement which is based on actuals and accrual accounting.

The reduction in 2020-21 reflects a lower capital works program to both address the financial impacts caused by COVID-19, and the quantity of work Council will be able to deliver due to issues that may impact the availability of contractors and the nature of the work that can be undertaken.

- l. The drop in capex or depreciation or loss on sale of assets does not seem to account for the large fall in the asset value. Why would this be?**

Property, infrastructure, plant and equipment is the largest component of Council's worth and represents the value of all the land, buildings, roads, vehicles, equipment, etc. which has been built up by Council over many years. The increase in this balance is attributable to the net result of the capital works program (\$37.15m of new assets), depreciation of assets (\$25.59m) and the disposal of property, plant and equipment (\$1.72m).

Please note that Council is required to value assets that are not subject to depreciation and amortisation costs. These assets include: land, land under roads and art collections.

- m. **There is no over-arching management commentary that explains the flow of the numbers. Why not?**

The budget provides detailed commentary for any material variations and is in accordance with the model budget and legislative requirements. If you would like explanation of other items in the budget please advise.

- n. **Will Glen Eira Council commit to establishing a formal deliberative community panel to provide feedback on residents' priorities PRIOR to the drafting of annual budgets and SRPs? This panel would enable direct and open discussion between residents, Councillors and Council officers, unfiltered by outside contract agencies.**

Each year, Council engages in a detailed deliberation of the Budget, Community Plan and Strategic Resource Plan. This is informed through previous thorough consultation with the community as part of establishing the Community Plan. In addition, Council is now developing a vision for the community which will provide guidance for creating a future Glen Eira. Council is seeking to develop a vision with the community and for the community to provide a clear direction for strategically creating a future Glen Eira.

Using a comprehensive engagement process, Council wants to understand the aspirations and priorities that create and achieve our Community Vision. This will be based on evidence of current and future community needs and will be used to guide the strategic actions into the future.

The 2020-21 Budget, Community Plan and Strategic Resource Plan have been released to the Community for consideration. The Community can provide feedback on these documents until Wednesday, 10 June 2020. Submissions received to the proposed Budget and Council and Community Plan commitments will be considered by Council at an Ordinary Council Meeting on Tuesday 16 June.

- o. **Will Glen Eira Council establish online forums for residents, thus facilitating open discussion which would be freely available to all, on major project expenditure prior to any council resolution to proceed with the project?**
- p. **Will Glen Eira Council commit to publishing all feasibility studies, business plans, etc. prior to its formal decision making on all projects exceeding \$2M and invite community feedback on these documents?**

Council uses a thorough engagement process with the community prior to commencing any large capital projects. A recent example of this was the consultation on the Carnegie Swim Centre. From 17 October 2019 to the end of January 2020, Council undertook consultation on the redevelopment options for the Carnegie Swim Centre, which included the costs, concept designs, concept images and scope of the project. Council had Facebook posts, flyers, digital screens, FAQ's, pull up banners, and directed the community to "Have Your Say" on Council's website.

Council's community engagement process is determined by the duly elected Council in accordance with the community engagement principles of the *Local Government Act 2020*.

Please refer to the link below which explains Council's approach to engaging with the community.

<https://www.gleneira.vic.gov.au/get-involved/how-we-engage-with-the-community>

Please refer to the link below which details Council's policies, strategies and plans.

<https://www.gleneira.vic.gov.au/about-council/policies-strategies-and-plans>

Council thanks you for feedback.

Yours sincerely,

CR MARGARET ESAKOFF

MAYOR

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