28th May 2012 Press Release:
Monash Strategic Resource Plan (SRP) and Annual Budgets Review

Ratepayers Victoria has reviewed Monash Council's proposed Strategic Resource Plan (SRP) and 2012-13 annual budgets. The documents are not user friendly and Ratepayers Victoria cannot see clearly the rationale and reconcilable cost drivers that contribute to annual increases of 6% for the next 4 years.

We identified several fundamental procedural discrepancies in the budgets:

- The current 2009-2013 SRP is not a 4 years budget model, but a three years one because its last year (2012-13)'s estimates were changed and has become the first year of the next 4 years cycle of SRP planning. While we understand SRP are reviewed every year, rolling over the last year of one cycle to become the first year of the next cycle is not logical and creates transparency issues especially when the changes incur higher targets than the original forecasts.
- It is very misleading to the general public to include the next cycle SRP (2013-2016) in a documented titled "Council Plan 2009-2013 (2012 Update)" as the title refers to the current cycle SRP 2009-2013.
- Council highlighted in the SRP provisions for $800K per annum for liabilities associated with employees' superannuation defined benefits scheme and these estimates are missing in the SRP's Statement of Cash Flows.
- The 2012-13 annual budget highlighted new cost drivers of new federal and state government tax levies (carbon tax, landfill levy, fire levy) but the SRP budgets only reported GST tax liabilities and reimbursements.

These procedural discrepancies can potentially become financial risks for ratepayers and contributing to further rate increases in the future. In addition to these procedural discrepancies, we also discovered that

- Rate increases are not linked to CPI movements but organisational expenditures, which had and will continue to rise without organisational resolve for efficiency improvements and downsizing of less important expenditures during poor economic times.
- The Electronic Gaming Machines (EGM) research will cost 50% of the revenue raised from EGM differential rates and mainly focuses on problem identification/analysis than problem solving outcomes. There is no indication that remainder funds would be solely used for implementation purposes or to support cost shifting to other expenditure items.
- Performance reporting and control frameworks are lacking (which is also substantiated by a recent Auditor General Office's audit report)
    - There are no service cost and performance measures to qualify the budget principles and emphasis on service levels, service standards and service improvements mentioned. The strategic objectives lacked key performance indicators (KPIs) and are supported by obscure descriptions of activities and initiatives that lack organisational project management, control and measurement frameworks to validate how the strategic objectives are realised.
    - Variance reporting lacks good reasons for differences and proactive follow-up management to contain the reported variances.

  Without these control frameworks, holding Council senior staff to account for achieving target service levels and cost performance is not easily doable and can only be subjected to interpretative performance appraisals, as in current practice.
- Monash will increase its debt by $5M to sustain a loan exposure of $15M over the next 4 years – the rationale for increasing this debt is not clear. There are no budget evidence for redeeming this debt.
- Permanent headcounts will marginally increase while contracted staff numbers are sustained over the next 4 years. The rationale for anticipating increasing headcounts is not clear as the movements of financial positions (ie operating income-cost gaps) since 2009 to 2016 have been charted and revealed little efficiency improvements and resulting overall financial positions despite staff increases.

Council spends over $7.2M in finance services and we are very disappointed with the quality and transparent materiality of the budgets because of procedural discrepancies and lacking supporting and reconciling details for justifying operating budget and rate increases. We still have no clarity of how Council is keeping costs down in the next 4 years when their operating expenses continue to rise without relevancy to CPI movements. Consequently, we have to ask over 80 questions to help us understand the budgets and evaluate the validity of its contents and rationale for increasing operating costs and rates.

We hope the new CEO and Councillors will not rubber stamp the budget without verifying and resolving many of the procedural, content and quality issues in the draft documents.