NOTICE OF SPECIAL COUNCIL MEETING

TO: Mayor
Deputy Mayor
Councillors: Karen Redman
Ian Tooley
Kevin Fischer
Beverley Gidman
David Hughes
Paul Koch
Merilyn Nicolson
Adrian Shackley
Robin Symes
Jim Vallelonga

NOTICE is hereby given pursuant to the provisions of Section 82 and Section 83 (2) of the Local Government Act 1999, that a Special Meeting of the Council for the Town of Gawler will be held in the Conference Room, Town OF Gawler Administration Centre, 43 High Street, Gawler East, on **Tuesday 3 April 2018**, following the External Funds Committee meeting, but commencing no earlier than 7:30pm.

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
29 March 2018
Special Meeting of the Council for the Town of Gawler to be held on Tuesday 3 April 2018, following the External Funds Committee meeting, but commencing no earlier than 7:30pm in the Conference Room, Town of Gawler Administration Centre, 43 High Street, Gawler.

AGENDA

1. Statement of Acknowledgement

   Mayor: 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 Leaves of Absence Cr Merilyn Nicolson
   2.5 Non-attendance

3. Public Open Forum

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

4. Business

   3.1 2018/19 Draft Budget Update 3
   3.2 2017/18 Rating Review 7
   3.3 Regional Growth Fund 15

5. Questions without Notice

6. Motions without Notice

7. Confidential Reports

8. Close

9. Next Ordinary Meeting – 24 April 2018 at 7:00pm
OFFICER’S RECOMMENDATION

Item 3.1 – 2018/19 Draft Budget Update (CC17/1128)

That the 2018/19 Draft Budget Update report be noted.

BACKGROUND

To date, discussions relative to the draft 2018/19 Budget have occurred as follows:

a) Budget Workshop No 1 (19 December 2017) – Financial Overview
c) Budget Workshop No 3 (15 March 2018) – Draft 2018-19 Recurrent Budget and further discussion regarding Draft 2018-19 Capital and New Initiative Bids Update
d) Special Audit Committee Meeting (28 March 2018)

At the Special Audit Committee meeting on 28 March 2018 the following motion was passed:

Moved Mayor K Redman
Seconded Mr. P Fairlie-Jones
Motion No: AC:2018:03:08

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the 2018/19 Draft Budget as follows:

1) That current financial targets are realised consistent with the Long Term Financial Plan.
2) To achieve a realistic surplus.
3) **That the following risks are managed and monitored:**
   a. **Growth**
   b. **Depreciation**
   c. **Potential of State Government imposed rate capping**

4) **That staff provide options to achieve these outcomes.**

The purpose of this report is for Council to commence its formal deliberations and considerations relative to the draft 2018/19 Budget, taking into the consideration the feedback and motion from the 28 March 2018 Audit Committee meeting.

Subsequent to this Special meeting, a further Special meeting is scheduled for 17 April 2018, at which time a further update report regarding the 2018/19 Draft Budget will be presented.

Importantly, the 2018/19 Draft Budget discussion at the 17 April 2018 meeting will also be able to be informed by the draft updates of both the Long Term Infrastructure and Asset Management Plan and the Long Term Financial Plan, both of which are being tabled to the Audit Committee meeting on 11 April 2018. Consequently, the minutes from the Audit Committee meeting held on 11 April 2018 will be tabled to the 17 April 2018 meeting.

**COMMENTS/DISCUSSION**

Following the series of informal workshops held with Elected Members in recent months, this meeting commences Council’s formal deliberations and considerations relative to the draft 2018/19 Budget. Consequently, this Special meeting (in addition to the Special meeting to be held on 17 April 2018) can be used for Council to make formal decisions regarding the compilation of the 2018/19 draft budget, in advance of then endorsing the draft budget for the purposes of community consultation at the 24 April 2018 Council meeting).

To assist in this regard, the report (and attachments) tabled to the Audit Committee on 28 March 2018 have been provided in their entirety as attachments to this report (refer **Attachments 1-6**). The basis of this information is the same as already presented to Council at the previous workshops held.

Council also needs to take into consideration the following decision, in relation to the Murray Street (Stage 6) project, made at the 27 March 2018 meeting which will impact on the budget.

Moved Deputy Mayor Tooley
Seconded Cr K Fischer
Motion No: 2018:03:78

(extract)

That Council:
**Endorses a further $0.95 million be allocated (to be sourced through deferral of Capital Works from 2018/19 Budget deliberations) to the project budget in the 2018/19 year for the delivery of the ‘Roadworks Section North’ as the committed scope for the project. It is noted that this component and the potential additional section south, if Federal Government funding is successful, would require the potential allocation of an additional $0.6 million from deferral of Capital Works in the 2018/19 year.**
As reported to the 27 March 2018 meeting, the additional 2018/19 capital funding now sought for the Murray Street (Stage 6) project will need to be sourced from the deferral of other 2018/19 capital bids being considered by Council. This deferral of other capital projects would be in addition to the $1.5m of deferrals previously suggested as being required.

It is anticipated that staff will table at this meeting a raft of possible reductions in Capital, New Initiatives and Recurrent Budget allocations to assist Council in its decision making process to achieve a balance or surplus budget outcome for 2018/19.

COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management Team
Team Leader Finance
Financial Accountant

CONSULTATION (EXTERNAL TO COUNCIL)

Community consultation on the 2018/19 Draft Budget / Business Plan will be undertaken during 2-25 May 2018.

The consultation is proposed to include:
- Advertisement in the 2 May 2018 edition of The Bunyip, advising of the consultation period and consultation mechanisms
- Regular posts on social media
- Post on ‘Latest News’ on Council website
- ‘Your Voice’ Gawler
- Pull-up banners and A3 posters at key Council sites

Feedback received during the consultation period will then be considered by Council at a Special Council meeting scheduled on 5 June 2018.

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 table below summarises the draft 2018/19 budget as presented to the Audit Committee meeting on 28 March 2018.

<table>
<thead>
<tr>
<th></th>
<th>‘Original’ Draft Budget</th>
<th>‘Revised’ Draft Budget</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base General Rate increase</td>
<td>3%</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Operating Result – Surplus / (Deficit)</td>
<td>(392k)</td>
<td>68k</td>
<td></td>
</tr>
<tr>
<td>Operating Ratio</td>
<td>-1.4%</td>
<td>0.2%</td>
<td>Policy position that ratio result be between 0-10% over any 5 year rolling period</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>$15.396m</td>
<td>$13.979m</td>
<td></td>
</tr>
<tr>
<td>New Initiatives</td>
<td>$940k net</td>
<td>$500k</td>
<td></td>
</tr>
<tr>
<td>Net Financial Liabilities Ratio</td>
<td>95%</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>$21.792m</td>
<td>$19.915m</td>
<td></td>
</tr>
</tbody>
</table>

COMMUNITY PLAN

Funding incorporated within the Annual Budget / Business Plan enables Council to deliver, facilitate and progress many outcomes contained within the Community Plan.
OFFICER’S RECOMMENDATION

Item 3.2 – 2017/18 Rating Review (CC18/628)

That:
1. The 2017/18 Rating Review report be received.
2. Council defer the consideration of a rates reduction for Rural Residential properties (located within the ‘Rural’ and ‘Rural Living’ planning zones) and Primary Production properties until after the Rural Areas DPA has been completed and legislation and processes pertaining to the introduction of State Government imposed Local Government Rate Capping are known.
3. Discretionary Rate Rebates, as currently provided, be maintained for the 2018/19 financial year.

BACKGROUND

This report was initially tabled to the Audit Committee on 28 March 2018, at which the following resolution was passed:

Moved Mayor K Redman
Seconded Mr. P Fairlie-Jones
Motion No: AC:2018:03:09

That the Audit Committee recommends to Council that the 2017/18 Rating Review report be received and noted.

In considering the 2017/18 Rating Review report, the Audit Committee was of the view that the decision as to whether a rate reduction should be provided to Primary Production and Rural Residential properties was a political decision for the full Council to consider and determine.

To assist Elected Members in their deliberations regarding this matter, the report presented to the Audit Committee has been represented below in its entirety to this meeting.
A key point in the Audit Committee’s discussion had on the matter related to the equity associated with potentially transferring the rate burden in question from one community group (Primary Production/Rural Living) to another’s (all other rate payers).

As part of appropriate governance, the Strategic Rating Policy (‘the Policy’) is reviewed on an annual basis, so as to ensure that the rating methodology applied by Council continues to remain current, fair and equitable.

The annual review of the Policy was last considered at the 26 April 2017 Council meeting, with only two minor amendments made to the Policy at that time (being the change of address for ‘over-the-counter’ rates payments to the Gawler Administration Centre and reviewing rate rebates on an annual basis (as distinct from specifically referencing the rebates review would occur in February each year).

Given that there were no material alterations proposed to the Policy last year, considerable attention at the time moved to comparing the Town of Gawler rating structure with similar Councils. Key findings from the investigation undertaken relative to General Rate revenue, as reported to the 26 April 2017 meeting, were as follows:

**General Rates:**
- a) **When all relevant factors are taken into consideration, most notably the considerable difference in average residential property valuations across different Councils, General Rates applied by the Town of Gawler for residential properties are only slightly above the average rates payable but also slightly below the median rates payable when compared to other similar Councils;**

- b) **When all relevant factors are taken into consideration, most notably the considerable difference in median commercial property valuations across different Councils, General Rates applied by the Town of Gawler for commercial properties are below both the average rates and median rates payable when compared to other similar Councils;**

- c) **The innovative tiered rating system applied by Council for all commercial and industrial properties has been widely acknowledged as an appropriate rating mechanism, with some other Councils now looking to implement a similar approach;**

- d) **By comparison with other Councils, each land use sector (e.g. residential, commercial, industrial, vacant land, etc.) contributes their appropriate share of rate revenue.**

**Minimum Rate:**
- a) **$927 applied by Council for 2016/17 is below the metropolitan average of $954;**

- b) **11.6% of properties currently subject to Minimum Rate (maximum allowed is 35%);**

- c) **Potential case that Minimum rate should be increased by a higher percentage than overall percentage increase required from existing ratepayers.**
Given the accepted strength of the existing policy, and the considerable comparative analysis undertaken last year, the primary focus of this current review has been to investigate the separate motion below that was passed at the same 26 April 2017 meeting (noting that a review of the Gawler East Separate Rates introduced from this financial year will be presented to the 11 April Audit Committee meeting, the same time at which a new Gawler East Development – Infrastructure Funding Policy will be presented).

Moved by Cr A Shackley
Seconded by Cr K Fischer
Motion No: 2017:04:125

Council advises that it is giving consideration to a rate rebate or similar mechanism to reduce the rates for landowners in the Council area who are classified as Primary Production and Rural Residential. This issue has been raised by some ratepayers on various occasions since Council last considered the issue about 10 years ago. Many local councils have different rates in the dollar for Primary Production but this category does not cover landowners who are classes as Rural Residential (and included for rating purpose as residential land use). A rebate system is one way to deal with “Rural Residential” properties.

For 2016/17 the following information relates to the relevant land uses. Rural Residential properties – 227 properties, average valuation $486,000, rates raised $538,000; Primary Production properties – 322 properties, average valuation $397,000, rates raised $626,000. Total properties 549. Total rates $1.164 million.

Almost all are in Hillier, Kudla and foothills. If Council provided a 10% rebate to these landowners that would have reduced 2016/17 rates from these landowners by up to $116,400. Total Council rates raised in 2016/17 was about $20.6 million.

Council could just reduce its rate income by the rebated amount or it could maintain the same overall rate income by increasing other rates by about 0.6%. That would increase rates for a ratepayer paying $1000 a year by about $6 a year and $12 where rates are $2000 a year. A variation from a 10% rebate would have a proportional effect.

Council could implement such a change in a single year or over more than one year. Rebates are flexible - for example, Council could set the coverage of such a rebate to limit it to particular areas such as the Rural and Rural Living Zones, or limit the rebate to a maximum amount per property.

Consequently, the purpose of this report is to provide Council with the findings from the investigation undertaken in response to the above resolution and, consistent with the Strategic Rating Policy, to review discretionary rate rebates provided.
COMMENTS/DISCUSSION

1) Investigation of 10% Rate reduction to Primary Production / Rural Residential properties

Based on 2017/18 financial year rating data, provision of a 10% General rate reduction for Primary Production and Rural Living properties would equate to rate revenue foregone of $123k ($66k across 321 Primary Production properties and $57k across 232 Rural Residential properties).

Based on the LGA’s 2017/18 rating survey (to which 62 of 68 Councils responded), Table 1 below indicates how the rate-in-the-dollar applied for Primary Production properties compares to that applied for Residential properties across the State.

Table 1 – Statewide comparison of Residential vs Primary Production Rate-in-$ *

<table>
<thead>
<tr>
<th></th>
<th>% of Councils</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential rate &gt; Primary Production rate</td>
<td>56%</td>
</tr>
<tr>
<td>Residential rate same as Primary Production rate</td>
<td>17%</td>
</tr>
<tr>
<td>Residential rate &lt; Primary Production rate</td>
<td>27%</td>
</tr>
</tbody>
</table>

*Councils where either no primary production properties exist, or very low number (i.e. less than 10), excluded (City of Adelaide, Burnside, Holdfast Bay, Norwood/Payneham/St Peters, Prospect, Port Adelaide/Enfield, Unley, Walkerville, West Torrens)

In its deliberations as to whether to provide a rate reduction for such properties, Council needs to also consider rating principles outlined in Section 150 (General Principles) of the Local Government Act 1999 as follows:

‘A council should, when making and adopting policies and determinations concerning rates under this Act, take into account the following principles:

(a) rates constitute a system of taxation for local government purposes (generally based on the value of land);

(b) rating policies should make reasonable provision with respect to strategies to provide relief from rates (where appropriate), and any such strategies should avoid narrow or unreasonably restrictive criteria and should not require ratepayers to meet onerous application requirements;

(c) the council should, in making any decision, take into account the financial effects of the decision on future generations’.

In relation to Rural Residential properties, 71% of the properties are located within Kudla, Hillier, and Evanston Gardens.

Presumably, any rebate to be provided to Rural Residential properties would be on the basis that such properties invariably do not receive the same level of services from Council that residential properties in an more urbanised setting receive – e.g. streetlighting, sealed roads, footpaths, underground stormwater drainage, close access to neighbourhood parks and gardens, etc.
In this context, however, Council also needs to consider that General Rates applied are a form of property-based taxation for Local Government and not a ‘fee for service’, albeit fairness and equity principles still need to be considered. Further to this, Council also needs to consider that the State Valuation Office does take into consideration the non-provision of various services to Rural Residential properties when determining the individual property valuations for rating purposes.

In relation to Primary Production properties, similar to Rural Residential properties, 69% of the properties are located within Kudla, Hillier, and Evanston Gardens.

A summary of average rates paid and average property valuations for Rural Residential and Primary Production properties, when compared to Residential properties, is outlined in Table 2 below.

**Table 2 – Comparison of Primary Production / Rural Residential with Residential properties**

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Average property valuation</th>
<th>Average General Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Residential</td>
<td>$488,000</td>
<td>$2,450</td>
</tr>
<tr>
<td>Primary Production</td>
<td>$422,000</td>
<td>$2,248</td>
</tr>
<tr>
<td>Residential</td>
<td>$301,000</td>
<td>$1,529</td>
</tr>
</tbody>
</table>

*Comparison distorted by the fact that, invariably, Rural Residential and Primary Production properties are of a far greater land size than urban Residential properties

On balance, there is no ‘right’ or ‘wrong’ answer in this regard – Council simply needs to appropriately weigh up and consider all factors, including fairness and equity principles, to determine whether a rate reduction is appropriate.

If a 10% rate reduction was provided to such properties (costed at approximately $123k), and funded on a proportional valuation basis from all other properties (i.e. Urban Residential, Commercial, Industrial, Vacant Land, and Other land use categories), then the average urban residential property, currently valued at $301,000, would pay an additional $11 (or 0.75%) in General Rates (i.e. over and above any other General Rate increase applied). Reductions less than 10% would be proportionally affected.

Naturally, if Council elects to provide a rate reduction for Rural Residential and Primary Production properties, it could be merely provided by reducing the quantum of General Rate revenue (i.e. not funded by a proportional increase in rates for all other properties). However, unless Council wishes to make various material expenditure cuts to its budget (either by way of reducing its discretionary expenditure (e.g. various contributions and donations), reducing various service levels/standards to the community (e.g. Library operating hours, maintenance standards of Parks & Gardens, maintenance standards of roads, frequency of Public Toilets cleaning, etc. – all of which could have adverse consequences), or a combination of both, then the author is of the view that if rate reductions are to be provided for Rural Residential and Primary Production properties then they should be funded by a proportional increase in rates from all other properties. This view is also taken in the context of Council’s current financial position and future forward estimates contained within the Long Term Financial Plan.
Other current or emerging factors that should also be considered are the expected introduction of Local Government rate capping, following the change in State Government as a result of the recent State Government election, and current investigations and potential changes relating to the Rural Areas Development Plan Amendment. Any potential changes relating to development capacity within the Rural Areas is likely to be determined during the 2018/19 financial year, noting that any such changes will require Ministerial approval.

With this in mind, it may be appropriate to defer any further consideration of a General Rate revenue redistribution pending the outcomes of the Rural Areas Development Plan Amendment and also pending advice from the State Government as to legislation and processes pertaining to Local Government rate capping.

2) Review of Discretionary Rate Rebates

Pursuant to Division 5 (Rebates of Rates) of the Local Government Act 1999, Council must provide certain mandatory rate rebates (Sections 160-165) or can elect to provide certain discretionary rate rebates (Section 166).

Given that Council must provide certain mandatory rate rebates (e.g. to churches, schools, cemeteries, etc.) they are not considered within this report.

Discretionary rate rebates are currently provided as per Table 3 below:

**Table 3 – 2017/18 Discretionary Rate rebates provided**

<table>
<thead>
<tr>
<th>Property No.</th>
<th>Location</th>
<th>General Rate rebate $</th>
<th>Notes</th>
<th>Motion No. (if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>Various Commercial and Industrial properties</td>
<td>859,570</td>
<td>Rebates provided as part of Council’s ‘tiered’ rating structure for Commercial and Industrial properties</td>
<td>As part of annual rates adaption</td>
</tr>
<tr>
<td>112227</td>
<td>Uniting Church ‘Op Shop’, Tod Street, Gawler</td>
<td>219</td>
<td>100% recurrent rebate</td>
<td>2012:12:397</td>
</tr>
<tr>
<td>112219</td>
<td>Uniting Church ‘U Care’ Office, Tod Street, Gawler</td>
<td>1,238</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14593</td>
<td>CWA, 29 Tod Street, Gawler</td>
<td>1,105</td>
<td>100% recurrent rebate</td>
<td>2010:01:020</td>
</tr>
<tr>
<td>16998</td>
<td>Gawler Apex Club, Gawler River Rd, Willaston</td>
<td>1,000</td>
<td>100% rebate whilst Apex Club leases the property</td>
<td>2015:07:293</td>
</tr>
<tr>
<td>88247</td>
<td>Starplex, Alexander Ave, Evanston Park</td>
<td>29,454</td>
<td>Recurrent rebate such that the properties are rated under the ‘Other’ and not ‘Commercial’ land use category</td>
<td>2013:02:041</td>
</tr>
<tr>
<td>122618</td>
<td>Gawler &amp; Barossa Jockey Club, Barnet Rd, Evanston</td>
<td>29,407</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>921,993</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

No rebate applications have been received during the 2017/18 financial year, nor are any other rebates proposed by the Administration.
COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management
Team Leader – Finance
Financial Accountant
Rates Officers

CONSULTATION (EXTERNAL TO COUNCIL)

Council’s annual review of its Strategic Rating Policy is subject to community consultation as part of the Annual Budget / Business Plan.

However, should Council elect to continue to consider a General Rate reduction for Primary Production and Rural Residential properties from the 2018/19 financial year, with the funding foregone then recovered via proportionally increased General Rates from all other properties, this specific proposal would have to be appropriately communicated to ratepayers as part of the 2018/19 Budget / Business Plan consultation.

Community consultation on the 2018/19 Draft Budget / Business Plan will be undertaken during 2-25 May 2018.

The consultation is proposed to include:
- Advertisement in the 2 May 2018 edition of The Bunyip, advising of the consultation period and consultation mechanisms
- Regular posts on social media
- Post on ‘Latest News’ on Council website
- ‘Your Voice’ Gawler
- Pull-up banners and A3 posters at key Council sites

Feedback received during the consultation period will then be considered by Council at a Special Council meeting scheduled on 5 June 2018.

POLICY IMPLICATIONS

Strategic Rating Policy
Rate Rebates Policy

STATUTORY REQUIREMENTS

Local Government Act 1999 - Chapter 10 - Rates & Charges

FINANCIAL/BUDGET IMPLICATIONS

The amount of Rates and Service Charge revenue required is determined via the separate annual budget process.

The Strategic Rating Policy merely indicates as to how the associated revenue required is apportioned across the community.
If a General rates reduction is provided to Rural Residential and Primary Production properties in the 2018/19 financial year, any impact on the 2018/19 budget will be determined based on how the revenue foregone is funded. If the revenue foregone is funded from an increase in General Rate revenue from all other properties, reduced discretionary expenditure, or a combination of both, then there would be no consequential impact on the budget.

However, if the revenue foregone was not offset by such mechanism, then the adverse impact on the 2018/19 budget (and future recurrent budgets) would be equivalent to the value of the rate reduction provided.

In relation to the provision of annual discretionary rate rebates, the funding of such is provided for within the annual budget.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation
OFFICER’S RECOMMENDATION

Item 3.3 – Regional Growth Fund (CC18/17)

That Council:
1. Support in principle an application to the Regional Growth Fund (an estimated grant value of $40m) for the delivery of the following:
   a. Deferred Infrastructure associated with the Gawler East Link Road
   b. Traffic Interventions associated with the Gawler East Link Road
   c. Extension of the Gawler East Link Road to Tiver Road
   d. Community Infrastructure associated with the Gawler East Growth Precinct
2. Seek written support for this proposal from the State Government, existing developers within the Gawler East Area and the Barossa Regional Development Board
3. Request a report detailing the application to the Regional Growth Fund be presented at the 24 April 2018 Council Meeting.

BACKGROUND

On 2 March 2018 the Hon Dr John McVeigh MP, Minister for Regional Development, Territories and Local Government, announced the opening for Initial Applications to the $272.2 million Regional Growth Fund.

The Regional Growth Fund will provide grants of $10 million or more for major transformational projects which support long-term economic growth and create jobs in regions undergoing structural adjustment.

Our region is in this category of structural adjustment particularly, but not limited to, the closure of the Holden manufacturing plant in 2017. It is noted that 98 former Holden workers, and their families, live in the Town of Gawler.

Selection of projects will be undertaken in two stages. Stage One requires submission of an Initial Application for competitive assessment. Stage Two is for the submission of a Full Business Case. Only successful applications to the Initial Application will be invited to submit a Full Business Case.
Initial Applications will close at 5pm AEST on 27 April 2018.

This report presents a proposal for the basis of an application to the Regional Growth Fund for Council’s consideration.

**COMMENTS / DISCUSSION**

The Regional Growth Fund (the Program or RGF) will run over four years from 2018-19 to 2021-22. The objectives of the Program are to provide grants of $10 million or more for major transformational projects, which support long term economic growth and create jobs in regions, including those undergoing structural adjustment.

The Gawler East Growth Precinct is considered to be a transformational project. The Precinct is anticipated to create a 10,000 person community with construction of over 3,000 dwellings and a new commercial centre. The Precinct will also have positive environmental, social and community outcomes. It will also generate employment outcomes both during construction and ongoing. An application to the RGF will need to clearly articulate and demonstrate these outcomes.

The Australian Government’s grant funding, through this Program, is expected to leverage investment from the private sector, not-for-profit organisations and other levels of government in the region.

The Program funding will commence in the 2018-19 financial year and cease on 30 June 2022.

The Program will fund projects across a range of key economic categories including, but not limited to: transport and communications, tourism, manufacturing and primary industries.

The Program will fund projects that are for ‘common-use’ infrastructure or private use infrastructure that will deliver significant and sustainable benefits to the region by creating jobs and flow-on benefits to the economy.

The Program is open to state and territory governments, local governments, the private sector and not-for-profit organisations.

A two stage process will allow applicants to submit an Initial Application for assessment without having to spend the time and resources developing a Full Business Case and associated documents. Projects that proceed to the second stage will then be required to submit comprehensive project management plans, asset maintenance/management plans, five year cash flows, evidence of use of project post completion, audited financial statements and information on any grants previously received from governments.

The expected outcomes of the Program are to:

a. create jobs
b. drive economic growth
c. build stronger regional communities.

**About the Grant Opportunity**

The first stage for selecting projects is the submission of an Initial Application, which will
allow applicants to submit applications for an assessment against eligibility and merit criteria. This stage is competitive.

The second stage is for the submission of a Full Business Case to allow the Australian Government to undertake a value with relevant money assessment (explained later in this report). This will require the provision of more extensive documentation to support project planning, readiness for the project to proceed and long term viability of the project and the applicant.

The process is designed in this way so only applicants who are successful under the Initial Application are invited to submit a Full Business Case. Decisions on which Initial Applications progress to a Full Business Case will be made by a Ministerial Panel in consultation with the Australian Government’s Investment, Infrastructure and Innovation Committee of Cabinet, or Cabinet itself.

Initial Applications are open now and must be submitted by 5 pm AEST 27 April 2018 in order to be eligible for assessment with successful applicants invited to submit a Full Business Case. Full Business Cases must be received by the Department within three months of notification.

Grant amount

The Australian Government has announced a total of $272.2 million over four years from 2018-19 to 2021-22 for the Program. Grant applications for a minimum of $10 million will be considered.

Proponents or other contributors are required to contribute at least 50 per cent cash funding to the project. Therefore, the total project costs must be at least $20 million (GST exclusive).

There is no cap on the maximum amount that may be applied for, however, it should be noted there is only $272.2 million available in total.

Projects must be completed and acquitted by 30 June 2022.

Grant eligibility criteria

Only Initial Applications that satisfy all eligibility criteria will be considered. The Program will not fund projects where construction has begun or where construction contracts are in place at the time of the Full Business Case.

The Program will fund projects that are for ‘common-use’ infrastructure or private use infrastructure that will deliver significant and sustainable benefits to the region by creating jobs and flow-on benefits to the economy.

Examples of ‘common-use’ infrastructure projects include freight hubs, roads, ports and terminals, medical hubs, communication infrastructure, and integrated tourism activities and assets that enhance and support Australia’s regional tourism experience.

From a Town of Gawler perspective it is considered reasonable that the following infrastructure types are consistent with the intent of the funding, all of which are related to the Gawler East Growth Precinct:

a. Deferred Infrastructure associated with the Gawler East Link Road.

b. Traffic Interventions associated with the Gawler East Link Road.
c. Community Infrastructure associated with the Gawler East Link Road.
d. Extension of the Gawler East Link Road to Tiver Road.

Private use infrastructure will be considered where a strong economic case has been made and where the Australian Government’s investment will not crowd out private investment that would have otherwise occurred.

Council is an eligible organisation under the eligibility criteria and the Town of Gawler is an eligible area within Australia.

Contributions

Additional contributions refers to the cash contribution (excluding in-kind contributions) from Council or sources other than Australian Government grant funding. Additional contributions must be a minimum ratio of 1:1, which means the Australian Government will contribute a maximum of 50 percent of all project costs.

Council must provide advice in its Initial Application as to whether the additional contributions are confirmed or sought. If confirmed, Councils must supply evidence of confirmation.

If additional contributions are not yet confirmed (i.e. sought), applicants must provide advice as to when confirmation is expected. If Council is successful at Stage One, confirmation of sought funding must be provided with the Full Business Case.

Any organisation can provide the additional contributions including:

a. The applicant
b. Local Government
c. State or Territory governments
d. Not-for-profit organisations
e. Private sector companies
f. Individuals
g. Aboriginal Benefits Account (not considered Australian Government funding).

Eligible projects

Projects must be for ‘common-use’ infrastructure or private use infrastructure that will deliver significant and sustainable benefits to the region by creating jobs and flow-on benefits to the economy.

Projects must be capital projects involving the construction of new infrastructure, or the upgrade or an extension of existing infrastructure. The upgrade or extension of existing infrastructure will only be eligible where you can demonstrate significant increase in benefit.

Projects may include a number of strategically linked projects which together form a Package of Works, such as the Gawler East Growth Precinct, which will deliver economic benefits to a region or regions.

To be eligible projects must be ready to commence within 12 weeks of executing the Grant Agreement. Commencement is considered to be taking steps to allow construction to commence. Projects must be acquitted by 30 June 2022.

Eligible activities
The grant and additional funding can only be spent on eligible activities directly related to the project. These activities will be defined in the final Grant Agreement.

The following activities are considered eligible:

a. purchase of materials
b. purchase of land or existing infrastructure where the purchase is not the sole activity of the project
c. external labour hire
d. plant and equipment hire
e. construction activities
f. external consulting costs directly related to the delivery of the construction.

The following activities are considered ineligible:

a. repair or replacement of existing infrastructure where there is no demonstrated significant increase in benefit
b. ongoing operating costs including utilities and staffing
c. soft infrastructure, including computer software or hardware that is not an integral part of the funded capital project
d. project overhead items including office equipment, vehicles or mobile capital equipment (examples include trucks and earthmoving equipment and the applicant’s internal plant operating costs)
e. business case development and feasibility studies.

Merit criterion 1 – Create Jobs

*Job creation as a result of the project including direct employees during and post construction and indirect employees post construction (20 points). Applicants should define, quantify and provide evidence to support their answers.*

Applicants should quantify the total number of jobs during and post construction including:

a. increasing the number of jobs
b. increasing Indigenous employment
c. increasing youth employment - youth is defined as 16 to 24 years

Merit criterion 2 – Drive Economic Growth

*The economic benefit the project will deliver to the region during and beyond the construction phase (20 points). Applicants should define, quantify and provide evidence to support their answers.*

Applicants must provide evidence of how the project will increase economic activity, improve productivity, provide wider access to markets or provide fairer and more equitable economic outcomes. Examples of how the project could demonstrate these economic benefits include:

a. increasing the establishment of new businesses, the relocation of a business or part of a business from an ineligible area to an eligible area or the production of goods and services in the region (this includes direct and indirect opportunities created through the project)
b. providing transformational growth in existing sectors through combined benefits, e.g. tourism, agriculture, manufacturing, communication
c. the use of local suppliers and goods
d. increased use of Indigenous enterprises and suppliers
e. improved accessibility for businesses to markets and supporting services
f. support from state or territory or local governments. This can be in the form of
letters of support for the project, the project being included in regional or state strategic plans, co-contribution to the project, etc.

Applicants must provide details on the impact the project may have on other businesses or sectors of the economy, whether they be positive or negative.

**Merit criterion 3 – Build Stronger Regional Communities**

*How the project will increase a regional community’s resilience (10 points). Applicants should define, quantify and provide evidence to support their answers.*

Applicants must provide evidence of how the project will increase the regional resilience to economic fluctuations by strengthening and building capacity, including:

a. improving the productivity and skills of the region
b. increasing the attractiveness and liveability in the region
c. increasing connectivity including access to education and government services
d. increasing the diversity of jobs available in a region.

**Full Business Case Criteria**

The second stage is the submission of a Full Business Case.

Only projects selected by the Ministerial Panel as a result of the Initial Application process will be eligible to submit a Full Business Case for a value with relevant money assessment.

Projects will need to be investment ready with all additional funding confirmed, required regulatory and/or development approvals identified, local, state or territory government support confirmed and will need to demonstrate robust planning, in order to commence following execution of a Grant Agreement.

The Full Business Case stage will commence when a successful Stage One applicant is invited to submit a Full Business Case. Applicants will have three months from the date of notification to submit a Full Business Case. Extensions to this timeframe will only be given in extenuating circumstances. Applicants invited to submit a Full Business Case should not vary the project in scope or location from the information provided in their Initial Application.

The objective of the Full Business Case is for eligible applicants to submit project and proponent information and supporting documents to allow the Australian Government to undertake a value with relevant money assessment. On completion of the assessment, the Australian Government will make a recommendation to the Minister regarding formal Ministerial Approval of the projects.

The value with relevant money assessment will assess:

a. project viability and sustainability
b. applicant viability.

**Value with relevant money criteria assessment**

The value with relevant money assessment will include consideration of: Project viability and sustainability. An assessment against this criterion is intended to identify and consider the complexity of the project, risks associated with its delivery and ongoing management and the capability of the applicant to deliver and maintain the project.
Key considerations will include, but may not be limited to:
   a. how rigorously the project has been scoped and costed by the applicant
   b. how rigorously the applicant has assessed delivery risks and treatments for these risks
   c. how the applicant proposes to maintain the project in the future.

**Eligible Applicant viability**

Assessment is intended to establish the financial stability of the eligible applicant and their capacity to meet costs associated with the delivery of the project. This consideration does not apply to local, state and territory governments.

**PROPOSAL FOR FUNDING APPLICATION TO THE REGIONAL GROWTH FUND**

The Regional Growth Fund provides Council with an opportunity to deliver a transformational project for Gawler and the region. There are four projects within Council’s Gawler Invest prospectus that are above $20 million in value:

1. Railway Electrification - $76 million
2. Regional Aquatic Centre - $23 million
3. Town Centre Revitalisation - $25 million
4. Recreation Facilities Upgrades - $35 million

Railway Electrification requires works in metropolitan areas as classified by the Fund and therefore this project is ineligible. Council Staff believe that the three remaining projects are not suitable for this grant program as they are not directly linked to the key economic categories identified by the Fund, namely transport and communications, tourism, manufacturing and primary industries.

Given that the current round of the Regional Growth Fund is the only competitive round available in the next four years, Council Staff have been considering other projects that could be supported by the Fund.

Council does not currently have the financial capacity to provide the minimum $10 million contribution towards any project that could be delivered under the Fund, however, funding contributions do not have to come from the applicant. They can come from other parties who are partnering with the applicant to deliver the project.

With this in mind, Council could work with the State Government, Springwood Communities and other developers in the Gawler East Area to develop an application for funding towards the Gawler East Growth Precinct. Funding this Precinct could deliver all (or part) of the following:

   e. Deferred Infrastructure associated with the Gawler East Link Road – approximately $1.7 million.
   f. Traffic Interventions associated with the Gawler East Link Road – approximately $15.7 million.
   g. Community Infrastructure associated with the Gawler East Link Road – approximately $7.6 million.
   h. Extension of the Gawler East Link Road to Tiver Road – indicatively $15 million.

The above figures are indicative of the total value of each of the infrastructure categories with the total funding request equal to approximately $40 million.
As Council is aware, the State Government has committed $55 million towards the Gawler East Link Road with contribution arrangements from both the Town of Gawler and Springwood Communities. It is feasible that this investment could be used as the contribution required under the Regional Growth Fund criteria.

As a 50% co-contributory funding arrangement, leveraging the State Government's commitment to the Gawler East Link Road provides Council with the potential to apply for up to $55 million from the Australian Government’s Regional Growth Fund.

As Council is aware, the State Government has announced that Bardavcol has been awarded the tender for design and construct of the Gawler East Link Road with the final contract between the parties being executed shortly. Council Staff have discussed this with the Australian Government to ascertain whether the signing of this contract precludes the ability to leverage the $55 million attached to the Gawler East Link Road as the Program guidelines state that the Program will not fund projects where construction contracts are in place at the time of the Full Business Case.

The advice received from the Australian Government was that Council needs to provide evidence that the confirmed $55 million Gawler East Link Road project and the additional works outlined above can be delivered as one project and that these works are not contingent on a staged approach. This takes the overall project value for the proposal presented within this report to approximately $95 million ($55 million funded plus $40 million unfunded).

The issue of a signed contract being in place at the time of the Full Business Case being submitted still needs to be addressed. The Initial Application to the Fund will need to clearly demonstrate that the contract between the State Government and Bardavcol is a design and construct contract and that the construction element within this contract will not commence prior to the Full Business Case being submitted. The Australian Government has advised that this distinction enables the funding attached to the construction elements of the Gawler East Link Road (excluding any design costs) to be leveraged as the applicant’s contribution to the overall project.

The Initial Application must also clearly articulate that the unfunded components of the overall project (approximately $40 million) do not have contracts in place, have not commenced construction but can be delivered concurrently with the Gawler East Link Road.

Regional Development Australia Barossa has advised that projects being delivered under this Fund must be transformational on a regional level. Council’s Initial Application will need to demonstrate how the project delivers on the Australian Government’s regional priorities and regional economic development. Details of these outcomes will be provided in the further report to Council proposed to be presented at the 24 April 2018 Council Meeting.

Relevant Considerations

Whilst this grant funding provides an opportunity to both bring forward infrastructure delivery and reduce upfront costs for both Council and developers in the growth precinct, there are some relevant considerations which will need to be further investigated for the Council’s future consideration;
i. This funding proposal would otherwise result in the early delivery of infrastructure ahead of the time that it is actually required. The detailed Gawler East Infrastructure currently has a 15 year delivery horizon, aligned to the estimated rate of development. The extension of Tiver Road, numerous Road and intersection upgrades, a community centre and other community infrastructure will be provided ahead of the time that it is actually required.

ii. Discussions with Developers and the State Government will need to be fast tracked given implications of the delivery by them of a number of items, some within condensed timeframes, and also suitable land provision for some infrastructure (ie community infrastructure).

iii. Depreciation of these infrastructure assets will occur sooner than anticipated and will be required to be funded without the increased rate base from development to buffer the impact of these costs on the broader rate base. In this regard the potential availability of $40m to benefit the community is a significant benefit/opportunity.

iv. Capacity of the Council administration to plan, manage and deliver these projects over a four (4) year period given the existing significant capital projects currently underway and also identified within the 10 year Long Term Capital Works Program. This will require a review of the organisational structure and staff resourcing to ensure that the works can be delivered within this timeframe.

v. The extension of the Gawler East Link Road through to Tiver Road will require a feasibility review to be undertaken to support the Full Business Case and underpin the cost allocation required for this. This would also consider the extent of private land acquisition, consultation with those property owners impacted, project risks and timeframes involved.

On further consideration of these aspects and discussions other parties there are likely to be other relevant considerations which will materialise which will be included in further deliberations on this matter.

CONCLUSION

The proposal in this report presents Council with the opportunity to apply to the Regional Growth Fund for approximately $40 million towards infrastructure in the Gawler East Growth Precinct. The funding will be provided to Council but then distributed to the parties responsible for delivery of the respective infrastructure that is being built. At the current time such parties consist of Council, State Government and developers within the Gawler East area.

The total value of the proposed infrastructure project is estimated at $95 million with the required minimum 50% applicant contribution for this being sourced from the State Government’s commitment to the Gawler East Link Road. If funded, the project will be delivered collaboratively between all three tiers of government and private enterprise and will deliver the additional $40 million of works without the requirement for Council, community or developers to fund this infrastructure in the future.

COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management Team

CONSULTATION (EXTERNAL TO COUNCIL)

Australian Government Regional Growth Fund
Regional Development Australia Barossa
POLICY IMPLICATIONS

If Council was successful in an application to the Regional Growth Fund in accordance with the proposal outlined in this report, there would be a requirement to re-assess the need for, or level of, the Gawler East Separate Rates pertaining to the future provision of community infrastructure, traffic interventions and deferred infrastructure within the Gawler East development area.

A Separate rate to secure developer contributions towards the $8.167m reimbursement due to the State Government as part of the Gawler East Link Road would need to remain, regardless of the outcome of this proposal.

STATUTORY REQUIREMENTS

All necessary statutory approvals for delivery of the proposed project outlined in this report would be obtained as part of the project’s delivery.

FINANCIAL/BUDGET IMPLICATIONS

A detailed assessment of the financial implications of an application to the Regional Growth Fund as outlined in this report has not yet been undertaken. However, the consequences of receiving funding under the proposal are considered to be positive for both Council and the community as it delivers on future Council expenditure areas with third party funding support. Details of these implications will be presented within a further report to Council if Council chooses to progress with the idea.

If Council were to be successful in this proposal, it would require significant financial analysis with respect to bringing forward expenditure planned for the Gawler East Growth Precinct from a 10-15 year to a 4 year horizon. The resultant impact on Council’s Long Term Financial Plan, most notably bringing forward the depreciation of $40m of infrastructure assets (estimated at up to $700k p.a.), and capacity to deliver the infrastructure will need to be carefully considered.

It should be noted that the proposal seeks to leverage State Government commitments to deliver the project with minimal cost to Council as Council does not currently have the financial capacity to provide the required 50% contribution to the Regional Growth Fund.

COMMUNITY PLAN

Objective 2.1: Physical and social infrastructure to service our growing population and economy
Objective 2.4: Manage growth through the real connection of people and places
Objective 2.5: Local economic activity to create local job opportunities and generate increased local wealth
Objective 5.1: Support and encourage community teamwork
Objective 5.2: Be recognised as a ‘best practice’ Local Government organisation
Objective 5.3: Deliver ongoing effective and efficient services, including support for regional collaboration
Objective 5.4: Create a safe community environment