

3.1 ADOPTION OF THE 2019/20 ANNUAL BUDGET

(DW:SW)

Responsible Chief Financial Officer Danny Wain

RECOMMENDATION

That Council, having prepared and given public notice of the proposed 2019/20 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 2019/20 Annual Budget be adopted in accordance with Section 130 of the Act in the same form as the proposed 2019/20 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 2019/20 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 \$126,118,934 comprising:*
 - a) an amount of \$123,498,316 which is intended to be raised by the General Rates; and*
 - b) an amount of \$195,884 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 2019/20 to ease some of the household budget pressures (estimated cost \$828,000);*
- 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 \$1,510,000);*
- 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 \$253,000);*
- 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 0.00158350 cents in the dollar applied to the Capital Improved Value (CIV) of all residential rateable land; and*
 - b) the General Non-Residential Rate of 0.00179606 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 17 February 2020; or

b) by 4 instalments on or before:

- 30 September 2019;
- 2 December 2019;
- 2 March 2020; and
- 1 June 2020; or

c) by 10 instalments (direct debit only) on or before:

- 2 September 2019;
- 1 October 2019;
- 1 November 2019;
- 2 December 2019;
- 2 January 2020;
- 3 February 2020;
- 2 March 2020;
- 1 April 2020;
- 1 May 2020; and
- 1 June 2020.

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 2019/20 Annual Budget in accordance with the Act.

BACKGROUND

Council, at its meeting on Tuesday 30 April 2019, approved the proposed 2019/20 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 2019/20 Annual Budget were published in 'The Age' newspaper on Thursday 2 May 2019. An advertisement for community feedback was placed in the 'Monash Leader' on Tuesday 7 May 2019, 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 Wednesday 1 May and Monday 29 May 2019 (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 2019 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 2019/20 at 2.5%).

GENERAL RATE

In 2019, 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 0.158350% (0.00158350 cents in the dollar of CIV) for all rateable residential properties; and
- b) a Non-Residential Rate of 0.179696% (0.00179606 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.

Recycling Levy

For 2019/20 Council raised 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 2019/20 Council will continue to charge 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. It is expected that the levy and offsetting pensioner rebate will cover the costs for the remainder of the contract. The current contract for receipt of recyclables finished on 31 March and Council will be looking to ensure its recyclable kerbside collections continue beyond that date. At this stage Monash Council has been able to ensure recyclable kerbside collections have not ended up as landfill and will work to ensure that continues. The recycling levy has again 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 2019/20 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 2019/20 Annual Budget. Council received twenty-nine (29) written submissions in response to the proposed Budget.

The submission hearing was held on Tuesday 11 June 2019. 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 2019/20 ANNUAL BUDGET

There are a number of proposed financial adjustments to the 2019/20 Annual Budget, based on changed circumstances since the time of the release of the draft budget document in April 2019 (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% (\$2.8M out of total of \$5.5M) of the Victorian Grants Commission (VGC) Financial Assistance Grant (FAG) funding and the VGC Local Roads funding for 2019/20 will be paid prior to 30 June 2019. The main impact is on the disclosure of the grants. It has no material impact on estimated interest earnings or estimated cash position as at 30 June 2019.

We have been advised of an increase of \$71,596 for VGC operating grant and has been included in the adopted budget.

These additions will be offset by a reduction in VGC operating grant due to advance payment in 2018/19 (\$2,056,202).

1.2 Expenditure changes:

Council has also agreed to provide additional funding towards two of its festivals at its meeting on 11 June 2019. There will be an additional \$12,000 non-recurrent expenditure for 'Live at Warrawee' and additional recurrent funding for 'Ashwood Family Fun Day' of \$10,000.

2. Capital Budget changes - Impacts on Statement of Capital Works:**2.1 Income changes:**

A reduction in VGC capital grant income of \$564,800 due to advance payment in 2018/19, will be partially offset by additional VGC capital grant of \$72,620.

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 2019/20 Annual Budget document will also require modification to reflect the impact of these adjustments.

CONSULTATION

A review of consultations conducted in prior years was incorporated into the development of the Budget.

As required by the Act, the proposed 2019/20 Annual Budget were available for public inspection between 1 May and 29 May 2019 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 2019/20 Annual Budget (the Committee Report), it is recommended that:

- the 2019/20 Annual Budget be adopted in accordance with Section 130 of the Act in the same form as the proposed 2019/20 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.