



**Borough of Queenscliffe**  
Queenscliff & Point Lonsdale, Victoria, Australia

1 November 2023  
it:mg

David Connoley  
President  
Queenscliffe Community Association  
Via email: [REDACTED]

Dear Mr Connoley

### **PUBLIC QUESTION TAKEN ON NOTICE**

I am writing in response to the public question taken on notice at the Ordinary Meeting of Council held on Wednesday 25 October 2023.

#### **The public question reads as follows:**

The QCA has explained to Councillors the need to financially manage its operating deficits as being a critical element of their financial management responsibilities. The Annual Report highlights staff costs rising over \$600,000 for the year 2022 - 2023. This is despite non- filling of vacancies and new positions estimated to have resulted in \$313,500 of savings.

The most recent Quarterly Financial highlighted the LGPRF deficit /operating loss being \$607,000 - 150% greater than forecast and no doubt contributed to by significant cost overruns or other reasons.

The recent Bellarine Times article highlighted just one cost blowout for the EV stations of an additional \$30,000 ( Total cost \$170,000 /full cost to ratepayers now a staggering \$100,000) Additionally, cost overruns on the Hub, the Amenities Block and the boat Ramp items Council has recently taken over have added to the operating deficit.

The QCA asks who has authorised such payments including project variations, what is the CEO doing to curtail or manage such cost impositions and are councillors concerned when such cost blowouts become evident?

#### **In response to the question, I provide the following advice:**

In response to the initial statement about employee costs, the difference referred to represents the difference between the actual employment costs reported at the end of the 2021 –2022 and the actual employment costs reported for 2022–2023. However, the 2021–2022 actuals are not a good starting point for the measuring any increase in employee costs through the 2022–2023.

The 2021–2022 actuals incorporate an underspend in employment costs resulting from staff vacancies, therefore not representing the actual cost of full employment in the organisation.

The best baseline for the comparison is to use the 2022–2023 budget allocation which assumes full employment and represents the true employment costs of the organisation. Using this baseline, the difference between the 2022–2023 budgeted costs and the actual costs is an underspend of \$63,000. This information can be found on page 131 of the Annual Report.

With respect the observations about the Local Government Performance Framework (LGPRF) deficit. The Annual Report, and the fourth quarter financial report presented at the September Ordinary Meeting, incorporate the outcomes of the end of year reconciliation process and in particular a one-off recognition of funds that were reclassified from capital expenditure to operating expenditure due the completion of capital projects.

The reclassification of capital expenditure resulted in a \$773,000 increase in operating expenditure. It should be noted that the reclassification addressed capital cost incurred over multiple budget cycles. A good explanation of this can be found on page 9 of the Quarterly Financial Report at 30 June 2023, which is included in the Council papers for the Ordinary Council meeting on 27 September.

On your question about Councillor concern with budget variances, the Mayor has provided the following response:

Councillors certainly have shown concern about budget variances, being aware of our municipality's limited income. We have been fully briefed about budget variances on the projects of concern. Councillors are aware, as the officers are, that beginning any project during COVID has meant that project costs have been impacted by increases in construction costs which have risen and continue to rise at a rate above the current inflation increases that have become fixture in the economy over the last two years. We deem the budget variances reasonable given the inflated environment we've been operating in and acknowledge that officers have endeavoured to value manage projects in this changing economic environment.

The authorisation processes for a project depends on the project governance framework and the financial delegations. This can vary between projects and within projects. For instance, with the Queenscliffe Hub project, smaller variations were dealt with at an officer level under financial delegation, and larger variations were approved by Council through the quarterly budget review process.

The Manager Financial Services and I are happy to meet with the QCA talk about financial position of Council reported in the end of year reporting and the Annual Report.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'MG', with a long, sweeping horizontal line extending to the right.

**Martin Gill**  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'I Tolhurst', with a horizontal line extending to the right.

**Cr Isabelle Tolhurst**  
Mayor