Submission in response to the City of Port Phillip's Draft Council Plan & Budget 23/24

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Restricting the rate rise to 2.8 per cent amounts to intergenerational theft of community resources needed to secure our city's future

The 23/24 draft Budget papers state that the impact of adopting a rate rise of 2.8 percent for Port Phillip, rather than the statewide rate cap of 3.5 per cent, is some $900,000. In a Budget of more than $248 million.

This may be small beer or as they say in Canberra, an accounting error.

But for Port Phillip, taking this step will not just be an error, it will be dangerous and reckless.

The Budget papers show that the accumulated impact over 10 years will be $11 million less in rates collected. This arises from imposing a tighter cap on the pool of rates on which any future rate increases can be based. The effect will be felt in both the short-term – Council's ability to meet legitimate wage increases and to fund services at current levels will come under intense pressure – and the longer term as the compounding effect over time of lower potential rate income reduces reserves that would otherwise be available to meet the infrastructure needs of the municipality.

The impact is proposed to be funded by reductions in planned investments in the following Council Reserves:

- $2.5 million in the Strategic Property Reserve
- $2 million in the Asset Renewal Reserve
- $2 million in the Municipal Growth Reserve

and by the $4.4 million in 'savings' from not going ahead with the earlier proposed rate rebate in 23/24.

What's at Stake

This proposal, if finally agreed, places greater responsibility for funding the infrastructure and services that the municipality needs over time on to future generations. The reduced revenue to Council resulting from this measure will hamper Council's ability to invest what is needed to serve the *whole* community into the future.

This is not sound finance: rather, it is reducing reserves for future needs in order to provide a marginal benefit to some residents now. In doing so, Council is engaging in a form of inter-generational theft.

We note the comments made by the Essential Services Commission (ESC) in providing its Advice to the Victorian Government concerning the 2023/24 rate cap:

A rate cap that is lower than the CPI forecast may be beneficial for ratepayers in the short term. However, a lower rate cap could deepen financial sustainability issues for councils, which would ultimately be borne by ratepayers and the community in the long term. Further, even with a 4 per cent rate cap, it is worth acknowledging that some councils are likely to see a continued impact on financial viability in the current economic environment.

The Commission, after analysing the best available data, concluded:

Based on our engagement with stakeholders and analysis we consider that four key observations have informed our rate cap advice: • Council cash reserves are decreasing. • Council costs have increased at a slower rate than inflation during 2021–22, but at a higher rate than the current rate cap of 1.75 per cent. • Construction costs are rising. • Expected future wage increases will increase council costs in the future.

As a result, the Commission recommended a rate cap rise consistent with CPI, which in November 2022 was estimated to be 4 per cent per annum.

The Victorian Government subsequently set a rate cap for Councils 0.5 per cent below the ESC's recommendation. The Minister for Local Government in announcing her decision said it was made, '***taking into account cost of living pressures facing rate payers'.*** (our emphasis)

Given the ESC's advice and warning, and the Victorian Government's rationale which takes into account cost of living pressures, **Council's proposal is dangerous. It is 1.2 per cent below the safety level recommended by the ESC.**

In this proposal Councillors are inviting us to expose future ratepayers to greater costs and responsibilities while jeopardising the City of Port Phillip's capacity to continue current levels of service provision. Councillors are gambling on both the present and the future.

Progressive Port Phillip opposes the proposed 2.8 per cent rise in rates, supporting instead a rise that goes to the rate cap of 3.5 per cent.

Challenges that Council faces include:

- Inflation is currently predicted to be even higher in 23/24 than estimated by the ESC, adding significant supply chain and employee cost pressures. Councillors cannot guarantee, given the level of inflation, that existing social, community, waste, parks and gardens services and its roads, foot and bike paths services will not be cut with a reduced rate increase;
- Ageing Council-owned community assets, such as maternal and child health centres, early childhood education and care centres, libraries, arts and cultural hubs and spaces, community centres across the municipality, aged care service centres and others require much needed injections of funds for maintenance and refurbishment for the benefit of residents now and into the future. As one example, Council is proposing (without community consultation) to defer a major upgrade of St Kilda Library, which serves the St Kilda, Elwood and East Kilda communities – passing the buck to a future generation;
- There will be likely, but unknown levels of Council expenditure required due to increased population and community need in Fishermans Bend precincts in coming years. It should be noted that these costs are likely be greater due to the reckless way Planning Minister Matthew Guy rezoned this area in 2012;
- Serious under-investment in social housing and failure to partner with the Victorian Government's Big Build is resulting in an unprecedented rental and affordable housing crisis in Port Phillip that is pricing out many residents and reducing the diversity of our community; and
- The huge challenges of addressing climate change given Port Phillip's vulnerability to flooding (especially Port Melbourne, Fishermans Bend, St Kilda and Elwood) due to sea level rise and extreme weather events, urban heat island effects in areas such as East Kilda, and the urgency of reducing community emissions. These all require immediate and ongoing investment for the benefit of us all. Council still does not have an agreed response to the climate emergency it declared in September 2019.

Council is choosing not to address these challenges in this draft Budget.

Equity

Instead, it is proposing to put money into the pockets of individual property owners, some of whom are affected by cost-of-living pressures but many of whom are not, taking into account the general rise in property values in recent years..

Meanwhile, those in most need, especially the 49 per cent of households in Port Phillip who are renting, will share in none of the benefits accruing to individual property owners arising from Council's proposal. Rather, Council will help further subsidise absentee investor landlords who have enjoyed unprecedented increases in their asset values since the worst days of the COVID-19 pandemic.

Councillors proposed assistance to property owners is not well targeted and due to the property rating system, will chiefly benefit those with the most expensive properties.

The table on the following page shows both how the individual ratepayers who benefit most are those owning the most expensive properties, but also that the overall benefit of not going to the rate cap of 3.5% in 23/24 is small – in the examples shown, ranging from $9 off the yearly rate bill for owners of $750,000 properties, to $120 for those owning $10 million properties. Yet this proposed reduction in the rate rise to 2.8% instead of 3.5%, robs the 23/24 budget of $900,000 that could have been invested in whole of community infrastructure, community services or strong action on climate change, to name just a few possibilities. And over the next decade the impact of this proposal means $11 million less for Council to invest for the common good of our community.

Table. Range of returns to ratepayers of a 2.8% rate rise

Property value	Rates paid with a 2.8% rise @ 0.001694 in the dollar	Rates paid with a 3.5% rise @ 0.001706 in the dollar	'Saving' to the property owner from a 2.8% rise, rather than a 3.5% rise
$10,000,000	$16,940	$17,060	$120
$5,000,000	$8,470	$8,530	$60
$2,500,000	$4,235	$4,265	$30
$2,000,000	$3388	$3412	$24
$1,500,000	$2541	$2,559	$18
$1,000,000	$1694	$1706	$12
$750,000	$1270.50	$1279.50	$9

Source: the rate in the dollar figures used in this table are those published in the draft Budget papers.

We cannot help but think that the proposal by councillors is so utterly cynical as to give back to some of the wealthiest landowners in the nation on the basis of cost-of-living relief, but not use $900k to reduce fees for aged care services, childcare and many others – people really doing it tough. And the ultimate objective it serves is to permanently reduce the size of Council itself.

The proposal is a rejection of the equity and social justice vision that Council so proudly proclaims, viz:

Our commitment to social justice and equity
As a public authority, Council is bound by the Victorian Charter of Human Rights and Responsibilities Act 2006 to ensure ***basic human rights are a priority for present and future governments****.*
The Council Plan drives this commitment to ***ensure that the rights of all people are considered in a fair and equitable way.*** *Council recognises that the intersection between different types of inequality and discrimination can amplify disadvantage for particular people and will strive to address barriers for those experiencing marginalisation, discrimination, and disadvantage based on their circumstances, identity, or other attributes. Council's commitment to social justice ensures that all people:*
• can have the opportunity to become involved in political and civic processes
• are treated with respect and in turn treat others with respect
• ***have access to resources and services they need****. (Vol 1, p 11, our emphases)*

Councillors would be in a better position to propose this draft Budget if they had delivered on the last Budget.

As it stands, many apartment block households have not received FOGO services despite paying a municipal waste charge since January this year. The rate and service charge changes introduced in 2022/23 hugely benefitted high end property owners and have not delivered improved waste and recycling services for many people living in apartments. The promised new and improved waste, composting and recycling services remain problematic for many in the municipality.

Use of Council's Reserves

Councillors are proposing to reduce the value of the following reserves over the longer term, viz:

- $2.5 million in the Strategic Property Reserve
- $2 million in the Asset Renewal Reserve
- $2 million in the Municipal Growth Reserve

They may argue that contrary to ESC reckoning for local government in Victoria, reserves are increasing rather decreasing in Port Phillip.

Our point is that regardless of this argument, specific reserves (as opposed to general cash reserves intended for operational purposes) are built for a purpose: to enable the Council to be a responsible steward for the community. This is a not radical idea; it is in fact a conservative principle.

The three reserves that are proposed to be reduced over time are intended to:

- secure the best outcome for the community on key strategic sites across the municipality – enabling our Council to help determine the shape and character of this place

- revitalise physical, social and cultural assets that the community has invested in over many years and which bring benefit to local and visitors – ensuring these assets remain valuable, usable and important spaces for the community

- provide for growing residential density, service and infrastructure needs as Council and the Victorian Government approve more developments – supporting a liveable, attractive place into the future.

Few metropolitan Councils are under the same urban demands as Port Phillip. Indeed, Fishermans Bend is promoted by Council and the Victorian Government as the largest urban redevelopment project in Australia. But Council is proposing to cut its capacity to help shape and respond to this opportunity,

The deployment of reserves to projects should be subject to rigorous analysis.

There is already a long list that deserve consideration for strategic investment over time that Council has identified:

- the level of tree canopy and future climate change needs;
- the vulnerability of current social and cultural infrastructure and the need for renewal across many facilities;
- failing footpaths and the need for more and safer bike paths as cycling becomes a major transport mode;
- more open space in underserved areas such as East St Kilda; and
- the need to renew and revitalise key commercial districts and shopping centres such as Clarendon Street, Bay Street, Carlisle Street, Acland Street and Fitzroy Street.

The decision on the St Kilda Library is particularly notable. The draft Budget reveals that funding for the redevelopment of the St Kilda Library has been quietly put aside.

When it was opened in 1973 the $1 million library was widely praised as being the finest in Australia. Its stunning design, air-conditioning and photocopier were all remarked on and it was the first municipal library to open on Sundays. There has been only one substantial refurbishment in fifty years and the building and its interior as showing the signs of rapid ageing. Meanwhile other local governments are viewing their libraries as a means of engaging and informing communities, especially residents struggling with the digital age. New libraries in the CBD, Docklands, Bayside, Geelong and Broadmeadows are functional and attractive, providing facilities that are state of the art, including internet and resource materials, collaborative work spaces, spaces which connect indoor and outdoor areas and much more.

In 2016, Council stated that, "the St Kilda Library has had no major investment to increase floorspace in recent years and at many times of the day is operating at high capacity." In 2021 the Council Budget and Plan included an $11M investment plan for the St Kilda Library Redevelopment due in 2026.

That promise to the community has been broken. Instead, a Library Facilities Improvement Program is proposed: 'the St Kilda Library Redevelopment has been broadened to cover all library facilities and spread out over the life of the 10-year plan. A library facilities improvement plan will guide the future expenditure. In the interim this will fund minor refurbishment and replacement of furniture.' Regrettably, the improvement plan has not yet been prepared.

The St Kilda Library serves St Kilda, St Kilda East, St Kilda West, Elwood, Balaclava, St Kilda Road and Ripponlea or 65,000 residents (ie. 63 per cent of Port Phillip's population) These localities have the least open space, the highest number of renters, the highest proportion of flat occupants and populations in most need of the services provided by a Library.

This is not about pitting one group of residents against another, despite how attractive that may be to some. It is about good planning, excellence in service delivery and true engagement of people in the community. Council's decision-making has been poor, lacking community consultation and transparency. Library services will be in demand in Fishermans bend and other fast growing areas of the municipality. Failure to prioritise, to plan and build the strategic reserves needed for library services into the future is a cost that will be felt over many years by residents

The Councillor Calculus

It is difficult not to conclude that this proposed Budget is an intensely political document, intended to parley internal Council dynamics rather than advance the long-term wellbeing of people and the municipality. It is not based in sound finance and economics or a clear-sighted examination of the future. It looks like a rough and pragmatic compromise to maintain power alliances between Councillors rather than a thoughtful, coherent, evidence-based approach to the needs of the present and the future.

Over the last two years some councillors have called for a rate freeze or a rate rebate. To resolve this call, council initiated a costly series of service reviews which examined in depth, across more than twenty service areas, whether there was waste or whether cuts could be made. After engaging external consultants and thousands of hours of staff time at ratepayer expense, the Cost Review could not find any significant areas for savings.

Except for a pet project of some councillors: investment in the arts and culture. Not because these programs lacked merit or impact but because some councillors desperately needed some virtue signalling to their constituency. Artists, historians, audiences and the community will suffer if plans for a reduced Cultural Development Fund (from $187k per annum to $100k) proceed. Some councillors constantly seek to invoke a small scale 'cultural war'. It is their bread and butter. We hope a majority of councillors see where this comes from, its venality and its negative consequences. We wholeheartedly support the arts and cultural communities in opposing these cuts.

Local government is not a corporation with shareholders.

It continuously gives back to residents through its services and infrastructure, physical, social and cultural. Its mission and purpose are funded by many: residential and commercial property owners through their rates; tenants through their rents; state and federal governments through grants; car users through parking charges and users of services through fees and there are even more stakeholders.

They all contribute to the idea and presence of community. Local government is a fulcrum for community, not just an everyday service provider akin to a supermarket or a marketable brand. Its legitimacy and authenticity come from the community and in turn, local government should nurture and grow local community relationships and trust.

It is fundamentally wrong to privilege the most advantaged rate payers with the greatest reduction in their contribution to the long-term future of municipal services and community in the way Councillors propose. Even more so, it is wrong to expect a future generation or a future Council to pick up the tab for this largesse.

It does not meet the community challenges ahead, only some of the internal Council political ones. It does little for fraying community assets, the housing crisis, the climate emergency, users of Council services and nearly half of the households in Port Phillip: renters.

It is not responsible or justifiable except as an expedient political document.

Progressive Port Phillip opposes the proposed 2.8 per cent rise in rates, supporting instead a rise that goes to the rate cap of 3.5 per cent.