

Draft 2018/19 Budget

Frequently Asked Questions

List all the good things to look forward to from the Budget should it go forward in its present form.

- Average General Rate increase of 2.25% - stays the same as the rate cap
- Capital Works Program of \$21.2 million
- Community Facilities Funding
- Wonthaggi Shared Highball Facility – provision for Council contribution of \$1.5 million transferred to Reserve
- Cape Paterson Surf Lifesaving Club – provision for Council contribution of \$600,000 (over two years)

The draft Budget continues to support our agricultural community with a rating differential of 80% plus the opportunity to apply for the Rural Land Management Program which returns approximately \$604,555 in environmental value to the rural community.

Council's investment in capital works continues to be a priority with proposed funding of \$21.189 million, including \$11.653 million in asset renewal.

The key projects proposed to be funded include:

- Supporting the Wonthaggi Shared Highball facility and the second year contribution for Cape Paterson Life Saving Club replacement, \$500,000
- Ongoing development of skate parks across the municipality with replacement of the Cowes Skate Park and design for a Regional Skate Park on Phillip Island, \$500,000
- Acquisition of land for future community needs in Cowes, \$2,000,000
- Further development of the Cowes Transit Centre and all day car park, \$727,000
- Construction of the Pioneer Bay roads and drainage upgrade scheme, \$4,364,000
- Planning for an upgrade to the car park at Anderson Road Boat Ramp, Cowes, \$25,000
- Master Plan works for the Beachcomber YCW activity area, \$15,000
- Design of Olive Justice Park, Cowes \$25,000
- Upgrade of lighting at the Inverloch Tennis Club, \$40,000
- Works and signage for the Corinella Boat Ramp car park, \$45,000

- A contribution to the Inverloch Soundshell, \$45,000
- Refurbishment of the netball courts at Cowes, Bass and Dalyston, \$920,000
- Extension of Surf Parade shared path to Goroke St, Inverloch, \$926,000
- Replacement of the pavilion at Dalyston Recreation Reserve, \$1,100,000
- Replacement of the air conditioning at the Wonthaggi Union Community Arts Centre, \$350,000
- Refurbishment of the Phillip Island Football Club rooms, \$350,000
- Rehabilitation of Loch-Wonthaggi Road, Kongwak, \$300,000
- Rehabilitation of Ventnor Beach Road, Ventnor, \$317,000
- Renewal of Bourne Creek (Kilcunda) Trestle Bridge, \$400,000

What is Council doing to address its Asset Renewal? It claims to meet 100% but achieves less than that? Why?

Council is targeting what is termed renewal demand. Renewal demand is the amount of funding required to keep existing assets up to their required standard of service delivery. This target is based on what Council and the community consider an acceptable level of service delivery.

This is not to be confused with the financial sustainability risk indicator (FSRI) for renewal. The FSRI for renewal is a financial calculation based on the level of spending on existing asset replacement (which includes renewing assets and upgrading assets), divided by an accounting term called depreciation.

Depreciation being a financial measure of how we (being the council, community and users) are consuming or wearing out an existing asset. Perhaps a simpler way to look at the issue is that the FSRI for renewal is a backward looking measure (measures the past), whilst the Renewal demand indicator is a forward looking measure (measures what we are likely to need in the future).

Why will there be an underlying deficit and what does it mean?

The Council Plan includes a range of aspirations in terms of Council's financial sustainability and reaching a low risk for the underlying position is one of those key aspirations.

This measure tries to help us understand whether Council is generating enough income from ongoing sources to pay for its ongoing operations.

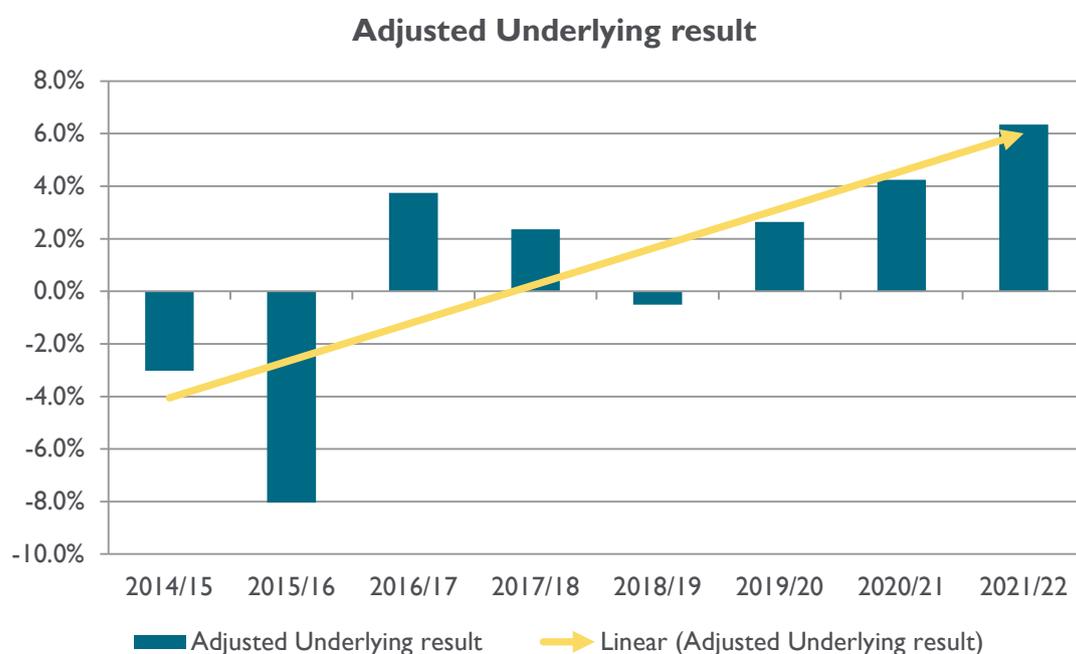
The underlying position, a deficit for 2018/19, is one of six (6) financial sustainability risk indicators that the Victoria Auditor General looks at to determine whether Council is financially sustainable.

In order to understand the overall risk profile of Council, one should never look at indicators in isolation or in any one year. All financial indicators should be considered together over a period of time to understand the true level of risk in council's financial position.

For example, Commonwealth Government paid half its financial assistance grants for 2017/18 in the 2016/17 financial year (\$2.9 million). This means that 2016/17 had a larger surplus than would otherwise be the case and the 2017/18 financial year will have a lower surplus (or perhaps produce a deficit) than would otherwise be the case. Year on year it would appear then that Council has large fluctuations in its underlying position, whereas in reality over the two (2) years and beyond the trend would indicate a steady journey of ongoing surpluses.

In simple cash terms the draft 2018/19 budget remains balanced. In 2016/17 Council produced a cash surplus of \$2.3 million and 2017/18 we are forecasting a cash surplus of approximately \$500K.

However, in accounting terms, the 2018/19 underlying position is affected by one off items causing a deficit position due to Council contributions to the Cape Paterson Life Saving Club rooms and a higher than predicted depreciation charge (non-cash). The trend of underlying results continues to improve (see graph below).



What are Council’s average rates compared to neighbouring Councils like Baw Baw and South Gippsland Shire Council?

The latest independent comparative information is for the year 2016/17:

Council	Average rates & charges
Bass Coast Shire Council	\$1,722
Baw Baw Shire Council	\$2,025
South Gippsland Shire Council	\$2,043
Large Council Group average	\$1,915

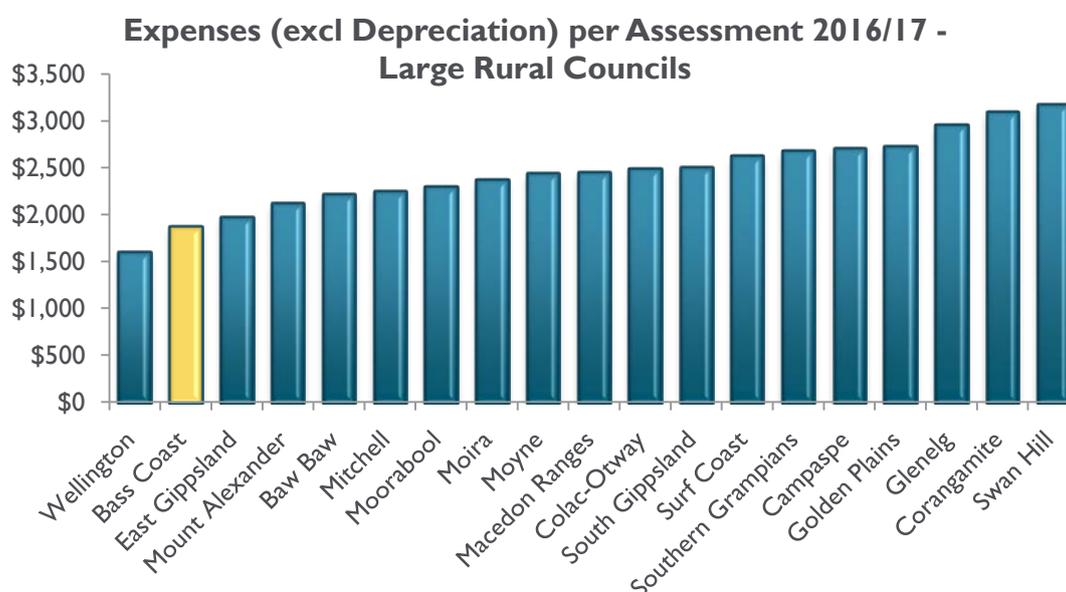
What is the rate increase over the three (3) years 2019/20 onwards?

The rate increase for the years 2019/20 to 2021/22 is in accordance with the Victorian Department of Finance and Treasury CPI forecasts for those years, which at the time the Budget was prepared was 2.5% for each year.

What are Council's operating costs compared to neighbouring Councils

The latest independent comparative information is for the year 2016/17:

Council	Average cost per assessment
Bass Coast Shire Council	\$1,871
Baw Baw Shire Council	\$2,216
South Gippsland Shire Council	\$2,507
Large Council Group average	\$2,447



What are Council's employee costs as a percentage of operations? How does that compare to Baw Baw and South Gippsland Shire Council?

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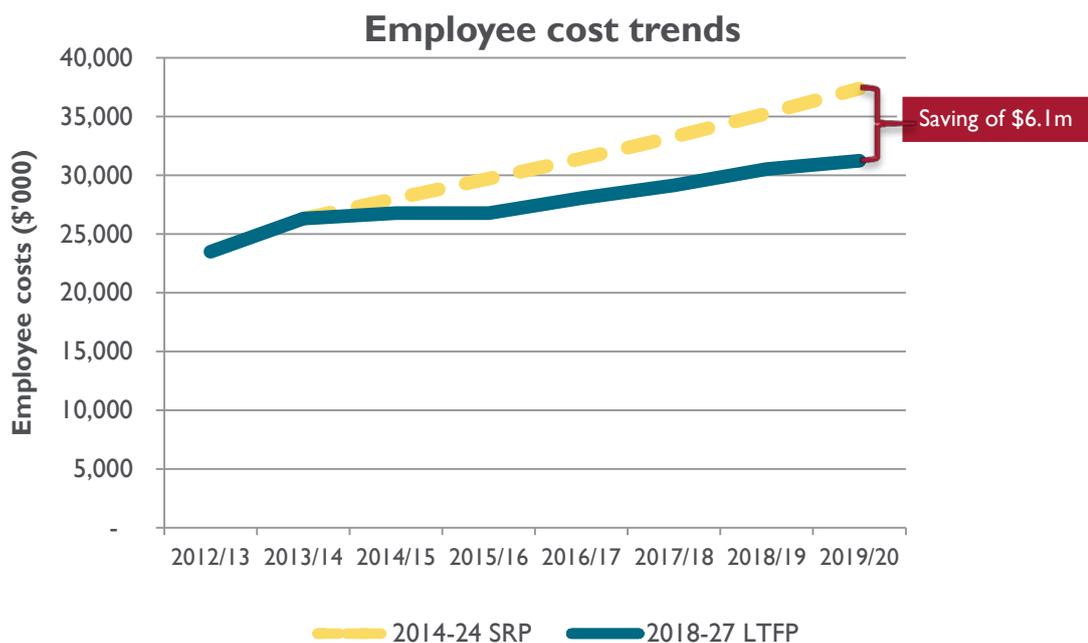
Council	Employee costs as % of operations
Baw Baw Shire Council	33.8%
Bass Coast Shire Council	39.8%
South Gippsland Shire Council	39.4%
Large Council Group average	36.6%

Note, that Baw Baw outsources activities such as road maintenance to external contractors rather than use staff, which reduces employee costs, but increases contract costs.

What staff numbers has Council reduced?

Since 2014/15, Council has reduced 15.76 FTE, including 6. FTE in Management positions

The following graph shows the changes in employee costs over time.



What is Council's Waste charge?

For 2018/19 the waste charge will be \$412

Is the waste contract fee a fixed price or subject to CPI?

The contracts include CPI%

What is the cost for an additional bin?

Your three bin service is included in the \$412 garbage charge. If you require an additional bin the costs are as follows:

- Additional general waste bin (120 litre) service charge of \$110.51
- Additional recycling waste bin service charge of \$100.11
- Additional green waste bin service charge of \$95.09
- Additional general waste bin (240 litre) service charge of \$166.32

- Upgrade existing waste bin (120 litre to 240 litre) service charge of \$55.81

What is the waste charge increase over the three (3) years 2018/19 onwards?

The waste charge increases by approximately 3.5% for the years 2018/19 to 2020/21. As the waste charge is considered more of a fee for service type charge, it is not included within the rate cap. The increase exceeds the CPI due to the costs associated with constructing new land fill cells, rehabilitating landfill sites when they have reached the end of their life and the ongoing monitoring costs of each landfill.

Why does Council not deliver a hard waste service?

Council has a booked at call hard waste service which is partly subsidised through rates. Each property with a Council-provided kerbside garbage service is entitled to one Hard Waste Collection of up to two cubic metres of items each financial year. Further details can be found on the waste management web page.

What is Council's E-waste service?

E-waste is accepted at Council's transfer stations for recycling and dispose. This includes TVs, videos/DVD's, computers and computer parts, screens, laptops, scanners, game consoles (e.g. Xbox, play stations), printers, radios, stereos, etc. E-waste products are accepted at \$5.00 per item.

What are Council's interest rates on borrowings for a locked in 10 year term?

The interest rates that Council is likely to achieve through its participation in the Local Government Bond is approximately 4.1% over ten (10) years.

What are the financial/other challenges associated with 2.25% rate cap?

The challenges associated with a 2.25% rate cap and other impacts mean that communities have to make choices about the services and facilities that are provided and the level at which they are provided.