

3.2 ADOPTION OF THE 2018/19 ANNUAL BUDGET

(DW:SW)

Responsible Chief Financial Officer Danny Wain

RECOMMENDATION

That Council, having prepared and given public notice of the proposed 2018/19 Annual Budget in accordance with Sections 129 of the Local Government Act 1989 (the Act), and having conducted a consultative process, including having received and considered submissions, as required under Section 223 of the Act, resolves:

- 1. that the 2018/19 Annual Budget be adopted in accordance with Section 130 of the Act in the same form as the proposed 2018/19 Annual Budget of which Council gave public notice, with the agreed adjustments to the Comprehensive Income Statement, Cash Flow, Capital Works Statement and Strategic Resource Plan as outlined in the body of this report;*
- 2. to declare in respect of the 2018/19 financial and rating year and in accordance with Sections 158 and 161 and Part 8A - Rate Caps of the Act that the estimated amount it intends to raise by way of General Rate Income is \$119,420,389, comprising:*
 - a) an amount of \$119,211,642 which is intended to be raised by the General Rates; and*
 - b) an amount of \$208,747 in lieu of rates in accordance with the Cultural and Recreational Lands Act 1963;*
- 3. to provide a Council funded rebate of \$50 to each eligible pensioner towards their Council rates in 2018/19 to ease some of the household budget pressures (estimated cost \$675,000);*
- 4. that Council does not intend to have a municipal charge;*
- 5. that Council intends to have a service charge raised under Section 162 of the Act and referred to as the "Recycling Levy" of \$22 per rateable property (Net income \$1,478,000);*
- 6. to provide a waiver under Section 171 the Act for eligible pensioners of \$22 to offset the impact of the Recycling Levy. (estimated cost \$260,150);*
- 7. that there being no change in the valuation system, notes that Section 161(2)(iii) of the Act does not apply;*
- 8. that the rates will be raised by the application of Differential Rates:*
 - a) the General Residential Rate of 0.00141486 cents in the dollar applied to the Capital Improved Value (CIV) of all residential rateable land; and*
 - b) the General Non-Residential Rate of 0.00175623 cents in the dollar applied to the Capital Improved Value (CIV) of all non-residential rateable land;*
- 9. that the declaration of the General Residential Rate and General Non-Residential Rate will contribute to the equitable and efficient carrying out of*

- its functions. The Rates will be applied to all rateable property;*
- 10. that the Rates will be separately levied in respect of each portion of rateable land for which Council has a separate valuation (unless Council has determined a charge in lieu of rates in accordance with the Cultural and Recreational Lands Act 1963);*
 - 11. that, Council provides a concession of 60% of the relevant rate for qualifying properties in accordance with the Cultural and Recreational Lands Act 1963 (CRLA);*
 - 12. that in accordance with Section 167 of the Act, the rates and charges must be paid:*
 - a) in a lump sum on or before 14 February 2019; or*
 - b) by 4 instalments on or before:*
 - 1 October 2018;*
 - 30 November 2018;*
 - 28 February 2019; and*
 - 31 May 2019; or*
 - c) by 10 instalments (direct debit only) on or before:*
 - 3 September 2018;*
 - 1 October 2018;*
 - 1 November 2018;*
 - 3 December 2018;*
 - 2 January 2019;*
 - 1 February 2019;*
 - 1 March 2019;*
 - 1 April 2019;*
 - 1 May 2019; and*
 - 3 June 2019*
 - 13. that interest will be applied to overdue rates payments and charges in accordance with Section 172 of the Act. The rate of the interest which is payable on the rates and charges which have not been paid by the dates specified, is fixed in accordance with Section 2 of the Penalty Interest Rates Act 1983;*
 - 14. that for overdue non-instalment payers, an additional 21 days from the 14 February will be allowed to pay any overdue rates, before the application of the interest referred to in part 13 of this resolution; and*
 - 15. to give public notice of its decision to adopt the 2018/19 Annual Budget in accordance with the Act.*

BACKGROUND

Council, at its meeting on Tuesday 24 April 2018, approved the proposed 2018/19 Annual Budget for the purpose of giving public notice as required by the Act.

In accordance with Sections 129 of the Act, public notice of the proposed 2018/19 Annual Budget were published in 'The Age' newspaper on Friday 27 April 2018. An

advertisement for community feedback was placed in the 'Monash Leader' on Tuesday 1 May, as well as being advertised in Council's 'Bulletin' distributed to all Monash residences, and published on the Council's website.

A copy of the Draft Budget was put on display at eight locations throughout the municipality, and made available for public inspection between Friday 27 April and Monday 28 May 2018 (both dates inclusive).

Council must declare its rates and charges in accordance with Section 158 of the Local Government Act 1989 (the Act). Council needs to declare, amongst other things, that the rates will be raised by the application of a "uniform rate" or "differential rate", applied to the Capital Improved Value (CIV) applicable to all rateable land within its municipal district. The 2018 valuation data is subject to approval by the Valuer-General Victoria. In addition this declaration is in accordance with Part 8A (Rate Caps) of the *Local Government Act 1989* (the Minister has set the rate cap for 2018/19 at 2.25%).

GENERAL RATE

In 2018, Council will raise rates by the application of Differential Rates.

The rate and amount of rates payable in relation to land in each category of differential are:

- a) a Residential Rate of 0.141486% (0.00141486 cents in the dollar of CIV) for all rateable residential properties; and
- b) a Non-Residential Rate of 0.175623% (0.00175623 cents in the dollar of CIV) for all non-residential rateable properties.

For the purposes of identifying the types/classes of land applicable to each rate category, the properties are grouped in accordance with the Australian Valuation Property Classification Code (AVPCC) Categories, as adopted by the Valuer-General Victoria (VGV). These categories are:

- Residential;
- Commercial;
- Industrial;
- Primary Production; and
- Cultural & Recreational Land.

Each differential rate will be determined by multiplying the CIV of each rateable land by the relevant percentages indicated above.

ESC Decision on the Rate Cap Variation

Monash Council had applied to the Essential Services Commission to vary its rate from the State Government's rate cap of 2.25% in the wake of China's ban on receiving some recycled materials. Although the ESC gave endorsement to the application by providing a rate cap variation of 0.32%, Council was disappointed with the decision to approve only a slight rate cap variation of 0.32%, which would have allowed Council to only bring the rate to 2.57% for 2018/19, rather than the 3.53% Council had sought. The ban has resulted in recycling companies no longer offering a

rebate to Councils, as they have in the past. The net cost of recycling to Monash Council is now \$1.5 million a year, as Council not only has to pay for the increased costs, but will also not receive a payment from the recycling company for its materials.

Monash Council has limited choices in how it can make up this unexpected cost as unlike many other Councils, we did not already have a separate waste charge that could have been adjusted to meet this unexpected increase. Council wrote to every ratepayer and resident in February 2018 to advise of these matters, a story was published in the March 2018 Monash Bulletin, information was provided on the Monash Council website and we advertised our draft 2018/19 Budget including both scenarios (a rate cap variation and a limited waste charge)

Council had resolved in February 2018 to firstly, apply for the rate cap variation, then if unsuccessful consider a limited waste charge to only recover the cost of the additional recycling costs.

As the rate cap variation put forward by the ESC will not allow Council to cover its full costs of recycling, Council has decided not to accept the ESC's offer of the additional 0.32% and instead stay within the State Government's imposed rate cap of 2.25%. Further, as advised in February and March this year to the community, Council will introduce a limited Recycling Levy in 2018/19 to recover the recycling costs.

The levy will be a flat charge of \$22 to every rateable property. Eligible pensioners (those ratepayers with a Centrelink or Department of Veterans Affairs card) will not be charged this levy. Council's purpose in introducing this recycling levy is to only collect enough funds to cover the cost of recycling. We will review and monitor these costs closely to ensure that is the outcome.

Recycling Levy

For 2018/19 Council will implement a service charge under Section 162 of the Local Government Act 1989 to recover the additional cost of recycling. Monash Council has secured its household recycling service with Visy, despite the volatility of the recycling industry in the wake of the global crisis triggered by China's ban on recycling. However, this has come at a significant cost. For 2018/19 Council will introduce a "Recycling Levy" which is a service charge to meet those increased costs. The current contract with Visy Recycling is in place until April 2020. Council will review and monitor these costs closely to ensure we only collect enough levy to cover the new contract recycling costs. The recycling levy has been set at \$22 per rateable property with provision to provide a waiver (\$22) for every eligible pensioner ratepayer.

Recycling Levy – Pensioner Waiver

Council acknowledges that some ratepayers may experience difficulty from time to time in meeting the recycling levy due to the effect of rising costs, cost of Council services and personal circumstance. Council further understands that relief measures have a cost to Council which must be borne by other ratepayers either

short or long term. It is for this reason that Council provides limited assistance, rates waivers and rebates to assist persons or classes of person in accordance with *Local Government Act* Section 169 or 171.

For 2018/19 Council will provide a waiver under Section 171 of the *Local Government Act* 1989 to all eligible pensioner ratepayers from paying the Recycling Levy (\$22 per property) which has been applied to all ratepayers to recover the additional costs of recycling related to the crisis triggered by China's ban on recycling.

BUDGET SUBMISSIONS

Council appointed a Committee of Council, comprising all Councillors to consider submissions received under Section 223 of the Act on the proposed 2018/19 Annual Budget. Council received forty three (43) written submissions in response to the proposed Budget.

The submission hearing was held on Tuesday 12 June 2018 and concluded on Wednesday 20 June 2018. The Committee heard and gave consideration to the matters raised by the submitters. A report from the Committee is presented to Council at this Council meeting for consideration.

PROPOSED ADJUSTMENTS TO THE 2018/19 ANNUAL BUDGET

There are a number of proposed financial adjustments to the 2018/19 Annual Budget, based on changed circumstances since the time of the release of the draft budget document in April 2018 (listed below) and some minor typographical errors which will be amended. These items do not represent a material impact on the draft budget as presented for adoption. The changes include:

1. Operating Budget changes – Impacts on the Comprehensive Income Statement

1.1 Income changes:

Council has been advised that 50% (\$2.5M out of total of \$5.02M) of the Victorian Grants Commission (VGC) Financial Assistance Grant (FAG) funding and the VGC Local Roads funding for 2018/19 will be paid prior to 30 June 2018. The main impact is on the disclosure of the grants. It has no impact on estimated interest earnings or estimated cash position as at 30 June 2019.

In addition we have been advised of the following items that affect grant income which can now be included in the adopted budget:

- continuation of Metro Access grant funding \$65,000;
- additional School Crossing subsidy \$41,555;
- additional VGC operating grant \$286,205; and
- additional net \$1,478,000 service charge "Recycling Levy"

These additions will be offset by;

- Reduction in VGC operating grant due to advance payment in 2017/18 (\$2,050,103)

- Rate cap variation adjustment from 3.53% to 2.25% according to the Fair Go Rates System (FGRS) Ministerial approved rate cap.

2. Capital Budget changes - Impacts on Statement of Capital Works:

2.1 Income changes:

- Reduction in VGC capital grant income due to advance payment in 2017/18

Partially offset by;

- VGC additional capital grant \$56,184

2.2 Expenditure changes:

- Atherton Road Reconstruction carry forward \$200,000; and
- Shared Path Upgrade Melbourne Water Pipe Track \$85,000

These adjustments, as well as impacting on the Comprehensive Income Statement and Statement of Capital Works (as indicated), will also impact on Council's Cash Flow Statement and Strategic Resource Plan. Wording in the notes and explanatory material throughout the 2018/19 Annual Budget document will also require modification to reflect the impact of these adjustments.

3. Other Changes:

Other changes include adjustment to the golf course fees and charges. There is no impact on comprehensive income statement. The green fees have not changed however the calculation of the multi-pass packages have been amended.

PROPOSED ADJUSTMENTS TO THE 2018/19 ANNUAL BUDGET

Following the S223 submission process the only change recommended was to not accept the ESC rate cap variation of 2.57% and to introduce a separate service charge – "Recycling Levy" of \$22 per rateable property and also make provision for a waiver of \$22 for every eligible pensioner ratepayer. The outcome will be made accordingly to the 2018/19 Budget.

CONSULTATION

Council undertook a four-week public consultation process to inform the Budget during November 2017. Feedback from this consultation, as well as a review of other consultations, was incorporated into the development of the Budget.

As required by the Act, the proposed 2018/19 Annual Budget were available for public inspection between 27 April and 28 May 2018 at various locations and were also advertised in the Council Bulletin and made available on-line.

CONCLUSION

Following consideration of this report, and the conclusion of the Section 223 Committee of Council the submissions received regarding the draft 2018/19 Annual Budget (the Committee Report), it is recommended that:

- the 2018/19 Annual Budget be adopted in accordance with Section 130 of the Act in the same form as the proposed 2018/19 Annual Budget of which Council gave public notice, with the agreed adjustments to the Comprehensive Income Statement, Cash Flow, Capital Works Statement and Strategic Resource Plan as outlined in the body of this report; and
- the other statutory requirements of the Act in relation to the Annual Budget adoption process be met.