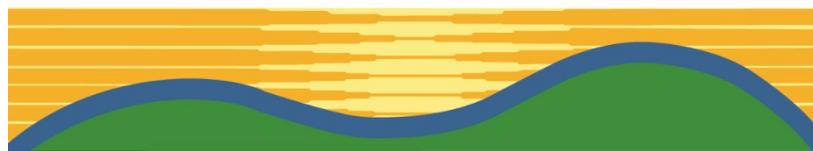


MITCHELL SHIRE COUNCIL



ORDINARY COUNCIL MEETING

LATE AGENDA

MONDAY 16 MARCH 2020
7:00pm

NOTICE IS HEREBY GIVEN that **Ordinary Council Meeting** of the Mitchell Shire Council will be held at **Mitchell Civic Centre, 113 High Street Broadford**, on **Monday 16 March 2020** commencing at **7:00pm**.

MARY AGOSTINO
ACTING CHIEF EXECUTIVE OFFICER

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8 GOVERNANCE AND CORPORATE PERFORMANCE

8.6 DRAFT 2020-2021 BUDGET AND REVISED STRATEGIC RESOURCE PLAN

Author: *Nicole Maxwell - Manager Finance and Assets*

File No: *CM/05/013*

Attachments: *Provided seperately*

SUMMARY

Council's financial position has steadily improved following several years of focusing on rebuilding Council's financial capacity. This has included maintaining adequate cash reserves, increasing expenditure on the renewal of assets where possible, whilst also balancing the need for new and upgrade assets and seeking external grant funding.

Population growth is evident in both increased revenue and expenditure.

Some of the highlights included within the Draft 2020-2021 Budget and Strategic Resource Plan (SRP) are;

- Increased revenue and expenditure in relation to population growth and that of services as a consequence of growth,
- A \$24.28M Capital Works program (exclusive of carry forwards),
- An increase to 108.5% asset renewal funding in 2020-2021(100% excluding carry forwards),
- Growth in expected operational and capital grants, and
- A positive Adjusted Underlying Surplus.

This report recommends that Council resolves to endorse the draft annual review of the SRP and draft 2020-2021 Budget for public input in accordance with Sections 126 and 127 of the *Local Government Act 1989 (the Act)*. Council is required to give public notice of these documents pursuant to Section 129 of the Act.

DRAFT 2020-2021 BUDGET AND REVISED STRATEGIC RESOURCE PLAN (CONT.)

RECOMMENDATION

THAT Council resolves to endorse:

1. The revised Strategic Resource Plan 2021-2024 and Draft 2020-2021 Budget, – circulated separately and annexed to the Minutes, prepared by Council for the purposes of Sections 126(3) and 127(1) of the *Local Government Act 1989*.
2. The Chief Executive Officer be authorised to:
 - (a) Give public notice of the revised Strategic Resource Plan 2021-2024 and the Draft 2020-2021 Budget in accordance with Section 129(1) of the *Local Government Act 1989* noting the dates for public notice are from Thursday 26 March 2020 to Wednesday 22 April 2020.
 - (b) Invite submissions on any proposal contained in the revised Strategic Resource Plan 2021-2024 or the Draft 2020-2021 Budget in accordance with Section 129(2) of the *Local Government Act 1989*.
 - (c) Effect any minor administrative changes which may be required to the revised Strategic Resource Plan 2021-2024 or the Draft 2020-2021 Budget.

THAT Council resolves to note:

3. Submissions will be considered at a Hearings Committee meeting of Council to be held on Monday 4 May 2020 at 7.00pm in the Council Chamber, 113 High Street, Broadford.
4. Subject to changes to either document after consideration of all submissions, the revised Strategic Resource Plan 2021-2024 and the Draft 2020-2021 Budget will be presented for adoption as Council's Strategic Resource Plan 2021-2024 and Budget for 2020-2021, in accordance with Sections 126(3) and 130(1) of the *Local Government Act 1989*, at an Ordinary Meeting of Council to be held on Monday 22 June 2020 at 7.00pm in the Council Chamber, 113 High Street, Broadford.

BACKGROUND

Annual review of Strategic Resource Plan (SRP)

Pursuant to Sections 125 and 126 of the Act, Council is required to annually review its Council Plan which comprises two sections. The first focuses on strategies and objectives to deliver the vision for the Shire and the second (the SRP), identifies resources required to achieve those objectives.

Draft 2020-2021 Budget

Under Section 127 of the Act, Council is required to prepare a Budget (to be circulated separately). This describes how Council intends to allocate resources to deliver services and invest in key infrastructure.

DRAFT 2020-2021 BUDGET AND REVISED STRATEGIC RESOURCE PLAN (CONT.)

Council will make these documents available to the public pursuant to Section 129 of the Act and invite submissions pursuant to Section 129(2).

ISSUES AND DISCUSSION

The revised SRP and the Draft 2020-2021 Budget documents have been formulated using principles of sound financial management to continue to deliver a responsible financial plan for our existing and growing communities. These documents demonstrate that Council remains focused on long-term sustainability whilst meeting the increasing demand for services and infrastructure.

These draft documents are the result of collaborative work which commenced last July to ensure all assumptions and historical information could be revised and reviewed in detail ready for compilation in early 2020 with this earlier draft adoption. Part of this early work included checking in with the community through inviting project ideas and completion of a budget simulator.

Budget Briefing Sessions held with Councillors confirmed key goals and assumptions as well as providing Councillors an improved opportunity for an in-depth review of future service requirements and working through the 4-year capital program.

The Draft Budget sets out Council's Capital Works Program for the 2020-2021 year and ratepayers and residents are encouraged to familiarise themselves with the proposed projects.

In preparing the Annual budget and SRP a combination of confirmed factors and assumptions have been applied. The key assumptions reviewed relate to:

- Overall increase in rates and charges income including the level of growth and supplementary rates;
- The level of borrowings and linkage to projects;
- Expected capital revenue linked to capital projects;
- Expected movements in income and expenses;
- Service cost requirements;
- Council's cash holdings; and
- Overall financial sustainability indicators.

The budget has been prepared based on inputs from various Council strategies and plans including the Council Plan (prepared with community input), which determine identified needs and levels of service. This is an approach which determines the priorities and essential services that Council is required to deliver.

Key areas of interest include:

- **Rate Capping** – The 2020-2021 rates are to be capped at 2% and the SRP assumption has been amended to reflect a lower increase of 0.25% for the 2020-2021 year than previously identified.
- **Population growth** – Mitchell Shire comprises both rural and urban areas with continued strong growth, particularly in the South. Council is planning to ensure

DRAFT 2020-2021 BUDGET AND REVISED STRATEGIC RESOURCE PLAN (CONT.)

that infrastructure is provided for our new communities as well as the provision of additional and appropriate services to these communities.

Council is addressing the challenges of having sufficient capacity to plan for and provide the infrastructure and services to these growing communities within the timeframes and levels expected.

Successful advocacy and external grants play a key role in meeting service and infrastructure needs. Council will continue to strongly advocate to other levels of government for increased funding to support its service and infrastructure requirements. This draft budget and SRP include both unconfirmed and confirmed grants for key projects that may require revision as grants become available and application status becomes known. Some projects may not proceed if grants are unsuccessful.

- **Adjusted Underlying Surplus** – Council continues to ensure a positive Adjusted Underlying Surplus is achieved annually. This means councils operational costs are adequately covered from recurrent council revenue and we are able to invest in our capital program.
- **Unrestricted cash** – Unrestricted cash holdings decline over the term of the SRP but remain within the 50-100% key performance indicator. Work will continue to improve this result. Council is committed to ensuring continued coverage of all reserves, day to day business commitments and current liabilities.

Cash holdings being enough to meet operational demands and unexpected events is important as Council experiences periods of high and low income.

- **Investment in Infrastructure** – Positively, the capital works program continues to increase annually to advance our ability to meet all immediate capital demands in the short term. Grant funding and other contributions remain critical to deliver services when needed.

The previous SRP forecast \$55.8M in Capital works expenditure over the 2020-2023 period, the revised SRP forecast for those same three years is \$75.55M, an increase of \$19.75M.

The four-year program includes Capital Grants of \$24.6M.

As mentioned previously, not all grants have been confirmed. Some projects may not proceed if grant funding is not obtained.

Projects continue to be prioritised and Council remains focused and committed to balancing infrastructure spend on new, upgraded and renewed projects.

- **Borrowing for long term benefit** – Future borrowings continue to be linked to capital projects that provide cross generational benefits. No change in policy direction has been made.

Borrowings have been identified within the SRP for the delivery of Resource Recovery Centre projects, Strategic Land Purchases, 300 Northern Highway development, Missing Link Footpath construction, Dudley Street Wallan road upgrade, Kilmore Community Hub construction, Broadford public toilet construction and Patterson Street road construction.

DRAFT 2020-2021 BUDGET AND REVISED STRATEGIC RESOURCE PLAN (CONT.)

Key areas included in the revised SRP and Draft 2020-2021 Budget are as follows:

Services (Operational Budget)

Council has continued to work within the State Government imposed rate cap (2% cap for 2020 / 2021).

Recurrent operating budgets for Council services have been adjusted to reflect growth in services, and changes in costs, including inflation and contracted prices.

In 2020-2021 Income is expected to increase by 5.56% and Operational Expenses will increase by 2.72%. This is a favourable result that enables an increased ability to deliver capital projects. All budgets are reviewed in detail to ensure Council is providing value for money for our community.

Council continues to participate in and seek opportunities to collaborate in projects with other municipalities to achieve better contract rates for key services.

Rates and Charges

Rates and Charges account for 51% of Council's operating revenue. Long-term sustainability relies on the ability of Council to raise sufficient income to deliver services, maintain and renew existing assets and build new assets and infrastructure to cater for growth.

The Budget proposes an overall increase in total rates and charges revenue to be collected. This increase is a combination of increased rates revenue through supplementary growth income, applying the rate cap of 2% and an increase of 8.6% for the Waste Collection Charge. Overall the proposed increase in rates and charges revenue is 6.5% for the 2020-2021 year. The Waste Collection Charge increase is due to multiple factors however the main drivers include the cost increase associated with remediation and rehabilitation of our landfills, increased EPA fees and legal costs.

A future assumption of a 2.25% rate cap has been applied to years two through to four of the SRP in addition to anticipated income from a growing community. The cap is revised annually in line with guidance received from the Essential Services Commission.

Capital

Council's Draft 2020-2021 Budget supports a new capital works program of \$24.28M and a total program of \$32.12M which includes 2019-2020 carry forward projects. The program will be funded from a combination of reserves held in trust, government grants, proceeds from sale of assets, Council operations and borrowings. Council has included \$5.1M in borrowings to support Strategic Land Purchases, Resource Recovery Centre construction and Patterson Street road construction (carried forward from 2019-2020).

Meeting the asset renewal challenge

Council's assets vary from old infrastructure that was built in the 1960s beginning to reach the end of its useful life through to assets constructed as recently as 2020. As a growth Council we continually need to balance and prioritise projects that are of a new or renew nature.

Improved Asset Management is a key focus and increased road renewal is a key priority following a past sustainability review. An important focus is in ensuring our

DRAFT 2020-2021 BUDGET AND REVISED STRATEGIC RESOURCE PLAN (CONT.)

renewal efforts target the right assets. The Draft 2020-2021 Budget assigns a total \$14.09M (inclusive of carry forwards) to the renewal of Council assets.

Councils renewal spend fluctuates each year due to balancing the needs of new and improved infrastructure versus renewed. The SRP will see the average renewal spend at approx. 82% of the annual depreciation expense.

External grant funding for new infrastructure remains important in that it enables Council own resources to focus on renewal requirements.

Borrowings

Provision has been made in 2020-2021 for \$5.1M borrowings to support three projects, Strategic Land Purchase (\$2.0M), the construction of the Seymour Resource Recovery Centre (\$2.3M) and Patterson Street road construction (\$0.8M). Future borrowings have also been identified to support projects in relation to waste projects, community facilities and land.

Borrowings are undertaken as required to deliver on the specific projects and are not drawn down until needed.

CONSULTATION

The Executive Leadership Team and Senior staff have worked together in the development of this Budget over many months and Councillors have been briefed and discussions held during July 2019 through to March 2020.

A Community Check In process was undertaken during late 2019 that included a project proposal opportunity and an online budget simulator. As part of this process we visited various locations and events to engage with the community and promote our online engagement tool and provide paper based alternatives.

The budget simulator was completed online 212 times along with 15 hardcopies and 5 budget submissions were also completed. This information gathered was valuable and informed the draft budget process for 2020-2021.

The online simulator was

In accordance with Section 129 of the Act, the revised SRP and Draft 2020-2021 Budget will be exhibited for public consultation through a public notice and will be available for inspection at the following locations:

- Council's Libraries and Customer Service Centres:
 - Beveridge – Greater Beveridge Community Centre, Lithgow Street
 - Broadford – 113 High Street
 - Kilmore – 12 Sydney Street
 - Seymour – 125 Anzac Avenue
 - Wallan – 9/81-99 High Street
- Council's website – www.mitchellshire.vic.gov.au

A period of 28 days is provided for the public to lodge submissions which are required to be lodged with Council by 5.00pm on Wednesday 22 April 2020.

DRAFT 2020-2021 BUDGET AND REVISED STRATEGIC RESOURCE PLAN (CONT.)

Council will consider all submissions and will offer those requesting it, the opportunity to present to a Hearings Committee meeting in support of their submission. The Hearings Committee is scheduled to be held at 7.00pm on Monday 4 May 2020 in the Council Chamber, 113 High Street, Broadford.

The public exhibition and consultation undertaken during March and April will be the second opportunity for the community to be involved with the 2020-2021 budget development process.

FINANCIAL, RESOURCE AND ASSET MANAGEMENT IMPLICATIONS

Financial, resource and asset management implications associated with the Draft 2020-2021 Budget and revised SRP have been detailed in the body of this report and the attached documents.

The costs of preparing these documents, such as public notices, are funded from operational budget allocations.

POLICY AND LEGISLATIVE IMPLICATIONS

The Draft 2020-2021 Budget has been prepared in accordance with the requirements of the *Local Government Act 1989* Section 125.

The revised Strategic Resource Plan has been prepared in accordance with the requirements of the *Local Government Act 1989*, Section 126.

RISK IMPLICATIONS

Risk Ranking is determined using [ROHS201-G1- Corporate Risk Matrix](#). Risk is identified as Low, Medium, High or Very High.

Risk	Risk Ranking	Proposed Treatments	Within Existing Resources?
There is a risk that the community will not support the draft budget, in particular capital projects.	Low	Adequately advertise and promote the Draft Budget and SRP to ensure community members are aware of the opportunity to make submissions.	Within Existing Resources.
There is a risk that Council cannot deliver on the projects within the 2020-2021 financial year as described.	Medium	Council staff will commence project preparation work as early as possible to deliver on the projects. Adequate communication will occur with Council and the Community.	Within Existing Resources.

SUSTAINABILITY IMPLICATIONS (SOCIAL AND ENVIRONMENTAL)

The Shire's sustainability relies on its ability to raise sufficient income to deliver required services, maintain and renew existing assets and build new assets and infrastructure to cater for growth.

DRAFT 2020-2021 BUDGET AND REVISED STRATEGIC RESOURCE PLAN (CONT.)

There are no direct environmental or social implications associated with the preparation of this report.

The Draft Budget does however detail Councils planned resource allocation towards social and environmental services and projects.

CHARTER OF HUMAN RIGHTS IMPLICATIONS

The rights protected in the *Charter of Human Rights and Responsibilities Act 2006* were considered in preparing this report and it's determined that the subject matter does not raise any human rights issues.

CHILDREN AND YOUNG PEOPLE IMPLICATIONS

The draft budget and strategic resource plan includes resource allocations for areas that provide services to children and young people. No service changes are identified in these areas.

OFFICER DECLARATION OF CONFLICT OF INTEREST

No officers involved in the preparation of this report have any direct or indirect interest in this matter.

CONCLUSION

The Draft 2020-2021 Budget and revised SRP details how Council will allocate resources to services and projects and have been prepared with regard to agreed strategic policy directions and objectives.

The draft documents aim to balance the need to provide operational services to both new and existing communities whilst also directing funds to infrastructure investment that supports a growing community as well as older assets that require renewal.

The growth being experienced within the Shire is steadily increasing and is visible in our increased revenue in rates, services and user charges as well as our expenditure to support existing and new services.

It is recommended that Council exhibits the Draft 2020-2021 Budget and Revised SRP for public comment.