



City of
**Norwood
Payneham
& St Peters**

A G E N D A

FOR THE

SPECIAL MEETING OF COUNCIL

TO BE HELD ON

THURSDAY 13 MAY 2010

AT

7.00 PM



**City of
Norwood
Payneham
& St Peters**

*175 The Parade, Norwood SA 5067
PO Box 204, Kent Town SA 5071
Telephone: (08) 8366 4555
Facsimile: (08) 8332 6338*

6 May 2010

TO ALL MEMBERS OF THE COUNCIL:

- Mayor Robert Bria
- Cr John Frogley
- Cr Evonne Moore
- Cr Scott Sims
- Cr Garry Knoblauch
- Cr Connie Granozio
- Cr Paul Wormald
- Cr Barbara Erichsdotter
- Cr Isaac Pasalidis
- Cr Lucy Marcuccitti
- Cr John Minney
- Cr Carlo Dottore
- Cr Lance Manser
- Cr Sue Whittington
- Cr Mike Stock
- Cr Kevin Duke

NOTICE OF SPECIAL MEETING

I wish to advise that a special meeting of Council will be held on Thursday 13 May 2010 in the Council Chambers, Norwood Town Hall, 175 The Parade, Norwood commencing at 7.00 pm.

A light meal will be provided from 6.15 pm. For catering arrangements, please advise Tina Zullo on 83664545 if you will be coming for the meal.

Yours faithfully

Mario Barone
CHIEF EXECUTIVE OFFICER

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VENUE : Council Chambers, Norwood Town Hall

HOUR :

PRESENT

Council Members:

Staff:

APOLOGIES : Cr John Frogley

ABSENT :

1. **CONFIRMATION OF THE MINUTES OF THE COUNCIL MEETING HELD ON 3 MAY 2010 AND THE SPECIAL COUNCIL MEETING HELD ON 5 MAY 2010**
2. **STAFF REPORTS**

2.1 2010-2011 RECURRENT OPERATING BUDGET, PROJECTS BUDGET AND ANNUAL BUSINESS PLAN

REPORT AUTHOR: Acting Manager, Finance
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 83664585
FILE REFERENCE: S/01985
ATTACHMENTS: A - F

PURPOSE OF REPORT

The purpose of this report is to provide for the Council's consideration and approval, the following components of the 2010-2011 Budget;

1. Recurrent Budget and Operating and Capital Projects for endorsement "in principle" for the 2010-2011 financial year; and
2. Draft Annual Business Plan (incorporating the draft Rates Policy).

BACKGROUND

Pursuant to the provisions contained in Chapters 8, 9 and 10 of the Local Government Act 1999 (the Act), the Council is required to adopt for each financial year, an Annual Business Plan (ABP) and Budget after 31 May and before 31 August.

Before a council adopts an Annual Business Plan, the council must prepare a draft Annual Business Plan and release it for public consultation.

A council must consider its Budget in conjunction with the council's ABP and adopt it following adoption of the ABP.

At its meeting held on 27 April 2010, the Council endorsed 'in principle', the Budgeted Recurrent Operating position, which projected an Operating Deficit of \$497,547 on a full accrual basis, prior to factoring into account any increase in rate revenue and agreed 'in principle' to a rate revenue increase of 5%.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

Not applicable.

The adoption 'in-principle' of the 2010-2011 Budget, will assist the Council in achieving its Goals and will ensure that it moves in the right direction in respect to achieving a small Operating Surplus in the short term.

FINANCIAL AND BUDGET IMPLICATIONS

The financial outcome for the 2010-2011 financial year, based on a 5% increase in rate revenue, is an Operating Surplus of \$114,494, and a net Surplus (after capital income, etc) of \$2,664,119. The Long Term Financial Plan projected an operating surplus of \$10,000.

The Council can choose to vary this outcome by either:

- reducing Operating Projects; and/or
- increasing or decreasing rate revenue: or
- revisiting recurrent operating expenditure.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

There are no risk management issues arising from this issue. This report has been prepared in accordance with the statutory requirements.

CONSULTATION

- **Elected Members**

Elected Members, have been involved throughout the Budget process.

- **Community**

The community through the process of public consultation on the Annual Business Plan, will have input into the final form of the 2010-2011 Budget.

- **Staff**

The review of the Operating Expenditure and Special Projects and the Draft Annual Business Plan process has been completed with the involvement of the Chief Executive Officer, General Managers and the various responsible officers.

- **Other Agencies**

Nil.

DISCUSSION

BUDGETED RECURRENT OPERATING POSITION

Following the Council meeting which was held on 27 April 2010, at which the Recurrent Operating Budget was considered by the Council, the following adjustments are considered necessary:

- A reduction of \$29,000 in rate rebates as they previously had been accounted for in the deficit of \$497,547.
- Recognising on-going Asset Management Consulting expenditure of \$30,000 previously treated as project expenditure but now to be treated as recurrent.
- Recognising interest of \$140,000 on borrowings of \$4,000,000 commencing 1 January 2011 (see 'Borrowings' section of report).
- Increasing salary related costs of \$17,348 for a position previously treated as project expenditure.

The revised Operating Deficit before the rate revenue increase following these adjustments is \$655,895.

OVERVIEW OF BUDGET POSITION

A combination of the Recurrent Operating Budget and Operating Projects, determine the Council's Operating Surplus/Deficit position before Capital Amounts for the year. Capital Amounts are defined as grants and subsidies received to fund Capital Projects, gains and losses on disposal of assets or direct contributions of physical assets.

Attachment A contains the Financial Statements, with a 5.0% increase in rate revenue (3% proposed in the Long Term Financial Plan), based on the Budgeted Recurrent Operating Result, recommended Budgeted Operating Projects and recommended Budgeted Capital Projects. These Financial Statements will be updated following the Council's decision on the various components of the budget if the proposed outcome is varied.

The Financial Statements include:

- Income Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Uniform Presentation of Finances.

The Financial Statements also provide comparatives with the 2009-2010 Original Adopted Budget, the 2009-2010 Q3 Revised Budget and the 2008-2009 Audited Financial Statements.

Together, these statements provide a complete picture of the Councils budgeted financial position for the 2010-2011 financial year.

Table 1 sets out the current proposed Operating Surplus of \$114,494, based on the Recurrent Operating Surplus of \$513,659, the Operating Deficit related to 2010-2011 projects of \$499,475 and the Operating Deficit comprising the carry forward of projects from the 2009-2010 financial year now estimated to be \$192,593, with an allowance of \$292,903 estimated to be the projected carry forward amounts for the 2010-2011 projects.

TABLE 1 – PROPOSED BUDGETED INCOME STATEMENT for the year ended 30 June 2011

	Recurrent Operating 2010-2011 \$	Carry Forwards 2009-2010 \$	Projected Carry Forwards 2010-2011 \$	Operating Projects 2010-2011 \$	Capital Projects 2010-2011 \$	Proposed Budget 2010-2011 \$
INCOME						
Rates	25,376,645			145,000		25,521,645
Statutory Charges	1,381,550					1,381,550
User Charges	2,669,622			12,300		2,681,922
Grants, Subsidies & Contributions	2,598,521			268,578		2,867,099
Investment Income	176,400					176,400
Reimbursements	246,166					246,166
Other Income	101,050					101,050
TOTAL INCOME	32,549,954	-	-	425,878	-	32,975,832
EXPENSES						
Employee Costs	11,405,748					11,405,748
Materials, contracts & other expenses	12,531,900	192,593	(292,903)	925,353		13,356,943
Finance Costs	1,130,478					1,130,478
Depreciation & Amortisation	6,878,200					6,878,200
Net gain (loss) - joint venture & associates	89,969					89,969
TOTAL EXPENSES	32,036,295	192,593	(292,903)	925,353	-	32,861,338
OPERATING SURPLUS / (DEFICIT)	513,659	(192,593)	292,903	(499,475)	-	114,494
Net gain (loss) on disposal or revaluation of assets	-	-			26,000	26,000
Amounts specifically for new or upgraded assets	-	-			2,523,625	2,523,625
Physical resources received free of charge	-	-				-
NET SURPLUS / (DEFICIT)	513,659	(192,593)	292,903	(499,475)	2,549,625	2,664,119

RECOMMENDED BUDGETED OPERATING PROJECTS

A total of \$925,353 has been recommended for Operating Projects for the 2010-2011 financial year. This is offset through an income of \$425,878, resulting in a net cost of \$ 499,475.

To determine those projects which would be recommended to the Council, the Chief Executive Officer and General Managers have reviewed all requests and prioritised the requests giving consideration to factors likely to effect the Council during the 2010-2011 financial year and the Council's current and future financial position.

It should be noted, that as previously approved by Council (following community consultation) included within the Operating Projects for the 2010-2011 financial year, is the Separate Rate on The Parade. It includes rates income of \$145,000 and \$145,000 in offset expenditure.

RECOMMENDED BUDGETED CAPITAL PROJECTS INCLUDING CAPITAL WORKS

Capital Expenditure has also been reviewed by the Chief Executive Officer and General Managers. An allocation of \$10,083,186 to fund Capital Projects Expenditure has been recommended of which \$3,667,504 is proposed to be allocated to Capital Works and \$6,415,682 to other Capital Projects.

As detailed in Table 2 below, Capital Works Expenditure of \$3,667,504 for 2010-2011 is proposed in accordance with the Council's Whole-of-Life Framework, as approved by the Council on 2 April 2004.

TABLE 2 – CAPITAL WORKS

	Net Cost
▪ Drainage	\$1,389,250
▪ Road Resealing	\$ 919,760
▪ Footpath Reconstruction	\$ 774,785
▪ Kerbing Reconstruction	\$ 583,709
TOTAL Whole-of Life	\$3,667,504

On a full accrual basis, the capital expenditure will not affect the operating result before capital revenues, except through future years' depreciation and interest on any loan borrowings. The grants that will be received are, however, included within the Council's Capital Grants and Subsidies (Capital Revenues) within the Budgeted Income Statement after the Operating Surplus/(Deficit) as required by the Model Financial Statements prescribed by the Local Government Act 1999.

In respect to the other Capital Projects which have been recommended for approval, \$6,415,682 a total of \$2,526,000 will be offset by income, resulting in a net cost to Council of \$3,889,682. On a full accrual basis, the capital expenditure will not affect the Operating result before capital revenues except through future years' depreciation costs.

The incomes that will be received in relation to these other Capital Projects are however, included within the Council's Budgeted Income Statement after the Operating Surplus/Deficit, as Capital Revenues of \$2,523,625 and \$26,000 is recognised as gains on sale of assets.

Attachment B contains a summary of the recommended Projects, under each of the outcomes set out in the *City Plan 2030*.

Attachment C contains a summary of the Projects which have not been recommended for funding together with the Project Definition & Approval Schedules.

Attachment D contains the detailed Project Definition & Approval Schedules for those Projects which have been recommended for inclusion in the 2010-2011 Budget.

BORROWINGS

Proposed net capital expenditure is \$10.1million. The Budgeted Cash Flow Statement (**Attachment A**) projects a cash surplus at the end of the financial year of \$853,638 after borrowings of \$4 million.

Funding for the \$10.1million expenditure will come from:

- Partial use of depreciation recovered through rate revenue \$6.1 million
- Borrowing \$4.0 million

The second payment for the Federal Government funding of \$2.5 million to offset the Revitalising St Peters expenditure of \$6,443,076 has been reflected in the Budget.

Additional interest expense of \$140,000 on the proposed Borrowings of \$4,000,000 has been included in the Budget and staff will seek to defer the borrowing to around 1 January 2011 to minimise interest in 2010-2011.

The Council has previously approved loans of \$9.4 million which have not been drawn down as management has used cash funds made available through the creation of Leave provisions and partially recovering depreciation in 2008-2009 and prior years.

It is proposed to draw down loans approved for capital expenditure of \$4,000,000 from the previously approved loans of \$9,419,508 which are still to be drawn down.

DRAFT 2010-2011 BUDGET COMPARED TO PROJECTION IN LONG TERM FINANCIAL PLAN

TABLE 3 – Proposed Budget Outcome at a Glance (Compared to Long Term Financial Plan)

	Proposed Budget 2010-2011 \$'000	Q3 Revised Budget 2009-2010 \$'000	Long Term Financial Plan (LTFP) 2010-2011 \$'000	Variance - Proposed Budget to LTFP \$'000
Net cost of recurrent operations before rate revenue	24,863	24,512	23,175	1,688
Rate Revenue	(25,377)	(23,422)	(23,908)	(1,469)
RECURRENT OPERATING (SURPLUS) / DEFICIT	(514)	1,090	(733)	219
PROJECTS				
New LTFP items	-	-	-	-
Operating Projects Revenue	(426)	-	-	(426)
Operating Projects carried forward from 2008-2009	-	-	-	-
Operating Projects 2009-2010	-	-	-	-
Operating Projects 2009-2010 carried forward to 2010-2011	194	-	-	194
Operating Projects 2010-2011	925	-	723	202
Projected carried forward Operating Projects 2010-2011	(293)	-	-	(293)
	400	0	723	(325)
OPERATING (SURPLUS)/DEFICIT	(114)	1,090	(10)	(104)

Table 3 above provides a comparison between the proposed 2010-2011 Budget (with a 5.0% rate revenue increase) and the Long Term Financial Plan. The table highlights that compared to the Long Term Financial Plan, recurrent operations are contributing a reduced amount of \$219k. Project related costs have reduced from \$723k to \$398k, resulting in a saving of \$325k, thereby resulting in an increase in the surplus of \$104k.

An extract of the Estimated Income Statement from the Long Term Financial Plan, as adopted by the Council in November 2008, is contained within **Attachment E**.

DRAFT ANNUAL BUSINESS PLAN

To fulfil the requirements of the Act and therefore provide citizens with the opportunity to review the Council's intended activities for the 2010-2011 financial year and the funding of those activities, the Draft Annual Business Plan has been developed. It is contained in **Attachment F**.

The Annual Business Plan incorporates all the assumptions detailed within this report and for illustrative purposes only, has factored in increase in rate revenue of 5.0%. On the finalisation of the Budget through its "endorsement in principle," the Draft Annual Business Plan will be made available for review by citizens from 17 May 2010. Submissions will then be sought and interested citizens can provide their comments prior to and at the meeting of Council to be held on 7 June 2010.

Following a review of those submissions by the Council, a final Annual Business Plan will be put forward for adoption, followed by the Annual Budget at the Council Meeting to be held on 5 July 2010.

OPTIONS

Not applicable.

CONCLUSION

Nil.

COMMENTS

If Elected Members have any questions or require clarification in relation to specific budget items, and/or any issues raised in this report, do not hesitate to contact the General Manager, Corporate Services, Gary Button, prior to the meeting.

RECOMMENDATION

1. That subject to further consideration of the Budget by the Council following the receipt and consideration of any submissions in respect to the Annual Business Plan;
 - 1.1 Borrowings of \$4,000,000 utilising previously approved but un-drawn loans be endorsed "in principle", and that the detailed program of Capital Works be undertaken in line with the Attachments supporting the Project Definition & Approval Schedules;
 - 1.2 a further report in respect to the adoption of the 2010-2011 Budget be prepared for the Council's consideration.
2. That the draft Annual Business Plan as contained within Attachment F be approved for release for public consultation subject to incorporation of any amendments which may be determined by the Council.

- 3. CONFIDENTIAL REPORTS**
Nil
- 4. CLOSURE**