

## Submission To Macedon Ranges Shire Council Re 2008/2009 Budget

17 June 2008

Thank you for this opportunity to comment.

The Macedon Ranges Residents' Association holds a number of concerns with Council's 2008/2009 draft Budget, and asks Council to seriously reconsider the direction in which it is taking Macedon Ranges Shire.

In summary, it is a budget which appears to be rich in borrowings and debt, and poor in service delivery and Council-initiated capital works. It lacks a conservative approach to cost estimates in a time of increasing uncertainty, and provides insufficient information and disclosure relating to borrowings and expenditure, particularly for major projects (i.e. KMI refurbishment and Kyneton pool project). The draft Budget also incorrectly represents the relationship of debt to revenues, a situation MRRA believes warrants correction and re-exhibition.

### Misrepresentation of Relationship of Borrowings & Debt Repayments To Revenues

MRRA's comparison of 2007/2008 and 2008/2009 assessments of borrowings against revenue has revealed that Council has altered the basis used for measuring borrowings against revenue, without disclosing this change.

In 2007/2008, borrowings and repayments were measured as a proportion of Rate revenue only. In 2008/2009 they are measured against Rates *and* Charges revenue. This produces an 'apples and oranges' year-to-year comparison, and has the effect of erroneously flattering Council's borrowings and repayment position by making it look better this year than last year, when it is in fact far worse from a borrowings perspective. Residents have not been given the opportunity to know of or comment on this disturbing shift.

<b>Borrowings V Revenues</b>	<b>2007/2008</b>	<b>2008/2009</b>	
<b>Balance of Debt (@ 30/6)</b>	\$7,273,559	\$9,507,980	
<i>% of Total RATE Revenue</i>	<b>39.5%</b>	47.95%	
<i>% of Total RATE &amp; CHARGES Revenue</i>		<b>36.9%</b>	
<b>Total Repayments (Principal &amp; Interest)</b>	\$1,519,818	\$1,501,842	-\$17,976
<i>% of Total RATE Revenue</i>	<b>8.3%</b>	7.6%	
<i>% of Total RATE &amp; CHARGES Revenue</i>		<b>5.8%</b>	

MRRA holds strong concerns not only for the unannounced change in the basis for measuring the relationship of debt and repayments against revenues, but also for Council's deviation from the basis articulated in the Strategic Resource Plan. This in itself further raises concerns for Council's compliance with the requirements of the Local Government Act (Finance and Reporting) Regulations 2004 at Regulation 6.

MRRA believes these irregularities need urgent attention and reconciliation. Full and open disclosure is required. MRRA's view is that transparency, accountability and the best interests of residents will be served by appropriate amendment and re-exhibition of the draft Budget.

**Borrowings and Repayment Trends**

Below is an overview and comparison of information provided in Appendix C for the 2007/2008 and 2008/2009 financial years.

<b>APP C: BORROWINGS</b>		<b>2007/2008</b>		<b>2008/2009</b>	<b>+/- in 2008/09</b>
Balance [of debt] as at	1 July 2007	\$7,291,572	1 July 2008	\$7,473,972	+\$182,400
Less principal repayments in	2007/08	\$1,098,013	2008/09	\$965,992	-\$132,021
New Borrowings	2007/08	\$1,080,000 *	2008/09	\$3,000,000 **	
Balance [of debt] as at	30 June 2008	\$7,273,559	30 June 2009	\$9,507,980	+\$2,234,421
Interest payable in	2008/09	\$421,805	2006/7 ***	\$535,850	+\$114,045

\* Refurbishment of Kyneton Mechanics Institute and improvements to Kyneton Saleyards: loan not taken out 07/08

\*\* Kyneton Sports and Aquatic Centre

\*\*\* Either this was intended to be interest payable in 2007/08, or the method of reporting was changed. It is assumed to be a typographical error.

It is of major concern that there is an overall reduction of some \$18,000 towards total repayments in the coming year, when substantial additional loans are included in this budget. It is further of concern that the proportion of interest has increased substantially concurrent with an even more substantial reduction in the total amount of principal repayments. The draft Budget provides no insight into these issues and changes, nor does it discuss how they sit in the context of Strategic Resource Plan projections. These emerging trends, which are likely to worsen in light of potential for interest rate rises, take on heightened importance and warrant serious consideration given the potential for an additional \$4 – 5 million loan in next year’s budget if the Kyneton Pool project proceeds.

**Kyneton Pool**

Council / Councillors have been reported as saying there is no cost in the draft Budget for the Kyneton Pool. This is clearly not the case, and MRRA is concerned that the actual situation seems to be being inaccurately represented.

Not only is there provision for \$3,000,000 in new borrowings for the Kyneton Pool, if that project is finally approved early next year, Council will incur interests costs on the loan, reportedly projected as some \$70,000. There is also the matter of current expenditure on feasibility studies/plans and tendering, i.e. some \$700,000 approved by Council last year, which does not seem to be accounted for in the draft budget. MRRA notes that costs are included in Appendix E for the Animal Pound Site Feasibility and Concept Design, but similar spending on the Kyneton Pool for the 2008/2009 year is shown as zero. These costs and potential for interest payments must be declared and accounted for.

It is quite outrageous that (a) Council is contemplating tying up future budgets and spending on a single project, and (b) Council has included a \$3,000,000 loan in the draft Budget for a project for which it does not yet even have final costings. Further, there is significant doubt that costings do or will realistically address spiraling costs. Any contemplated borrowings or commitment to this project demands a conservative approach to and production of costings prior to making a financial commitment. MRRA believes Council is firmly putting the cart before the horse, and requests the \$3,000,000 loan be removed from the draft Budget.

**Kyneton Mechanics Institute**

MRRA is advised that the \$1,000,000 loan for KMI refurbishment included in the 2007/2008 budget has not yet been activated, although it seems the loan may be acted on in the coming financial year. We are also advised that the 2007/2008 loan amount is included in figures for current debt at Appendix C. However, these arrangements, and potential for additional principal and interest repayments in the coming year, are not explained in the draft 2008/2009 Budget. In addition, no expenditure is shown in Appendix E, Capital Works, for the Kyneton Mechanics Institute refurbishment in 2008/2009.

MARRA holds concerns for insufficient disclosure and explanation relating to the KMI refurbishment, potential (undisclosed) additional repayment costs coming on-stream in 2008/2009, lack of definite timing for works (the works are required to satisfy Heritage Victoria permit conditions relating to the commencement and operation of the Kyneton Bowling Club redevelopment) and, given the now several years' delay between costings and the start of works, the potential need to revise costings (and loan amount) upwards to more realistically reflect current costs of the refurbishments. This is a project Council is legally bound to complete, and its finalization must have precedence over elective projects such as the Kyneton Pool

### **Reserves**

There is no explanation of how or why the Kyneton Public Open Space reserve is operating in deficit. The Reserve is shown as currently holding -\$57,110 and projected to hold -\$7,110 in June 2009. How does a Reserve (surplus?) operate in deficit?

MARRA questions the use of funds from the Landfill Recovery Reserve for routine maintenance costs. Our understanding is that the charge was introduced to assist with penalties incurred, and finding solutions, for existing landfills rather than routine maintenance of transfer stations.

Use of Public Open Space Reserve funds (Gisborne) for Library Refurbishment. Is a Library considered Public Open Space in terms of the Reserve, or is this an item which should more appropriately be funded from General Revenue?

### **Inflation and Cost Increases**

There is a sense of 'just making do' about this draft Budget, which is triggering alarm for the Shire's future financial position. Concerns are held that the draft Budget has not taken a sufficiently conservative approach, particularly where costings are now dated (or indeed don't yet exist), to accommodate the whole gamut of cost increases, not just those which may be included in CPI, and the accelerated rate at which those costs are now rising.

Add to this Council's unjustified and unjustifiable focus on a single project which will consume too much of Council's resources over too many years, and the scenario becomes one of a Council taking an irresponsible and unequitable approach, and failing to have proper regard for ratepayers' capacity to pay not just this year, but in ensuing years when the realities of Council's over-spending begin to bite.

### **Re-Instate Woodend Outline Development Plan**

This project was budgeted for last year but did not proceed. It is not included in this draft Budget, nor is an explanation given of where last year's funding has gone. MARRA asks that this urgently needed project be reinstated in this draft Budget.

Christine Pruneau,  
Secretary.