The Emerald Village Association Inc. would like to contribute to the consultation process and comment on Cardinia Councils Draft Budget 2023-24.

The Emerald Village Committee was formed over 20 years ago. Originally it was a Section 86 Committee of Cardinia Shire Council. In 2019 the Emerald Village Association was established which is still has a close relationship with the Shire but is an independent incorporated body. The stated purpose on the EVA is to:

* Strive to be the voice of Emerald, by representing and liaising with local groups and individuals so that matters of public interest can be identified and evaluated
* Liaise with the Cardinia Shire Council and others on matters of public interest
* Identify the unique strengths of the Emerald village community to build proposals from those strengths
* Provide a conduit for all local organisations and community members to the Cardinia Shire Council, its CEO, Ward Councillors, staff, and representatives
* Build and maintain a network of local community groups
* Develop an annual business plan which clearly identifies objectives that EVA Inc. aims to achieve, and
* Promote specific community projects which will enhance the sustainability of Emerald village and the wellbeing of the community.

It is understood that Council prepares 4-year rolling budgets, reviewed annually, to deliver on the community’s priorities outlined in the *2021-2025 Council Plan*.

The EVA responded to the 16 December 2022 survey to assist in shaping Council’s draft 2023/24 budget. The EVA made the following comments:

* A survey asking residents to nominate only three priorities is flawed, poorly considered and not in the best interest of the community. *This is reflected in the low response rate with only 183 contributions.*
* It can only distort the services to the community and will not be effective in Council delivering on its stated Council Plan outcomes.
* We understand that there are significant cost pressures currently, and we strongly urge Council to approach cost cutting with considerable care.
* We also urge Council to reflect on all services and particularly those services that Rate Payers are fully responsible for, and these should not be tampered with.
* We would urge Council to insist on both the State and Federal Governments to effectively fund those services that are their responsibilities.
We would urge Council to inform the community of services that are State and Federal responsibilities. Council should not be subsidising services that are others responsibility,
* Emerald Village Association view is that the assessment of the 18 Service Areas should be measured against the five Council Objectives. In our submission, the EVA provided a score card matrix that would improve rationalising budget priorities.

**Comments on the draft 2023/24 Budget.**

Preliminary

* The EVA supports the linking of the Budget to the Council Plan and Community vision.
* We acknowledge the current difficult environment in setting the 2023-24 budget.
* We appreciate that Council recognises the current cost of living pressures being experienced by the community and that it has not applied to the Essential Services Commission (ESC) for a variation to the 3.50% rate cap.

We note the following:

* Cardinia Council Community assets are valued at **$2.3 billion**
* Council plans commit to $284.87 million in capital infrastructure (excluding operating initiatives) over the next 4 years.
* Capital works allocated in 22/23 was $113.79 million
	+ **$69.20 million** is dedicated for renewal and upgrade (i.e., 3% of Asset Value)
	+ **$29.29** million carry-over (not spent that financial year)
	+ **New loan borrowings of $30.0 million** proposed for 2023/24.

We also note the various initiatives listed in the draft Budget and EVA supports these in principle.

**Our concerns with the draft budget are as follows:**

1. We applaud Council’s commitment of 3% ($69.20M) for managing its asset renewal and upgrade.
Council papers do not provide sufficient details concerning the Service Performance Indicators. Those provided in our view are generic and the metrics to measure the performance are inadequate. Measures need to reflect the quantity, quality, and timeliness of services.
2. The $29.3 million carry forward capital works represents 26% of the capital works allocation and means that only 74% of this will be spent in this current financial year. This is again a very poor result. We reflect that Council in last year’s budget carried forward $31.17M, suggesting that Council does not have the systems nor capacity to complete its yearly program, or that its program is too ambitious.
3. We note the comment that 69% of the capital works budget is for current asset preservation and 31% for expansion for a growing community. This balance is commendable and good practice.
However, our observations are that future expenditure drops off; that is:
	* + 2024/25 ~$70M
		+ 2025/26 ~$45M
		+ 2026/27 ~$55M

It seems to us that as the net asset value of Council’s infrastructure is valued at $2.3 billion and growth at 3% per annum then the base allocation for renewal and replacement should be set at $69M (3% of asset value) for 2023/24, which Council has in this draft document. Then, our view is that as a minimum, future capital expenditure should continue as follows: -
20023/24 - $71.M; 2024/25 - $73.4M; 2025/26 - $$75.6M; 2026/27 - $77.9M.

Why this there a reduction in capital expenditure and not a continuing commitment to adequately invest in asset renewal, replacement, and expansion in future years?

EVA understood that one of the initiatives of 2022/23 was to complete a 10-year Capital Works Program. Has this been completed and why isn’t that work reflected in this budget?

The draft budget document states: *“Council must maintain a minimum of from approximately $75.83m to $106.82m in cash and investments to meet restricted liabilities such as Developer Contributions, trusts funds, capital carried forward from previous year, unspent grants and the like.”*

This further re-enforces EVA’s concern in Council’s lack of forward plans and a strategic approach to managing the community’s assets and services.

The draft budget does not indicate the Reserves held by Council, nor minimum expenditure levels to maintain its assets and the current levels of service.

The EVA is anxious to understand these. What are, the appropriate standards and revenue requirements to achieve these?

1. The concept of taking out loans for expansion and upgrades is supported in principle. However, new loan borrowings of $30 million seem excessive.
Council states: *“it now needs to increase its level of borrowings by $30.0m in 2023/24 over a 15-year term to fund a number of capital works projects. These include most notably the Road Sealing Program (Connect Cardinia), Brunt Rd roadworks, Recreation Reserve lighting and power upgrade, Cardinia Youth Facility Building, Garfield Netball pavilion upgrade, and Koo Wee Rup Bowls & Community Facility.”*

We are concerned that it is a once off injection of funds and sets a poor precedence for future expansion works and upgrades.

* 1. The funding of road sealing seems an inappropriate use of loan funds.
	It adds value specifically to the abutting properties and Council needs to provide further details of the level of contribution by the property owners, otherwise it seems to us as an inappropriate use of funds.
	2. Loan funds for lighting upgrades seems inappropriate and these should be funded from Council revenue as these are basic asset renewal works.

EVA supports loan funds for expansion works and upgrades such as the larger community building upgrade; however, Council does set precedent that all community building upgrades will be funded from loans. As an example, EVA would expect that the proposed Emerald Tennis Pavilion upgrade at Worrell Reserve would be a candidate project for such Council funding.

* 1. Council shows a chart of loan borrowing and percentage of Rate Revenue.
	We are alarmed at the ratio levels of borrowings as percentage of Rate Revenue exceeding the 30% level and question the affordability and prudence of such a large loan portfolio.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Financial Year |  2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| Borrowings | $16M | $44M | $40M | $37M | $33M |
| % of Rate Revenue | 15% | **37%** | **32%** | **30%** | 25% |

What is a sustainable level of borrowing and repayment?

What is the interest rate being paid by Council?

Taking out a loan of this magnitude seems to be at odds with the adherence to the 3.5% rate cap and we seek a comment from Council.
Will the loan proposal gain support from the VAGO?

5, The Council has indicated that it is applying a rate increase of 3.5 % in line with ESC requirements, yet there is an increase in rate revenue of 5.5% (p 37). Could Council explain what to us seems to be an anomaly and Council’s intent of minimising the rate burden on residents.

6. The EVA notes that the papers state that the expenditure financial position proposed is as follows:

* *Expenditure has increased by 8.4% from the 2022/23 forecast actual.*
* *Increase in employee costs of 10.3% ($5.1m) and*
* *materials and services expense of 9.5% ($6.2m).*

We ask why the increases?

Why has there been a need to increase the personnel numbers?

In which areas have staff numbers been increased?

Given the difficult financial conditions it seems inappropriate increase the levels at this time.

7. We note that the draft budget indicates how much is allocated to each broad service area. It also shows that the net cost will increase $4.04m over the forecast cost for 2022/23.
Is this at the expense of capital works and asset renewal?

The draft budget indicates that “*Council will continue to work with the community over the coming years to align community priorities and expectations with is service delivery model, but within a financially sustainable framework”.*
How will Council do this?
What are the minimal sustainable levels?
What are the performance measures and the metrics to show that it is successful?

8. The Council has indicated that the adjusted underlying result is the surplus/deficit for the year adjusted for capital grants and contributions. Council continues and states that “t*his is a measure of financial sustainability, and it shows some improvement over the term of the Budget, however, is significantly below the Victorian Auditor-General's (VAGO) preferred target.*

*It shows Council Deficits as:*

*2022/23 $6M*

***2023/24 $10M***

*2024/25 $13M*

*2025/26 $10M*

*2026/27 $7M”*

The issue here, for our community and the EVA is Council’s plans to manage these deficits and consequently comply with the VAGO requirement.

9. Efficiencies & Effectiveness.

Council indicates that it “*has taken a balanced approach in this budget to provide quality, cost-effective and accessible services to our community, while delivering an important and significant forward-thinking capital works program to support the jobs, economy and needs of our fast-growing shire now and in the future.”*

There appears to be no measures or metrics to substantiate this comment in the documents. What performance measures there are seem to us as inadequate and need to be more substantive in terms of quantity, quality, and timeliness of services or proposals.

Again, does Council have success performance measures?

Council states that it is preparing “*a long-term financial sustainability strategy and plan will soon begin, together with a business transformation initiative to improve how council interacts and services the community more effectively and efficiently.”*

What measures does Council intend to put in place to ascertain whether it is being successful in achieving its plan, there appear to be no detail available in the draft budget document to give the community confidence of achieving a long-term stability and at what cost to the community?

10 **Projects and Services in Emerald**

EVA supports the various initiatives for Emerald and surrounds.

However, the detail in the document is limited and we find it difficult to assess what is happening in the Emerald District.

We note:

* Sealing the Hills
* Stage 2 of Connecting Cardinia
* Footpath Network expansion
* Playground renewals per the Council Masterplan
* Worrell Reserve Masterplan

Could Council advise the EVA as to the specific works planned for the Emerald district.

**11. Leadership Programs**

In reading the draft budget document we were unable to determine the level of support Council provides for staff training and professional development of leadership. Could you advise on the specific allocations that have been provided for in the budget for training and development, and in which portfolios and/or departments?

**12. Questions from last year**

The EVA raised a number of issues in last year’s draft budget, and some are again relevant this year.

* The review of the Emerald Township Strategy
Why has this been delayed and when will Council complete this work?
We note that the current Emerald strategy is dated 2009, it is now 2023.
* Where is Council’s planning for the Green Wedge Plans?
How has it liaised with relevant government agencies to progress this project?
* We urge Council to complete its 10-year plan and lobby senior government to support the actions within Council’s plan. What progress has Council been able to achieve in these endeavours?
* Has Council progressed and developed an appropriate system to prioritise its projects?
* Does Council have business cases for major projects and are these publicly available?
* Has Council a Capital Works Framework to manage expansion and major asset upgrades and renewals?

In concluding this submission to Council regarding its draft 2023/24 Budget, the EVA would like to thank the Council for the opportunity to comment and ask questions, looking forward to a timely response to the questions raised in this submission.

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Dick Bartley

President

Emerald Village Association Inc.

 24th May 2023