

8 GOVERNANCE AND CORPORATE PERFORMANCE

8.1 ADOPTION OF THE 2019-2020 BUDGET AND STRATEGIC RESOURCE PLAN 2020-2023

Author: *Nicole Maxwell - Manager Finance and Assets*

File No: *FN/09/022*

Attachments: 1. *Budget Submission Summary*

SUMMARY

This report presents the 2019-2020 Budget and Strategic Resource Plan 2020-2023 (SRP) for adoption.

The 2019-2020 Proposed Budget and Draft Strategic Resource Plan 2020-2023 were endorsed to be placed on public exhibition by Council on 15 April 2019. Public notice was advertised in the local papers and submissions invited.

Community information sessions were held across the Shire to explain key elements of the 2019-2020 Budget and outline the submission process. The submission period ended on 22 May 2019 and a total of forty-six submissions were received. Eleven submitters elected to be heard by Council at a Special Hearings Committee held on Monday 3 June 2019.

Council also ran a pre-budget formulation consultation process that concluded in October 2018 which yielded 455 responses and over 750 suggestions, these were taken into account by Council as part of the budget process.

The report recommends that Council, having considered public submissions and other information contained in this report in relation to the 2019-2020 Proposed Budget and Draft Strategic Resource Plan 2020-2023, must resolve to:

- Adopt the 2019-2020 Budget and the Strategic Resource Plan 2020-2023 following public notice and inspection in accordance with the requirements of the *Local Government Act 1989* (the Act) and *Local Government (Planning and Reporting) Regulations 2014* (the Regulations); and
- Declare the amount which the Council intends to raise by general rates and charges.

RECOMMENDATION**THAT** Council:

1. Adopt the Strategic Resource Plan 2020-2023 as the final Adopted Strategic Resource Plan of Council for the 2020-2023 financial years, (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. Adopt the Budget 2019-2020 as the final Adopted Budget of Council for the 2019-2020 financial year, (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*.
3. Makes copies of the 2019-2020 Adopted Budget and Strategic Resource Plan 2020-2023 available at Council offices, Libraries and on Council's website.
4. Authorise the Chief Executive Officer to give public notice of the decision to adopt the 2019-2020 Annual Budget and Strategic Resource Plan 2020-2023 and submit copies as required to the Minister for Local Government, in accordance with Section 130 of the Act.
5. Notify in writing the persons who have made a submission regarding the 2019-2020 Budget and/or Strategic Resource Plan 2020-2023 of Council's decision, in accordance with Section 223 of the Act, which will include a detailed response to the issues raised in the submission.
6. Declare an amount of \$46.213M (or such greater amount as is lawfully levied as a consequence of this resolution) as the amount which Council intends to raise by rates and charges in line with the 2.50% rate increase and 18.42% Garbage charge increase outlined in the 2019-2020 Budget, which is made up of the following:
 - a) General Rates* \$32.602M
 - b) Garbage Charges* \$6.711M
 - c) Municipal Charges \$6.900M
 - d) Total Rates and Charges \$46.213M* including supplementary rates
7. Advises in respect of general rates:
 - a) A general rate be declared in respect of and for the entire duration of the 2019-2020 financial year;
 - b) It further be declared that the general rate be raised by application of differential rates;
 - c) Council declare the differential rates (shown as cents/\$CIV) for the 2019-2020 year as follows:
 - General Land: 0.2851
 - Vacant Land: 0.5702
 - Vacant Commercial or Industrial Land: 0.6842
 - Agricultural Land (40ha-100ha): 0.2566
 - Agricultural Land (greater than 100ha): 0.2281
 - Subdivisional Land: 0.5702

8. Declares a Municipal Charge of \$316.00 in respect of the 2019-2020 financial year.
9. Declares:
 - a) Garbage charge (full service) of \$405.00
 - b) Garbage charge (extra service) of \$228.00
 - c) Recycling Charge (extra service) of \$177.00
10. Authorises the Chief Executive Officer to effect minor administrative and wording changes to the 2019-2020 Annual Budget and Strategic Resource Plan 2020-2023 documents, which may be required.

BACKGROUND

Annual review of Strategic Resource Plan (SRP)

Pursuant to Sections 125 and 126 of the Act, Council is required to annually review the SRP which has been undertaken as part of the budget process.

2019-2020 Budget

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

ISSUES AND DISCUSSION

Council has an obligation to manage its finances in line with the Act by implementing the principles of sound financial management.

The SRP and the 2019-2020 Budget documents were formulated using principles of sound financial management to deliver a responsible financial plan and present a sustainable way forward for the municipality, which is undergoing significant growth and change. These documents demonstrate that Council remains focused on maintaining its long-term sustainability and that the Council continues to meet the increasing demand for services and infrastructure whilst operating within constrained revenue parameters.

These 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 assembling in early 2019. Part of this early work included budget sessions held with Councillors and community consultation.

The 2019-2020 Budget sets out Council's Capital Works Program for the 2019-2020 year. The program will deliver \$26.89M of new and \$8.41M of carry forward capital works across various asset categories and will include expenditure on new, renew, upgrade and expansion projects. Key areas of capital expenditure include buildings, plant and equipment, computers and telecommunications, roads, footpaths and cycleways, bridges, recreation, leisure and community facilities waste management, parks, open space and streetscapes.

One of the key concerns that have been addressed within this budget is the need to increase funding on roads and footpaths. This was a strong message received from the community and strongly supported by condition data. The overall new program for Roads, Footpaths and Cycleways is set at \$10.48M or 39% of the new program.

In formulating the Annual budget and SRP, a combination of confirmed factors and assumptions have been applied. The key assumptions reviewed are related 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
- Services provided
- Council's cash holdings
- Overall financial sustainability indicators

The key challenges addressed in the SRP include:

- **Rate Capping** – The 2019-2020 rates are increased to the cap of 2.50% and the SRP assumption reflects 2.50% rate cap for 2020-2021 and 2021-2022 and 2.00% for final year of the plan.
- **Population growth** – Mitchell Shire comprises both rural and urban areas with continued strong growth, particularly in the South. Council is planning to ensure that infrastructure is provided or renewed for our new and existing 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 communities within the timeframes and levels expected.

- **Adjusted Underlying Deficits** – It has been important to Council to remove the adjusted underlying deficit over the longer term and Council has achieved this and plans to continue to operate with an adjusted underlying surplus. This enables further expenditure to be diverted to increasing our expenditure on our assets.

Council remains committed to reviewing all assets and services and will continue to work with the Community to set revised priorities that are developed within a financially sustainable framework. Council will continue to strongly advocate to other levels of government for increased funding to support its operational and investment requirements.

- **Cash reserves** – Council's current cash holdings are adequate to cover all reserves in addition to day to day business commitments. Council has a number of discretionary reserves which must continue to be cash backed and has

determined that it should hold \$10M in cash holdings at a minimum in addition to the value held for trust monies and reserves to ensure funding of all works during periods of high expenditure and low income. The SRP remains focused on maintaining sufficient cash balances.

- **Investment in Infrastructure** – The capital works budget is limited and insufficient to meet all capital demands and this remains a key focus. The revised SRP forecasts \$91.07M in capital works over the coming four years inclusive of carry forward projects.

External funding continues to play an important role in our ability to increase infrastructure spend. Council remains focused on advocacy and external funding opportunities to increase the expenditure to meet our needs.

- **Borrowing for long term benefit** – Future borrowings will be linked to capital projects that provide inter-generational benefits. Borrowings have been identified in the SRP for planning and construction of Seymour's flood levee, Southern Resource Recovery Centre land purchase and design, and Patterson Street road construction.

Key areas included in the SRP and 2019-2020 Budget are as follows:

Services (Operational Budget)

Council continues to scrutinise its operational budgets and achieve efficiencies each year to work within the State Government imposed 2.50% rate cap.

Recurrent operating budgets for Council services have been adjusted to reflect population and asset growth, and changes in costs, including inflation and contracted prices. Overall operating costs have increased by 0.53% when compared with the 2018-2019 end of year forecast.

Rates and Charges

Council's long-term sustainability relies on its ability 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 in line with the annual rate cap and an allowance though supplementary rates due to the expected continued growth. The proposed increase in the overall rate revenue is 2.50% in year 1 to year 3 and 2.00% per annum thereafter. These assumptions will be subject to the annual notification.

Capital

Council's 2019-2020 Budget supports a new capital works program of \$26.89M and a total program of \$35.30M which includes 2018-2019 carry forward projects. The program will be funded from a combination of government grants, proceeds from sale of assets, Council operations and borrowings. Council has included \$2.40M in borrowings to support the Seymour Flood Levee project planning, Patterson Street, Beveridge roadway construction and Southern Resource Recovery Centre land purchase and design.

Meeting the asset renewal challenge

The challenge to fund the appropriate renewal of existing assets (roads, drains, buildings, etc.) is one that Mitchell Shire shares with many other municipalities. The renewal spend on roads and footpaths has increased from \$3.77M in 2018-2019 to \$5.19M in 2019-2020. For our Shire, the challenge is complicated and continual. Our growing community requires new infrastructure and services, whilst much of our existing infrastructure is beginning to reach the end of its useful life.

The 2019-2020 Budget allocates \$8.10M to the renewal of Council assets, a decrease from the previous year (\$10.68M). Of the \$2.58M decrease, \$1.88M relates to plant and fleet renewal as the program is developed annually based on a needs assessment and is not a similar amount each year. A further \$1.49M relates to waste management renewal projects which are based on the 10-year capital works program for landfill capping and rehabilitation. Council are committed to increasing this amount each year where possible with renewal funding continuing to be one of Council's capital work priorities.

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

CONSULTATION

The Councillors, Executive Leadership Team and Senior staff have worked together in the development of this Budget over many months commencing in July 2018.

Council undertook a pre-budget consultation process that concluded in October 2018 as part of the 2019-2020 budget development process. This was in order to receive feedback from the community on items that they would like to see addressed as part of the formulation of the budget. The consultation resulted in 455 responses that amounted to 755 ideas.

The ideas were categorised as either,

- A project previously identified (36%)
- A project or initiative currently being implemented (11%)
- New Initiatives (16%)
- Advocacy (12%)
- Or ideas that did not align to Council Plans and / or Strategies or no specific project was identified. (25%)

Ideas related to Roads and Bridges, Community Facilities, Parks and Streetscapes and Buildings. The main new initiative themes included Roads, Car parking, Footpaths and Off Road Trails.

Other suggestions that will help set our future advocacy efforts included Major Road Infrastructure, Public Transport and Economic Development.

Further to this early consultation and in accordance with Section 129 of the Act, the revised SRP and Draft 2019-2020 Budget were made available for inspection for 28 days and submissions received.

Public notice was advertised through Engaging Mitchell and Councils website in addition to printing in the:

- North Central Review 23 April 2019
- Seymour Telegraph 24 April 2019
- Mclvor Times 24 April 2019

The Proposed 2019-2020 Budget and Draft SRP were made available for public inspection at Council's Library and Customer Service Centres and published on Council's website from 16 April 2019.

During the public notice and submission period Council also held 7 Budget Drop In Sessions at various locations throughout the shire as another avenue for community members to ask questions and provide feedback, further information below.

Full copies of submissions were provided to Council and verbal submissions heard by Council at its Special Hearings Committee meeting on Monday 3 June 2019. A summary of all submissions received and Officer responses and recommendations is at Attachment 1.

Community Budget Forums

As part of the consultation a number of community sessions were held across the Shire. The sessions were an informal setting for discussion and feedback to be provided regarding the Proposed 2019-2020 Budget and Draft SRP.

There were a total of 7 session held at various times throughout the day with one evening session in Kilmore, locations included:

1 May 2019	Club Mandalay, Beveridge	10.30am
2 May 2019	Broadford Living and Learning Centre	1.00pm
3 May 2019	Open House Café, Wallan	2.30pm
7 May 2019	Pyalong Neighbourhood House	9.30am
8 May 2019	Wine x Sam, Seymour	11.00am
10 May 2019	Kilmore Gaol, Kilmore	2.00pm
15 May 2019	Kilmore Library, Kilmore	7.00pm

No community members attended the Beveridge session.

The Broadford session had items raised including:

- Ferguson Street Broadford
- Need for a public toilet at the other end of the shopping strip

- A shade sail at the playground opposite the post office
- The importance of mental health to the elderly and increased programs.
- Need for a community bus
- Keeping community hubs open 365 days per year
- Lights at the Fish and Chip shop due to speeding

At Wallan there was one community member who attended and subsequently made a submission.

No community members attended the Pyalong Session.

The Seymour session had items raised including:

- The utilisation of the Old Goulburn River Bridge
- Compliments on the Seymour Structure Plan
- Anzac Avenue beautification and bike lane amenity
- General amenity
- Highlands Road precinct kerb and channel
- Mental Health
- Seeking clarification on the projects included within the Seymour Revitalisation project
- Trails within Mitchell

The evening session in Kilmore had no attendance however the daytime session had items raised including:

- Kilmore-Lancefield Road and Conway Street School Safety
- Concerns with plans to remove Link Reserve playground
- Animal containment concerns raised with adjoining Link Reserve playground
- Sealing of Kings and Kellys Lane
- Frustration at the replacement of the bins and query as to cost to Council
- Support of the Tennis Club projects
- Comment that the main streets are being neglected
- Concern raised about the lack of green waste collection
- Raised the need for the bypass

The varied nature of the issues raised reflects the diversity of our Shire, valuable information has been shared between Council and the Community that will inform

future planning. It is noteworthy that the Draft Budget and the SRP does address, to a greater or lesser degree, many of the issues raised through the various consultation processes.

Revisions to the 2019-2020 Proposed Budget – Submissions

The statutory submission period ended on 22 May 2019 and a total of forty-six submissions were received. Eleven of the written submitters were heard by Council at a Special Community Questions and Hearings Committee held on Monday, 3 June 2019.

Attachment 1 is a summary of all submissions received as well as staff responses and recommendations.

A full listing of changes made subsequent to the initial draft budget can be seen in Appendix C of the revised 2019-2020 Budget, key changes include:

- Revised Carry Forward estimates based on updated forecasts
- Increased rates revenue through supplementary growth during 2018-2019
- Borrowing estimates updated including interest costs
- Seymour Flood Levee budget change due to expected delivery timeframes
- Various grant updates following notification received of increased revenue and prepayments
- Additional expenditure for:
 - Upper Plenty Shack
 - Oak Street, Seymour - road rehabilitation
 - Conway Street Kilmore – school crossing
 - Upper Plenty - formalisation of bus turn-around area
 - Small Town Place Based Projects
 - Support for Light Horse Memorial Park - upgrade works
 - Seymour Anzac Avenue of Honour - design and masterplan
 - Telegraph Rd Culvert for Bushland Park

Administrative amendments have been made to the wording and presentation of the budget document and SRP as required, including:

- Administrative update of graphs, tables and commentary to reflect the above changes
- Other minor administrative amendments to wording and tables

Following adoption of the budget all submitters will be notified in writing regarding Council's decision, which will include a detailed response to the issues raised in the submission

FINANCIAL, RESOURCE AND ASSET MANAGEMENT IMPLICATIONS

Financial, resource and asset management implications associated with the 2019-2020 Budget and SRP have been detailed in the body of this report and the attached documents.

POLICY AND LEGISLATIVE IMPLICATIONS

The 2018-2019 Budget has been prepared in accordance with the requirements of the *Local Government Act 1989* Section 125.

The Strategic Resource Plan 2019-2022 has been prepared in accordance with the requirements of the *Local Government Act 1989*, Section 126.

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.

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

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.

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 2019-2020 Budget and SRP frames how Council will allocate resources to services and projects and have been prepared within tight financial constraints and with regard to agreed strategic policy directions and objectives.

It is considered that the Budget and SRP documents strike a reasonable and responsible balance between ensuring the continuing provision of the operational services and infrastructure investment that support the community while continuing to work within the rate cap.

MITCHELL SHIRE COUNCIL

Council Meeting Attachment

GOVERNANCE AND CORPORATE PERFORMANCE

24 JUNE 2019

8.1

ADOPTION OF THE 2019-2020 BUDGET AND STRATEGIC RESOURCE PLAN 2020-2023

Attachment No: 1

Budget Submission Summary

BUDGET SUBMISSIONS 2019/2020			
No.	Submitter	Submitter Comment	Staff Comments
1.		Request for Kilmore Bypass	Provision of this road is the responsibility of VicRoads on behalf of the State Government. Council continues to advocate to the State Government for funding for the construction of this road. Funding of \$20M has been allocated for VicRoads to commence land acquisition.
2.	Christine Downie	Request for repairs to Broadford-Wandong Road coming from the Pinniger Street end	More information will be sought as no specific detail provided, upon further detail the road will be assessed against adopted road maintenance standards.
3.	Neil Jones	Request for Council to justify high garbage removal charges.	<p>The waste charge is a separate charge applied to those ratepayers who receive a Council kerbside waste and recycling collection service and covers the full cost of delivery of waste and recycling services delivered by Council.</p> <p>The full service currently includes the following:</p> <ul style="list-style-type: none"> - Kerbside service collections - Processing and landfilling of waste and recycling - Street litter bin service provision - Operational and capital improvement costs of Resource Recovery Centres (RRCs) - Operational costs and capital improvement/rehabilitation of landfill assets - Free green waste drop off service at RRCs - \$60 discount vouchers per annum for all residents including those who do not pay a waste charge <p>A major driver of the proposed costs is the impact of the nationwide recycling crisis. Effectively the cost to undertake recycling has become an expense with the current market change. In the past Council would have received an income. The Council is however confident it has a competitive recycling kerbside and disposal service.</p>
4.	Clive and Lyn Blakely	<p>a) In support of draft budget</p> <p>b) i Request for the sealing of the continuation of Jamieson St, Broadford, or</p> <p>ii Speed mitigation and dust warnings on Jamieson Street</p>	<p>b) This section of Jamieson Street is a local access road serving only access to local properties and an occasional visitor to the local BMX track. Sealing of this section of road is not considered to be a high priority road project. If there was sufficient interest and support of local residents to upgrade this road, a Special Charge Scheme could be implemented whereby property owners would contribute to the total costs of the upgrade project. An additional dust hazard warning sign will be placed along this roadway.</p>
5.	Robin Audehm (on behalf of Broadford Town Tennis Club)	In support of the joint pavilion project and upgrade of netball courts at Harley Hammond Reserve, Broadford.	This \$1.3M project is included in the draft 2019/2020 capital budget and is supported by a \$0.50M grant from the State Government. Design was included in Council's 2018/2019 capital budget for both the courts and pavilion projects.