NOTICE OF SPECIAL COUNCIL MEETING

TO: Mayor Karen Redman
    Councillors
    Cr Cody Davies
    Cr Diane Fraser
    Cr Kelvin Goldstone
    Cr David Hughes
    Cr Paul Koch
    Cr Paul Little
    Cr Brian Sambell
    Cr Nathan Shanks
    Cr Ian Tooley
    Cr Jim Vallelonga

NOTICE is hereby given pursuant to the provisions of Section 83(1) of the Local Government Act 1999, that the next Special Meeting of Council for the Town of Gawler will be held in the Council Chambers, Gawler Civic Centre, 89-91 Murray St, Gawler SA 5118, on Tuesday 2 July 2019, commencing at 7.00pm.

A copy of the Agenda for the above meeting is supplied as prescribed by Section 83(3) of the said Act.

Henry Inat
Chief Executive Officer
27 June 2019
Order Of Business

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1 STATEMENT OF ACKNOWLEDGEMENT

We would like to acknowledge this land that we meet on today is the traditional lands for the Kaurna people and that we respect their spiritual relationship with their country. We also acknowledge the Kaurna people as the custodians of the greater Adelaide region and that their cultural and heritage beliefs are still as important to the living Kaurna people today.

2 ATTENDANCE RECORD

2.1 ROLL CALL
2.2 APOLOGIES
2.3 MOTIONS TO GRANT LEAVE OF ABSENCE
2.4 LEAVE OF ABSENCE
2.5 NON-ATTENDANCE

3 PUBLIC OPEN FORUM

(Limited to a total time of up to 20 minutes)

4 DECLARATIONS OF INTEREST
5 OFFICER REPORTS

5.1 PUBLIC SUBMISSIONS - 2019/20 DRAFT BUDGET / BUSINESS PLAN

Record Number: CC19/319;IC19/401
Author(s): Paul Horwood, Manager Finance & Corporate Services
Previous Motions: Nil
Attachments: 1. Budget Submissions received CR19/42606

OFFICER’S RECOMMENDATION

That:-
1. The public submissions received regarding the 2019/20 Budget / Business Plan be noted.
2. Council give consideration to what changes, if any, should be made to the draft 2019/20 Budget / Business Plan as a result of the public submissions.
3. Those persons making the submissions be thanked for their submissions.

SUMMARY

Presenting details of public submissions received during the consultation period regarding the draft 2019/20 Budget / Business Plan.

BACKGROUND

The purpose of this report is for Council to consider the six (6) written submissions received during the public consultation period relative to the draft 2019/20 Budget / Business Plan, in addition to any verbal submissions made at this meeting. Copies of public submissions received relative to the draft budget, which were separately e-mailed to Council Members on 12 June 2019 are provided as Attachment 1. Staff comments relative to the submissions made are included within this report.

COMMENTS/DISCUSSION

Staff comments relating to the public submissions received are provided in Table 1 below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Summary of Submission</th>
<th>Staff Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/5/19</td>
<td>Brian Thom</td>
<td>Requesting Council consider applying a sealant to the eastern and western footpaths of Murray Street, at an indicative cost of $100,000.</td>
<td>Given Council's financial constraints relative to its financial ratio targets, should Council wish to consider this as an approved ‘Above the Line’ Capital budget bid then it should ideally be accommodated at the expense of an existing ‘Above the Line’ Capital budget bid. This is on the basis that Council's proposed net capital works program of $5.979m (after excluding the extraordinary $2.4m payment to the State Government due on practical completion of the Gawler East Link Road) is only marginally within the recommended threshold of $6m. The Administration is of the view that an allocation of $100k would only allow for sealing of one side of the footpath.</td>
</tr>
<tr>
<td>Date</td>
<td>Name</td>
<td>Request</td>
<td>Details</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------</td>
<td>----------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>13/5/19</td>
<td>Brian Thom</td>
<td>Requesting Council consider covering the cost of rental accommodation in Murray Street for the Gawler Community Gallery, at an indicative cost of $30-$40,000</td>
<td>Council is only estimating a relatively small operating surplus for 2019/20, followed by potentially up to three years of operating deficits. Inclusion of such new recurrent costs would consequently impact on the estimated operating result. This potentially needs to be considered in Council’s deliberations relating to accommodating the Community Art Gallery or such other local art group in the Council Visitor Information Centre building or such other Council owned facility.</td>
</tr>
<tr>
<td>24/5/19</td>
<td>Marissa Redmond</td>
<td>Requesting consideration of a Hard Waste Collection service.</td>
<td>The expansion of the Hard Waste trial service in 2018/19 to all residents in 2019/20 is already provided for as an ‘Above the Line’ New Initiative Bid (Budget Bid #P190156), at an indicative cost of $120,000 (funded via surplus funds generated from Waste Management activities in 2017/18).</td>
</tr>
<tr>
<td>24/5/19</td>
<td>Sharon Falkenberg</td>
<td>Requesting consideration of a Hard Waste Collection service.</td>
<td>The expansion of the Hard Waste trial service in 2018/19 to all residents in 2019/20 is already provided for as an ‘Above the Line’ New Initiative Bid (Budget Bid #P190156), at an indicative cost of $120,000 (funded via surplus funds generated from Waste Management activities in 2017/18).</td>
</tr>
<tr>
<td>24/5/19</td>
<td>Lee Bishop</td>
<td>Requesting consideration of a Hard Waste Collection service.</td>
<td>The expansion of the Hard Waste trial service in 2018/19 to all residents in 2019/20 is already provided for as an ‘Above the Line’ New Initiative Bid (Budget Bid #P190156), at an indicative cost of $120,000 (funded via surplus funds generated from Waste Management activities in 2017/18).</td>
</tr>
<tr>
<td>3/6/19</td>
<td>Melissa Grivas</td>
<td>Requesting consideration of a new footpath in Bright Street, Willaston</td>
<td>The draft 2019/20 budget currently provides funding of $361k for the construction of 1.5kms of new footpaths (Budget Bid #190128). Priority funding is provided to new footpaths which improve connectivity between streets to schools, shopping precincts, and other key destinations. Bright Street, Willaston has not been identified for footpaths funding in 2019/20.</td>
</tr>
</tbody>
</table>

**COMMUNICATION (INTERNAL TO COUNCIL)**

Chief Executive Officer
Team Leader – Finance
Financial Accountant
CONSULTATION (EXTERNAL TO COUNCIL)

The community engagement process included:
- Advertisement in the 15 May 2019 edition of The Bunyip, advising of the consultation period and consultation mechanisms;
- 3 separate posts on social media (on 24 May 2019 (promoting the expansion of the Hard Waste trial), 31 May 2019 (promoting the Walker Place redevelopment project), and 3 June 2019 (promoting the 1.5kms of new footpaths to be constructed);
- Post on ‘Latest News’ on Council website; and
- ‘Your Voice’ Gawler

POLICY IMPLICATIONS
Public Consultation Policy

STATUTORY REQUIREMENTS
Local Government Act 1999 Section 123 - Annual business plans and budgets

FINANCIAL/BUDGET IMPLICATIONS
Council will need to consider what changes, if any, it makes to the draft 2018/19 Budget / Business Plan as a result of the public submissions received. Any such changes will need to be considered as part of the draft 2019/20 Budget / Business Plan update report separately tabled to this meeting.

COMMUNITY PLAN
Objective 5.2: Be recognised as a ‘best practice’ Local Government organisation
5.2 2019/20 DRAFT BUDGET AND LONG TERM FINANCIAL PLAN UPDATE

Record Number: CC19/319;IC19/402
Author(s): Paul Horwood, Manager Finance & Corporate Services
Previous Motions: Nil
Attachments: 1. 2019/20 Budget Statutory Financial Statements CR19/43394
2. 2019/20 Capital Bids ('Above the Line') CR19/43406
3. 2019/20 Capital Bids ('Below the Line') CR19/43407
4. 2019/20 New Initiative Bids ('Above the Line') CR19/43408
5. 2019/20 New Initiative Bids ('Below the Line') CR19/43410
6. Recurrent Budget analysis - Revenue CR19/42813
7. Recurrent Budget analysis - Expenditure CR19/42812

OFFICER’S RECOMMENDATION

That:-

1. The 2019/20 Draft Budget and Long Term Financial Plan Update Report be noted.

2. Council endorses in principal the final preparation of the draft 2019/20 Budget / Business Plan based on the following key financial parameters:
   - An estimated operating surplus of $259k;
   - A 3% increase in General Rate revenue from existing ratepayers (this equates to an increase of $47 ($0.90 per week) for the average residential ratepayer;
   - An increase of $126,000 ($12 per ratepayer relative to the Waste Management Service Charge) to cover the 40% increase in the State Government Solid Waste Levy (noting that this would otherwise equate to a 0.6% increase in General Rate revenue);
   - A net Capital works program of $5.979m, after excluding the $2.4m extraordinary payment to be paid to the State Government on practical completion of the Gawler East Link Road, which is within the recommended Capital works program threshold of $6m;
   - An Operating Ratio of 0.85%, which is within Council's financial policy threshold of 0-10%;
   - A Net Financial Liabilities Ratio of 89.2%, which is within Council's financial policy threshold of 0-100%; and
   - An Asset Renewal Funding Ratio of 100%, which is within Council's financial policy threshold of 90-100%.

3. Council notes that a final report on the 2019/20 Budget / Business Plan will be presented to Council at a Special Council meeting to be held on Tuesday 16 July 2019.

SUMMARY

Presenting an update report relative to the draft 2019/20 Budget, based on information received since the previous draft budget update tabled to the 7 May 2019 Special Council meeting.
BACKGROUND

The purpose of this report is for the Council to finalise its formal deliberations of the 2019/20 Draft Budget / Business Plan and Long Term Financial Plan update, in advance of the scheduled adoption of the 2019/20 Budget / Business Plan and the annual update of the Long Term Financial Plan at the 16 July 2019 Special Council meeting. A copy of the updated draft 2019/20 Budget is provided as follows:

Attachment 1 – 2019/20 Budget Statutory Financial Statements
Attachment 2 – 2019/20 Capital Bids (‘Above the Line’)
Attachment 3 – 2019/20 Capital Bids (‘Below the Line’)
Attachment 4 – 2019/20 New Initiative Bids (‘Above the Line’)
Attachment 5 – 2019/20 New Initiative Bids (‘Below the Line’)
Attachment 6 – 2019/20 Recurrent revenue analysis
Attachment 7 – 2019/20 Recurrent expenditure analysis

Discussions with Council Members relative to the draft 2019/20 Budget and Long Term Financial Plan have occurred as per Table 1 below:

Table 1 – 2019/20 Budget & LTFP discussions chronology

<table>
<thead>
<tr>
<th>Date</th>
<th>Budget Bids</th>
<th>Recurrent Budget</th>
<th>Long Term Financial Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 December 2018</td>
<td>-</td>
<td>Budget Overview – Workshop No. 1</td>
<td>LTFP Overview – Workshop No. 1</td>
</tr>
<tr>
<td>14 February 2019</td>
<td>-</td>
<td>-</td>
<td>Workshop No. 2</td>
</tr>
<tr>
<td>4 March 2019</td>
<td>Audit Committee meeting</td>
<td>Audit Committee meeting</td>
<td>Audit Committee meeting</td>
</tr>
<tr>
<td>7 March 2019</td>
<td>Workshop No. 3</td>
<td>Workshop No. 3</td>
<td>-</td>
</tr>
<tr>
<td>19 March 2019</td>
<td>Special Council meeting</td>
<td>Special Council meeting</td>
<td>-</td>
</tr>
<tr>
<td>7 May 2019</td>
<td>Special Council meeting</td>
<td>Special Council meeting</td>
<td>Special Council meeting</td>
</tr>
</tbody>
</table>

The resolutions that the Audit Committee and Council has previously passed, in chronological order, relative to the draft 2019/20 Budget / Business Plan and the Long Term Financial Plan are as follows:

4 March 2019 Audit Committee meeting

Moved: Mayor K Redman
Seconded: Mr P Fairlie-Jones
Motion No: 2019:03:4:AC008

That the Audit Committee recommends to Council that it consider the following feedback from this Committee regarding the 2019/20 draft budget:

1. that strategies be investigated that will result in the reduction of the forecast operating deficit.

Moved: Mayor K Redman
Seconded: Cr D Fraser
Motion No: 2019:03:4:AC009

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the update of the Long Term Financial / Asset Management Plans, particularly in respect of the following matters:

1. that strategies be investigated that will result in the reduction of the forecast operating deficit and to reach breakeven operating result within the next five years.
19 March 2019 Special Council meeting

Moved Cr. D Fraser
Seconded Cr. B Sambell
Motion No: 2019:03:COU079

*That Council notes the Long Term Financial Plan update report.*

Moved Cr. D Hughes
Seconded Cr. P Little
Motion No: 2019:03:COU080

*That Council:-*

1. *Notes the 2019/20 Draft Budget Update report.*

2. *Notes that the current estimated operating result for 2019/20 contained within the draft updated 2019/20 Budget, is an operating deficit of $294k.*

Moved Cr D Fraser
Seconded Cr C Davies
Motion No: 2019:03:COU081

*That Council:-*


2. *Endorse without change the existing Strategic Rating Policy be endorsed for the purpose of Public Consultation*

3. *Endorse that the Discretionary Rate Rebates, as currently provided, be maintained for the 2019/20 financial year*

4. *Endorse that Public Consultation on the Policy be undertaken as part of the 2019/20 Draft Budget / Business Plan consultation process.*

7 May 2019 Special Council meeting

Moved: Cr D Hughes
Seconded: Cr D Fraser
Motion No: 2019:05:COU162

*That Council:-*


2. *Notes the draft budget, as presented and recommended to be released for public consultation, represents an estimated end of 2019/20 financial year position of an underlying $71,000 surplus.*


4. *Undertake Public Consultation of the proposed Gawler East Development – Infrastructure Funding Policy in conjunction with consultation of the draft 2019/20 Budget / Business Plan, pursuant to Section 151 (8a) of the Local Government Act 1999*

5. *Council consider any public submissions received relating to the draft 2019/20 Budget / Business Plan and the proposed Gawler East Development – Infrastructure Funding Policy at a subsequent Special Council to be scheduled, pursuant to Section 151(7) of the Local Government Act 1999, in advance of Council adopting the Rates and Charges for the 2019/20 financial year. This meeting will provide an opportunity for interested persons to appear before Council further to any written submissions received.*
9 May 2019 Audit Committee meeting

Moved: Mayor K Redman
Seconded: Cr C Davies
Motion No: 2019:05:AC017

That the Audit Committee notes if there is no material information either contained within submissions as part of the public consultation or has since become available from external sources, that may impact the financial bottom line of the 2019/20 draft budget; that submissions and the 2019/20 draft budget for decision will go direct to council without first being reviewed by the Audit Committee.

In this regard, the Administration is of the view that there is no material information, either contained within submissions as part of the public consultation or that has since become available from external sources that warrants the Audit Committee needing to further review the draft 2019/20 Budget.

COMMENTS/DISCUSSION

Proposed variations to the draft 2019/20 recurrent budget, based on information that has since become available, are outlined in Table 2 below *(Note: this excludes any changes proposed as a result of public submissions received, which are the subject of a separate report to this meeting).*

Table 2 – Proposed variations to Draft Operating 2019/20 Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Financial Impact</th>
<th>Affecting…</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced General Rate revenue due to current growth &lt; 2% (based on up to date Rates modelling). <em>Current</em> growth rate approximately 1.5%, noting subject to weekly change based on property valuation data received from the State Valuation Office. It is expected that the current growth rate of 1.5% will increase marginally prior to the date of adoption of the budget, based on weekly property / valuation updates from the State Valuation Office, meaning the financial impact will be reduced from the existing $115,000. A verbal update can be provided at the meeting.</td>
<td>Reduction in Revenue Rates</td>
<td>115,000</td>
<td></td>
</tr>
<tr>
<td>Increase in Waste Management Service Charge (to fund increase in Solid Waste Levy announced in State Government Budget)</td>
<td>Increase in Revenue Rates</td>
<td>(126,000)</td>
<td></td>
</tr>
<tr>
<td>Increase in Solid Waste Levy (funded from increase in Waste Management Charge above)</td>
<td>Increase in Expenditure Contracts &amp; Materials</td>
<td>126,000</td>
<td></td>
</tr>
<tr>
<td>Increase in Marketing provision for Civic Centre operations and events</td>
<td>Increase in Expenditure Contracts &amp; Materials</td>
<td>48,655</td>
<td></td>
</tr>
<tr>
<td>Increase in GRFMA subscription (as previously reported to Council at 28 May 2019 meeting)</td>
<td>Increase in Expenditure Contracts &amp; Materials</td>
<td>12,138</td>
<td></td>
</tr>
<tr>
<td>Increase in Road Linemarking budget (following internal review)</td>
<td>Increase in Expenditure Contracts &amp; Materials</td>
<td>9,000</td>
<td></td>
</tr>
<tr>
<td>Increase in Local Heritage grants (per Minutes from IES Committee meeting – Motion No: 2019:06:IES032)</td>
<td>Increase in Expenditure Contracts &amp; Materials</td>
<td>3,500</td>
<td></td>
</tr>
<tr>
<td>Business Performance Measurement &amp; Business Analytics – provision for engagement of independent consultant</td>
<td>Increase in Expenditure Contracts &amp; Materials</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>Item 5.2</td>
<td>Description</td>
<td>Effect on Expenditure</td>
<td>Effect on Revenue</td>
</tr>
<tr>
<td>------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------</td>
<td>-------------------</td>
</tr>
</tbody>
</table>
| Reduced Interest Costs (due to recent interest rate cut announced on Cash Advance Debentures by LGFA from 3.6% to 3.35%) | Reduce in Finance Costs: $25,000  
Increase in Expenditure: $0  
Decrease in Revenue: $0  
Net Impact: $25,000 (Surplus)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                        |                  | $25,000 (Surplus) |
| Increase in Financial Assistance / Local Roads Grant (based on actual 50% advance payment received 18/6/19 and discussions with SA Local Govt Grants Commission) | Increase in Revenue: $100,000  
Reduce in Expenditure: $0  
Decrease in Revenue: $0  
Net Impact: $100,000 (Surplus)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                        |                  | $100,000 (Surplus) |
| Reduction in Gawler East Link Road (GELR) depreciation (from $200k to $150k for 2019/20 only – per GELR report tabled to 25 June 2019 meeting) | Reduction in Expenditure: $50,000  
Increase in Expenditure: $0  
Decrease in Revenue: $0  
Net Impact: $50,000 (Surplus)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                        |                  | $50,000 (Surplus) |
| Transfer of % of salaries for Land Development staff from Employee Costs to ‘Physical Resources Received free of Charge’ (no actual cash saving) (this has been provided for in previous budgets, but had not been included to date) | Reduction in Employee Costs / Physical Resources Received Free of Charge: $158,924  
Increase in Expenditure: $0  
Decrease in Revenue: $0  
Net Impact: $158,924 (Surplus)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                        |                  | $158,924 (Surplus) |
| Capitalisation of overhead on Capitalised Salaries (previously omitted in error) (no actual cash saving) | Reduction in Employee Costs / Capital Expenditure: $90,926  
Increase in Expenditure: $0  
Decrease in Revenue: $0  
Net Impact: $90,926 (Surplus)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                        |                  | $90,926 (Surplus) |
| Transfer of Depot Wages from Capital to Operating Budget following final review undertaken in conjunction with Depot/Engineering staff | Increase in Employee Costs / Capital Expenditure: $70,000  
Increase in Expenditure: $0  
Decrease in Revenue: $0  
Net Impact: $70,000 (Surplus)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                        |                  | $70,000 (Surplus) |
| Increase in capitalised Internal Plant Hire following final review undertaken in conjunction with Depot/Engineering staff | Reduction in Contracts & Materials / Capital Expenditure: $43,567  
Increase in Expenditure: $0  
Decrease in Revenue: $0  
Net Impact: $43,567 (Surplus)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                        |                  | $43,567 (Surplus) |
| TOTAL Operating Budget variations |  
TOTAL Revised Estimated 2019/20 Operating Result – Surplus |  
TOTAL Operating Budget variations: ($190,124)  
TOTAL Revised Estimated 2019/20 Operating Result – Surplus: $259,634 (Surplus)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                        |                  | $259,634 (Surplus) |

Additional commentary regarding some of the material elements in Table 2 above are provided below.

1. **Increase in marketing provision for Civic Centre operations and events** ($48,655 expense)

   As Council is aware, the Civic Centre received Federal Government Funding Support due to its commitment to offer a wide range of products and services, delivered both separately and collectively via the six functional areas within the Centre. Collaborative products and services to be delivered by the Centre will provide diverse value to the wider Gawler community. Examples of these products and services are: education and training programs, social and community wellbeing services, arts and cultural programs and events, and partnership delivery models.

   Creating an engaged community is critical to the success and activation of the Gawler Civic Centre. Having the ability to effectively market and promote all of the Civic Centre’s offerings is key to developing this engaged community. Residents, businesses, visitors and tourists will only engage with the Centre if they are aware of what is happening inside making regular community messaging vitally important for the ongoing activation of the Centre.

   The marketing budget for the Centre that was included in Council’s 2019/20 Draft Budget was $15,745. This budget only provided for targeted campaign advertising for Council run performance programs and events within the Centre. The draft budget was developed on the basis of having the entire spend funded by revenue from ticket sales to these programs and events with, upon reflection
limited opportunity to promote the facility as a whole or develop new markets for participation in the Centre’s offerings.

The proposed increase in marketing provision for the Civic Centre enables more regular communication, community messaging and wider promotion of the events, activities, programs and services being delivered across the Centre. It also provides for campaigns designed to raise greater awareness of the Centre’s facilities – especially venue hire. Council Staff consider the increased level of marketing investment important for the overall success of the facility.

2. Business Performance Measurement & Business Analytics ($40,000 expense)

The inclusion of this budget request relates to the desire to enhance the organisation’s capabilities relative to business performance measurement (Cost, Time, Quantity and Quality) and the analysis of such data to progress contemporary business analytic outcomes. This initiative will over time allow for business process efficiency and effectiveness gains to be enhanced, driving business competencies targeted to achieve operational savings and improved service delivery outcomes throughout the organisation.

3. Internal review of Capitalised Salaries/Wages and Internal Plant Hire ($223,417 net increase to estimated Operating Surplus) (but nil impact on Statement of Cashflows)

To reconcile and validate the relevant salaries, wages and internal plant hire allocations across both Operating and Capital projects, staff have completed a final review of these key budget elements. This final review has culminated in a $223,417 net favourable adjustment to the Operating budget, relating to staff salaries pertaining to land development ($158,924), overhead on capitalised salaries ($90,926), transfer of depot staff wages from Capital to Operating budget ($70,000 unfavourable operating impact), and increased capitalised internal plant hire ($43,567), which relates to the utilisation of Council-owned plant on capital projects.

Capital Expenditure

The revised ‘Above the Line’ Capital Expenditure bids equate to $10.251m. The increase of $152k from the value previously reported in the consultation version of the draft budget relates to the provision of internal project management costs pertaining to key Strategic Management projects (most notably the Gawler East Link Road and Gawler Railway electrification project). This predominantly incorporates salary and overhead costs relating to Council’s existing Strategic Infrastructure Manager.

After deducting associated external grant funding ($1.691m), associated transfers from internal Equity Reserves ($100k), the sale of replaced assets ($81k), and the extraordinary $2.4m payment to be paid to the State Government on practical completion of the Gawler East Link Road, the net proposed capital expenditure is $5.979m, which is within the maximum net Capital Expenditure threshold of $6m previously recommended by the Administration.

Estimated Impact on Ratepayers

1. General Rates

The Council consulted with its community on a 3% General Rate increase for existing ratepayers (i.e. excluding the provision of new growth revenue (1.5%) derived from new ratepayers), which translates to an increase of $47 ($0.90 per week) for the average residential ratepayer (based on an average residential property valuation of $314,000).

As the majority of residential properties have not had any property valuation increase from the 2018/19 financial year (at the time of preparing this report only 362 (3.6%) of residential properties had experienced a valuation increase – noting some of these 362 properties would relate to new homes that were unfinished when valued twelve months ago), for Council to achieve its required General Rate revenue target a 3% increase in the Rate-in-the-$ applied for Residential properties would be appropriate (i.e. from 0.005023 to 0.0051737).
Conversely, given that there has been an increase of 4% in the median Commercial/Industrial property valuations (as at the time of preparing this report), it is appropriate that the Rate-in-the-$ for such properties remains unchanged. On this basis, currently modelling indicates that 416 of the existing 566 Commercial/Industrial properties (i.e. 73%) would incur a General Rate increase of 3% or less, which indicates, consistent with the property valuation data, that the 4% valuation increase for this sector has not been equally applied against all properties. In this context, 319 of the 566 properties (i.e. 56%) would incur a General Rate increase of 2.5% or less, whereas 99 (17%) would incur an increase of 5% or above. Of the 99 properties that would incur an increase of 5% or above, 16 of these properties will incur such an increase due to their valuation increase triggering the property being taxed within a higher valuation bracket tier within Council’s tiered rating structure that applies to such properties.

Current residential property valuation movements, by suburb, are disclosed in Table 3 below.

<table>
<thead>
<tr>
<th>Suburb</th>
<th>2018/19 Average Valuation</th>
<th>2019/20 Average Valuation</th>
<th>% Movement</th>
<th>No. of residential properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evanston</td>
<td>$251,000</td>
<td>$254,000</td>
<td>+1.2%</td>
<td>1,093</td>
</tr>
<tr>
<td>Evanston Gardens</td>
<td>$292,000</td>
<td>$295,000</td>
<td>+1.0%</td>
<td>867</td>
</tr>
<tr>
<td>Evanston Park</td>
<td>$327,000</td>
<td>$328,000</td>
<td>+0.3%</td>
<td>1,627</td>
</tr>
<tr>
<td>Evanston South</td>
<td>$378,000</td>
<td>$366,000</td>
<td>-2.1%</td>
<td>201</td>
</tr>
<tr>
<td>Gawler</td>
<td>$319,000</td>
<td>$320,000</td>
<td>+0.3%</td>
<td>302</td>
</tr>
<tr>
<td>Gawler East</td>
<td>$365,000</td>
<td>$367,000</td>
<td>+0.5%</td>
<td>2,185</td>
</tr>
<tr>
<td>Gawler South</td>
<td>$309,000</td>
<td>$311,000</td>
<td>+0.6%</td>
<td>1,213</td>
</tr>
<tr>
<td>Gawler West</td>
<td>$208,000</td>
<td>$208,000</td>
<td>0%</td>
<td>486</td>
</tr>
<tr>
<td>Kudla</td>
<td>$462,000</td>
<td>$469,000</td>
<td>+1.5%</td>
<td>106</td>
</tr>
<tr>
<td>Reid</td>
<td>$362,000</td>
<td>$365,000</td>
<td>+0.8%</td>
<td>150</td>
</tr>
<tr>
<td>Willaston</td>
<td>$292,000</td>
<td>$292,000</td>
<td>0%</td>
<td>1,556</td>
</tr>
</tbody>
</table>

The State Government has recently announced (11 June 2019) that the percentage rate cap that would have applied for the 2019/20 financial year had Rate Capping legislation been passed in Parliament was 2.9%, as independently determined by the Essential Services Commission of SA.

Every 0.1% of General Rate revenue for the Town of Gawler currently equates to $21k. Consequently, should Council consider reducing the 3% increase in General Rate revenue from existing ratepayers the financial consequences on the Budget (all else being equal) would be as follows:

- 2.9% - $21,220 reduction in revenue / reduction in operating surplus
- 2.8% - $42,440 reduction in revenue / reduction in operating surplus
- 2.7% - $63,660 reduction in revenue / reduction in operating surplus
- 2.6% - $84,880 reduction in revenue / reduction in operating surplus
- 2.5% - $106,100 reduction in revenue / reduction in operating surplus
2. **Waste Management Service Charge**

The Council consulted with its community on no increase in the Waste Management Service Charge (i.e. the proposed service fee to remain unchanged at $186).

Unfortunately, since then, and with no consultation whatsoever with the Local Government sector, the State Government has applied a 40% increase in the Solid Waste levy for 2019/20 (an initial 10% increase from 1 July 2019, with the full 40% then applying from 1 January 2020). This will have a detrimental material impact on Council’s budget in the order of $126k.

The consultation version of the draft budget indicated that the per-tonne Solid Waste Levy has recently increased by a massive 92% in just four years (from $52 in 2014/15 to the current $100 in 2018/19).

The updated draft 2019/20 budget presented reflects the $126k cost-shifting increase from the State Government being passed on to ratepayers via a $12 (6.5%) increase in the Waste Management Service Charge (as noted above in Table 2). Alternatively, Council could consider:

- Absorbing the $126k increase (i.e. reducing the operating surplus by this amount) – *not recommended by the Administration*

- Cutting existing or proposed new services by this amount (e.g. withdrawal of the proposed expansion of the Hard Waste trial, currently estimated at a cost of $120k). In this scenario, the Waste Management Service Charge of $186 would effectively remain unchanged

Council’s overall contribution to the State Government Solid Waste Levy will now be in the order of $715,000.

3. **Gawler East Separate Rates**

The Council consulted with its community on the various Separate Rates that are applied within the Gawler East development area, towards the provision of the Gawler East Link Road (and associated deferred infrastructure), traffic interventions, and Community Infrastructure within the area.

The value of the Separate Rates levied is indexed each year, in accordance with the annual movement with certain independent indices.

At the time of the consultation version of the draft 2019/20 Budget / Business Plan, the March 2019 annual movements in the indices was not yet known, and as such the December 2018 annual movements were disclosed at that time (being 3.75% for the ABS Roads and Bridges Construction Index, which is utilised for the Gawler East Link Road (including deferred infrastructure) and Traffic Interventions Separate Rates; and 2.7% for the Local Government Price Index which is utilised for the Community Infrastructure Separate Rate).

The March 2019 indices results since received, which will be utilised as the annual index of the Separate Rates for the 2019/20 financial year, are 1.8% (ABS Roads & Bridges Construction Index) and 2.1% (Local Government Price Index).

**COMMUNICATION (INTERNAL TO COUNCIL)**

Executive Management Team
Team Leader – Finance
Financial Accountant

**CONSULTATION (EXTERNAL TO COUNCIL)**

Public consultation of the draft 2019/20 Budget / Business Plan occurred from 15 May – 7 June 2019, with six submissions being received. The submissions received have been separately tabled to this meeting.
POLICY IMPLICATIONS

Budget Management Policy
Treasury Management Policy
Funding Policy
Asset Capitalisation Policy
Depreciation Policy
Service Range Policy
Various Service Level Policies

STATUTORY REQUIREMENTS

Local Government Act 1999 Section 122 - Annual business plans and budgets and
Section 123 - Accounts, financial statements and audit
Local Government (Financial Management) Regulations 2011

FINANCIAL/BUDGET IMPLICATIONS

The key financial outcomes on the draft 2019/20 Budget, based on various increases in the base General Rate revenue, are outlined in Table 4 below.

Table 4 – Financial impact of Budget (based on various General Rate revenue increases from existing ratepayers)

<table>
<thead>
<tr>
<th>Item</th>
<th>2018/19 Revised Budget</th>
<th>2019/20 Draft Budget</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Result (Surplus)</td>
<td>($234k)</td>
<td>($259k)</td>
<td></td>
</tr>
<tr>
<td>Adjusted Operating Result (Surplus)</td>
<td>($134k)</td>
<td>($241k)</td>
<td>Adjusted result after removing distortion caused by advance Federal Govt grant payments</td>
</tr>
<tr>
<td>Operating Ratio Result</td>
<td>0.8%</td>
<td>0.85%</td>
<td>Council policy target of achieving &gt;0%</td>
</tr>
<tr>
<td>Net Financial Liabilities Ratio</td>
<td>86.9%</td>
<td>89.2%</td>
<td>Council policy of 0-100%</td>
</tr>
<tr>
<td>Asset Renewal Funding Ratio</td>
<td>100%</td>
<td>100%</td>
<td>Council policy of 90-100%</td>
</tr>
<tr>
<td>Capital Expenditure – New / Upgraded assets</td>
<td>$9.476m</td>
<td>$7.410m</td>
<td></td>
</tr>
<tr>
<td>Capital Expenditure – Replacement / Renewal</td>
<td>$6.824m</td>
<td>$2.841m</td>
<td></td>
</tr>
<tr>
<td>TOTAL Capital Expenditure</td>
<td>$16.300m</td>
<td>$10.251m</td>
<td></td>
</tr>
<tr>
<td>Net Capital Expenditure</td>
<td>$9.524m</td>
<td>$8.379</td>
<td>After excluding $2.4m extraordinary payment due to State Govt on completion of the Gawler East Link Road, Net Capital Expenditure = $5.979m, which is within $6m threshold established</td>
</tr>
<tr>
<td>$ General Rate increase for average residential ratepayer</td>
<td>$40 (2.4% increase)</td>
<td>$47 (3% increase)</td>
<td>In 2019/20, every 1% of increase = approximately $16 for average residential ratepayer</td>
</tr>
</tbody>
</table>
### $ increase in Waste Management Service Charge

<table>
<thead>
<tr>
<th></th>
<th>$4 ($182 - $186)</th>
<th>$12 ($186 - $198)</th>
</tr>
</thead>
</table>

Council previously consulted on the fact that the Service Charge would likely remain unchanged in 2019/20. The $12 increase now proposed is solely due to the 40% increase in the State Govt Solid Waste Levy.

### Statement of Cashflows

The updated Statement of Cashflows forecasts increased loan borrowings of $612k in 2018/19, solely due to the fact that the final grant milestone payment due from the Federal Government pertaining to the Civic Centre redevelopment project will now not be received until early in the 2019/20 financial year. Consequently, the updated loan borrowings for 2019/20 now reflects an offsetting reduction in loan borrowings as a result of the grant payment adjusted timeline.

### COMMUNITY PLAN

Funding incorporated within the Annual Budget / Business Plan enables Council to deliver, facilitate and progress many outcomes contained within the Community Plan.
6 QUESTIONS WITHOUT NOTICE

7 MOTIONS ON NOTICE

7.1 NOTICE OF MOTION - CR TOOLEY - DEVELOPMENT OF CLIMATE EMERGENCY ACTION PLAN

Record Number: CC19/319;IC19/400
Attachments: Nil

Councillor Ian Tooley has given notice that he intends to move the following motion:-

MOTION
That Council increase the proposed allocation of $20,000 for the development of our Climate Emergency Action Plan in the draft 2019/20 budget to at least $30,000.

8 MOTIONS WITHOUT NOTICE

9 CLOSE

10 NEXT ORDINARY MEETING

Tuesday 23 July 2019 commencing at 7:00pm