

# Request for information

## Monash City Council

Monash City Council applied for a higher rate cap of 3.53 per cent for 2018-19. This is 1.28 percentage points higher than the rate cap set by the Minister for Local Government of 2.25 per cent for 2018-19. The Essential Service Commission received the application on 29 March 2018.

The questions and issues listed in this document represent areas in the original application where we need further information or clarification to assist our assessment. They concern the six legislative matters that council must specify under the Local Government Act 1989 when seeking a higher cap.

We have structured this information request around the legislative matters, since the commission must have regard to them in determining whether the higher cap is appropriate. In addition, we are also asking council to verify the information in the commission's 'Council Profile' attached and, if possible, provide further financial information for the Budget Baseline Information (BBI).

Please note we have assumed that council already has the information we request available, as part of its existing management and reporting systems. However, if you consider our request is too difficult or time-consuming, please provide the best you can and identify the constraints that you face.

Council should clearly indicate any confidential information in its response to this request for further information.

### **185E(3)(a) – Higher Cap**

This legislative matter requires the council to specify a proposed higher cap for each specified financial year.

**No questions.**

## 185E(3)(b) – Reasons

This legislative matter requires the council to specify the reasons for which the Council seeks the higher cap.

The application states that "...the financial impact of processing Monash's kerbside recycling has resulted in a \$1.5M cost to Council's 2018/19 Budget compared to the previous contract." (p. 3)

- 1. Could council please provide a complete breakdown of the new waste costs, including what portion is foregone rebate revenue and what portion is higher costs? If possible, can the impact of these changes be shown in the 'SRP and LTFP' section of the BBI?**

In regard to the long term costs of the new recycling contract, the application shows several different figures:

- "Over 10 years the changed recycling processing contract amounts to a cost to Monash of \$17M (allowing for a 2.5% CPI) or \$19M over 10 years if the impact with lost interest is taken into consideration." (p. 3)
- "The overall impact of the increased recycling cost is estimated to be \$20M over 10 years" (p. 12)
- "Compound effect of increased recycling costs would take \$16.8M out of 10 year LTFP". (p. 14)

In addition, the BBI template shows costs of \$19.03M and the council media release of 7 March 2018 mentioned \$18M in additional costs.

### Monash City Council:

The breakdown of the 2018/19 recycling costs are as follows:

- Forgone revenue from rebate 14,700 tonnes x \$43.50 = \$639,450
- New contractual waste disposal costs 14,700 tonnes x \$60.00 = \$882,000
- Total new waste cost \$1,521,450
- Increase in rate cap applied for \$1,492,000
- Shortfall \$29,450 to be covered by Council

- 2. Given that the application says that the contract is only for two years, what are the assumptions used to estimate the 10 year period cost?**

### Monash City Council:

The assumptions for the 10 years are:

- Volume of recycling to remain at 14,700 tonnes. Logically, as diversion from landfill increase this volume will increase however Council has not factored this in.
- Dept. of Treasury & Finance forecast CPI of 2.5% p.a.
- Rebate to have grown by CPI, recycling cost to grow at CPI. The growth in the rebate is the assumption in Council's Long Term Financial Plan prior to the recycling crisis.

The different figures cited in the application are unfortunately due to using early estimates prior to the new recycling contract being signed.

The 10 Year cost, estimated at just over \$17M, is shown in the calculations below:

Assumptions	Recycling Rebate	Recycling Cost	Volume (tonnes)	CPI (DTF rate)	Impact
2018/19	\$43.50	-\$60.00	14,700	2.50%	\$1,521,450
2019/20	\$44.59	-\$61.50	14,700	2.50%	\$1,559,486
2020/21	\$45.70	-\$63.04	14,700	2.50%	\$1,598,473
2021/22	\$46.84	-\$64.61	14,700	2.50%	\$1,638,435
2022/23	\$48.02	-\$66.23	14,700	2.50%	\$1,679,396
2023/24	\$49.22	-\$67.88	14,700	2.50%	\$1,721,381
2024/25	\$50.45	-\$69.58	14,700	2.50%	\$1,764,416
2025/26	\$51.71	-\$71.32	14,700	2.50%	\$1,808,526
2026/27	\$53.00	-\$73.10	14,700	2.50%	\$1,853,739
2027/28	\$54.33	-\$74.93	14,700	2.50%	\$1,900,083
				<b>Total</b>	<b>\$17,045,385</b>

## 185E(3)(c) – Engagement

This legislative matter requires the council to specify how it has taken account of the views of the community. It is expected that council provide evidence of how it sought to engage with the community, what were the outcomes of the engagement (i.e. what were community views) and, crucially, how these were considered in determining the higher cap.

We see that the 'Engagement Framework' document on council's website references the 'Monash City Council Engagement Guideline'.

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| <p><b>3. Is the published Guideline essentially the council's community engagement plan? Please provides a copy of the document or refer us to your website where we can locate it?</b></p> |
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### Monash City Council:

The Monash Engagement Framework is a public document setting out Council's approach to community engagement. The Guidelines are an internal resource for officers.

- [Monash Engagement Framework](#)
- Monash Engagement Guidelines (Attached)

For the purposes of assessing this legislative matter, we are interested in the information that council's community received during previous consultations. If available could council please provide:

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| <p><b>4. Any information (e.g. power point slides, handouts) used in the information sessions during the consultation on the waste management strategy and on waste service levels and charges?</b></p> <p><b>5. Information sent to ratepayers and residents that accompanied the survey on waste service options in late 2017, as noted at the bottom of page 5 of the higher cap application.</b></p> <p><b>6. A copy of the recently sent letter to residents/ratepayers notifying them of council's higher cap application.</b></p> |
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### Monash City Council:

- Presentation from Information Sessions (Attached)
- Brochure sent to ratepayers, late 2017 (Attached)
- Letter to residents, March 2018 (Attached)

We are interested in further information on council's consultation on the waste strategy and on waste service levels and charges:

- 7. Can council please send us information on why the council engaged in the way it did? Did council use community engagement plans, and if so, can these please be sent to us?**
- 8. How were participants in the information sessions invited to attend? How many attended and was there diversity among participants?**
- 9. Was there an evaluation of the community engagement council undertook?**
- 10. How were the outcomes of the engagement fed back to participants?**

## Monash City Council:

Council's Notice of Motion (26/9/2017) prescribed the engagement approach for the waste services options survey.

- [Notice of Motion](#)

Community members were invited to the information sessions through Council's website, social media and the Monash Bulletin. A total of 104 community members attended the 3 community information sessions.

- [Community feedback results](#)

There was no formal evaluation of the consultation. The very high response rate shows that the large effort was appropriate – particularly to engage both tenants and rate payers – and that there is strong interest in waste services.

Council used an extensive range of ways to advise the community of the engagement results:

- [Council reports](#)
- [Website News](#)
- [Media Release](#)
- Social Media example (Attached)
- [Monash Bulletin](#)

We are interested in further details of council's yearly budget engagements:

- 11. Did council follow engagement plans for the budgeting processes? If so can these please be sent to us?**

## Monash City Council:

Council's used a simple approach to engaging the community early in the Annual Planning Process. Largely Council is testing the consistency of issues and opportunities that Council is aware of (such as through the annual Community Survey, or consultation on specific strategies and plans) early enough to inform Budget initiatives.

In the 2017/18 the Annual Planning Process the community raised concerns about issue such as overhanging vegetation, footpath condition and concern about development each of which was addressed in 2017/18 Budget adopted by Council.

## 185E(3)(d) – Value and efficiency

This legislative matter requires councils to ensure that they can demonstrate they have sufficient policies and processes in place (and have taken specific actions) to ensure that the additional revenue raised will be used efficiently and that the outcomes being pursued represent value for money for ratepayers.

**12. Can council please confirm if the procurement policy available on council’s website is the current version?**

### Monash City Council:

Council’s Procurement Policy was adopted in 2016 (website version). A revision of the Policy is underway.

- [Procurement Policy](#)

The application notes that council can “...demonstrate its overall efficiency as a local government through its historically low rating and spending history” (p. 8) and that council has “...been driving service improvement and efficiency to be able to service a growing community.” (p. 9)

**13. How does council prioritise service delivery and capital works in order to service its growing community?**

**14. Does council undertake any service reviews in consultation with the community to determine appropriate service levels?**

### Monash City Council:

Council’s Annual Planning Process involves engagement of the community, officers & Councillors. Discretionary budget initiatives (both capital and operational) and the Capital Works Renewal program respond to pressures & opportunities.

- APP Diagram (Attached)

Council undertakes service reviews on an ad hoc basis, driven by circumstances and opportunities. Three recent examples are:

- The sale of Council’s residential aged care involved significant community discussion.
- Council disagreed with an officer recommendation to cease Family Day Care and instead to continue the service at a higher fee level.
- The recent move to cease HACC programs for younger people followed extensive consultation with the State Government and local service providers.

Supporting documents:

- [Residential Aged Care sale](#)
- Family Day Care:  
[Report](#)  
[Minutes](#)
- [Home and Community Care - Program for Younger People](#)

The application notes the Continuous Improvement Framework which aims to improve productivity and service delivery in the organisation.

**15. Can Council please provide any relevant information on its Continuous Improvement Framework, or if it is not completed, a copy of its Best Value Program?**

## **Monash City Council:**

The Continuous Improvement Framework is an Initiative in the 2017/18 Budget and is currently being developed.

The increased income and reduced expenditure that comprise Council's 'Best Value savings' are not published due to many elements being of a sensitive or contractual nature. The \$500k net saving is embedded in Council's Long Term Financial Plan (see the Key Assumptions: Productivity / Efficiency Target in the attached LTFP).

## 185E(3)(e) – Trade-offs and alternative funding

This legislative matter requires councils to demonstrate that they have considered the prioritisation of services and different funding options before seeking a higher cap.

**16. Has council considered reviewing and reprioritising services or capital works to manage the additional waste costs in the immediate and longer term scenarios?**

### Monash City Council:

Council chose to submit an application due to the:

- immediacy of the recycling crisis,
- need to renew Council's recycling processing contract,
- clear community support to sustain Council's waste service levels,
- scale of the financial impact (\$1.5M per annum increasing by CPI), and
- need to submit a higher rate cap application by the ESC's 31 March deadline Council.

As the second lowest spending Council per capita in Victoria, Monash has a lean Capital Works program and discretionary spending.

Any cut to Capital Works would lead to lower service levels to the community. The scale of service cuts to fund increased waste costs would require extensive community conversations, significant redundancies and a time lag before the savings to offset waste costs would be realised.

In contrast, most Victorian Councils will just increase their Waste Charge to offset this cost (example [Maroondah CC](#)) or Councils will follow [Ipswich CC's](#) lead in abandoning recycling.

The application notes that "introducing a waste charge will incur significant administrative costs." (p. 12)

**17. Could council please provide an estimate of these costs and what they involve?**

### Monash City Council:

No specific cost estimate was made. Currently for a universal residential, and limited non-residential, 3 bin service, officers only need to track exceptions.

A full waste charge would require Council to identify, monitor and process changes for the choice of between 0 and 3 bins for around 72,000 residential and 6,000 commercial / industrial properties across Monash. This administrative cost would be recovered through a higher waste charge.



The application discusses the council's use of reserve funds and borrowings (p. 12-13)

**18. Does council have policies or practices on its use of reserve funding and debt?**

## **Monash City Council:**

Council Plan 2017-21 has a Strategic Indicator of 'low debt'.

Excerpt from Council's 2017-2018 Adopted Budget confirming our commitment to be debt-free:

“One of the major focuses of the 2017/18 budget is Council's continued commitment to long-term financial sustainability, including being debt free in the short-term and maintaining Council's Working Capital Ratio (Current Assets/Current Liabilities) at above 150% over the life of the SRP.”

- Statement on Council's Reserves (Attached)

## 185E(3)(f) – Long term planning

This legislative matter requires that the assumptions and proposals in the application are consistent with those in the council's long-term strategy and financial management policies set out in the council's planning documents and annual budget.

**19. Does council have a draft 2018-19 budget? If so, please provide a copy with the key underlying assumptions?**

### Monash City Council:

It should be noted that compared to Council's higher cap application there has been a significant shift in the spread of Council's Capital Works program in the proposed Budget. Several major projects have been phased around 12 months later than expected as well as some additional projects coming into the program that include external funding.

Proposed Budget	Forecast 2017/18	2018/19	2019/20	2020/21	2021/22
<b>Renewal</b>	29,513	30,760	37,614	26,676	32,899
<b>New</b>	-	833	-	-	233
<b>Expansion</b>	5,380	2,571	12,219	23,193	15,045
<b>Upgrade</b>	7,944	8,844	15,303	6,954	5,953
<b>Total</b>	42,837	43,008	65,136	56,823	54,130

The proposed Budget has a total CAPEX of \$261M across the five years, slightly higher than the \$254M forecast at the time the Higher Rate Cap application was submitted.

ESC submission	Forecast 2017/18	2018/19	2019/20	2020/21	2021/22
<b>Renewal</b>	30,890	35,327	25,914	27,176	33,899
<b>New</b>	-	-	-	-	233
<b>Expansion</b>	5,890	29,719	19,239	3,933	6,045
<b>Upgrade</b>	8,538	10,075	7,411	4,814	4,953
<b>Total</b>	45,318	75,121	52,564	35,923	45,130

- [Proposed 2018/19 Budget](#) (note draft version, Council due to consider adoption 24<sup>th</sup> April)

The application refers to council's long term financial plan. (p. 6, 10, 14)

**20. Can council please provide us a copy of its long-term financial plan mentioned in the application?**

## Monash City Council:

Council's Long Term Financial Plan is a confidential internal document as it is purely designed to support the financial modelling for the Budget development rather than be a stand-alone community engagement tool.

- Long Term Financial Plan (**Confidential Attachment**)

The application states that "...development and growth is triggering a need to increase and / or upgrade the City's infrastructure..." (p. 10). We note that, in the most recent Council Plan and in the 2017-18 Budget, council committed to expanding its capital works program. However, this is significantly above previous forecast capital expenditure from the 2016-17 Budget.

**21. What plans, policies and processes did council follow in deciding to increase its capital expenditure, and in particular, asset renewal requirements?**

**22. Would council please provide a copy of its asset management strategy/plans?**

## Monash City Council:

The administration has a internal Funding Allocation Policy which guides the prioritisation of Capital Spending: namely that renewal spending is the first priority and ensuring that this funding is at a minimum sufficient to meet the renewal targets.

The Asset Management Policy was adopted by Council on 28/3/2018.

The Asset Management Strategy is an internal plan for how Council has prioritised Asset Management improvements and responded to VAGO's 2014 Performance Audit on Asset Management & Maintenance in local government.

Council's Asset Management Plans are mostly being updated at the moment. The Road AMP was adopted by Council in July 2017.

- [Asset Management Policy](#)
- Asset Management Strategy (Attached)
- [Road Asset Management Plan](#)

## Other information

### BBI

**23. Could council please provide a breakdown of cash and cash equivalents in the balance sheet for both scenarios, ie with higher cap and without higher cap?**

### Monash City Council:

Cash and cash equivalents in the 2018-2019 WHC Balance Sheet (\$62,249,000) is budgeted to be all cash deposits.

### Essential Services Commission Council Profile

This council profile is a snapshot of data the commission has collected to provide contextual information before council applied for a higher cap. It includes data collected from the council submitted BBI, council budgets, annual reports, the ABS, the Victorian Grants Commission data, the LGPRF and the VAGO indicators. We recognise, however, that data transfer errors may have occurred in the process. Please see the attachment.

The commission asks council now to review the council profile, to ensure the information is accurate to the best of their knowledge.

### Monash City Council:

Officers have reviewed the Profile data and it appears to be correct.