

I wish to submit the following significant concerns with regard to the Mildura Rural City Council (MRCC):

The cost of running Council:

A major part of the council's expenditure is covered by 'Rates and Charges' which are collected from the community. The region falling within the Mildura Rural City Council is regarded as one of the most disadvantaged areas in Victoria. Hence, the elected Councillors must ensure that the CEO runs the organization in an efficient manner. However, this is not the case:

- (a) Council actual expenditure for the year 2015/16 according to the Council's published Annual Report was \$97.3million, whilst the forecast expenditure for 2016/17 is \$109.5million. Furthermore, Employee costs amount to \$45.1million and represents 70% of Rates and Charges. This is a reflection of the high costs prevailing in the Council. (**attached** Annual Report 2015/16, p.85)
- (b) There is a multi-tiered management structure in place, as a result of having many managers and other senior positions. A flat hierarchy is the norm for Councils, who are engaged in cutting costs for more effective management. (**attached** Annual Report 2015/16, p.26 & 28)
- (c) There has been an increase in senior staff numbers, whilst other councils are reducing the number of senior staff for more effective cost control. According to the Council's published Annual Report for 2015/16, in addition to the CEO and three General Managers, there were eleven Managers. Out of 499 employees, **93 (18.6%)** are senior supervisory positions. We also have information for the FY 2016/17 which indicates that a further six senior managers were added to the cadre. (**attached** Annual Report 2015/16, p.26 & 28)).
- (d) Rates for dry land farming are significantly higher than in other regions (eg. farmers in marginalised areas, such as Millewa are paying more than three times the rates in more productive regions).
- (e) Irrigated agriculture in Victoria pays far more in rates than other regions.
- (f) There is a proposed increased Rate charge by Council based on the type of crop grown (eg. Table Grapes vs. Wine Grapes), irrespective of the fact that seasonal changes can impact on productivity, and irrespective of the fact that income taxes are paid separately on 'super-profits'. (**attached** Irrigation Property Survey by MRCC).
- (g) Residential rates in this area are also three times the rates of similar properties in Metro area (irrespective of the fact that this is a rural population, with a diminished capacity to pay, and without access to all local government facilities availed of by Metro communities).

The High Court decision in the Municipal Council of Sydney v The Commonwealth (1904) found that rates were taxes within the meaning of s.114 of the Constitution. This was further emphasized recently by the ATO Commissioner, who relied on this judgement.

According to ABS statistics for 2016, rural council areas represents around 30% of the State population. The State government needs to ensure that rural areas are attractive to prospective residents in order to minimise congestion in the Greater Melbourne area, rather than discriminating against them by allowing local councils to charge astronomical Rates and Charges.

We request that an audit be carried out of the finance, HR and operations functions at the Mildura Rural City Council, that is placing an unfair burden on the community, by way of not identifying areas for cost cutting.

<https://chrisseivers.com/2012/10/21/commissioner-issues-ato-id-on-whether-council-rates-are-an-australian-tax-for-the-purposes-of-division-81-of-the-gst-act/>

[REDACTED]

From: POV eSubmission Form <cso@parliament.vic.gov.au>
Sent: Monday, 14 August 2017 3:39 PM
To: ENRRDC
Subject: New Submission to Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Councils

Inquiry Name: Inquiry into the Sustainability and Operational Challenges of Victoria's Rural and Regional Councils

Mr Phillip Douglass
[REDACTED]

Committee Member
Ratepayers Victoria Inc
[REDACTED]

SUBMISSION CONTENT:

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I am submitting the following serious issues with regard to concerns raised by members of the community:

Members of the Mildura community have raised numerous issues with respect to the MRCC administration. They have highlighted the continuing sense of powerlessness and frustration that they feel, as attempts to have their issues addressed by the MRCC administration and Councillors have been met with indifference, an apparent inability or unwillingness to act, or with open hostility.

1. Escalating Employee Costs and Bloated Management Structure

The Rates to Employee Costs percentage has been steadily increasing, is well above acceptable benchmarks, and is a reflection of the inability of Council management to control employee costs. There is a multi-tiered, top-heavy management structure in place, with General Managers, Managers, Coordinators and Team Leaders all being paid well above the rate for equivalent positions across the border in NSW. Some of these "senior" managers only have two or three direct reports. As a result of having so many managers and other senior positions there is a lack of accountability to the community; the community does not benefit from the higher costs incurred by the bloated management structure. Councils who are engaged in cutting costs for more effective management have successfully implemented a flatter structure, with more direct reports for their managers and for the CEO.

The number of managers paid more than \$100,000 is excessive compared to other regional Councils. Comparison with Shepparton, an equivalent rural city to MRCC that employs around 570 EFT (vs around 500 EFT at MRCC), shows that MRCC have 16 Senior Officers paid over \$160,000, while Shepparton have only 3. The total of salaries paid to Senior Officers at Shepparton is \$1.306m, whereas at MRCC it is \$3.839m. Shepparton appear to be in a much stronger financial position as a result of their salary restraint, with unallocated funds (ie funds they can use for whatever they want or just keep in the bank) of about \$31m, whereas MRCC have only \$2.4m. Public money is also being wasted on legal fees, redundancy pay-

outs and ex-gratia payments to former employees. After lengthy efforts over 12 months to extract the total cost of redundancies and ex-gratia payments since 2009, the intervention of the Ombudsman was required before this amount was finally revealed to be over \$1.6 million, with no apparent reduction in overall staff numbers.

2. Staff Numbers

Council's overall staff numbers, according to their reports have stayed relatively steady at around 500 FTE's for many years; the increase in management and supervisory positions is therefore unwarranted and we believe is reflective of weak or incompetent senior management.

3. Increasing Residential Rates

We have focused in the first part of this submission on the costs imposed on our community through rates and charges, which although now subject to rate capping, started from a very high base in Mildura compared to other Council areas. The percentage rate increase is now capped across Victoria, however the high starting base means that MRCC ratepayers now pay significantly more than others every year and this gap will compound over time.

Comparison of rates between Mildura (3500) and Wantirna (3152), as reflected in the attached graph, shows that Mildura rates are almost double that of Wantirna, even though in the year 2000 both rates were similar at or around \$500.00. In the year 2016/17 Mildura rates for a property was \$2,485.00, whilst that for Wantirna was only \$1,393.00, even though CIV (capital improved value) of Wantirna is almost double that of the property in Mildura.

Finally, the dissatisfaction of the local community with MRCC was evidenced by the very high number of people that nominated as candidates for the 2016 Council elections in Mildura (a record field of 28 candidates). The reasons that they publicly gave for nominating for Council at the Candidates Forum held in the Mildura Arts Centre, attended by hundreds of local residents, included the very high rates and mismanagement of Council resources. Cr Max Thorburn spoke publicly at this Forum about the Council administration having "too much power" and emphasized that this needed to change. It was clear to anyone sitting in the audience that there was a complete lack of trust and confidence in the ability of MRCC to deliver services efficiently and effectively. Despite the election of a new Council in 2016, there has been no apparent change in the toxic and dysfunctional culture of MRCC; if anything, it has deteriorated further.

We request that an audit be carried out of the financial performance and HR functions at the Mildura Rural City Council, to identify the changes required to reduce the heavy burden on local ratepayers.

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File1: [59913781d00ce-Rates Comparison Graph001.pdf](#)

File2:

File3: