



City of
**Norwood
Payneham
& St Peters**

A G E N D A

FOR THE

SPECIAL MEETING OF COUNCIL

TO BE HELD ON

TUESDAY 27 APRIL 2010

AT

7.00 PM



**City of
Norwood
Payneham
& St Peters**

*175 The Parade, Norwood SA 5067
PO Box 204, Kent Town SA 5071
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23 April 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 Tuesday, 27 April 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 Belinda Tarca on 83664539 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 :

ABSENT :

1. **CONFIRMATION OF THE MINUTES OF THE COUNCIL MEETING HELD ON 12 APRIL 2010**
2. **STAFF REPORTS**

2.1 PROPOSED 2010-2011 RECURRENT OPERATING BUDGET ESTIMATES

REPORT AUTHOR:	Acting Manager, Finance
GENERAL MANAGER:	General Manager, Corporate Services
CONTACT NUMBER:	8366 4585
FILE REFERENCE:	S/01985
ATTACHMENTS:	A - C

PURPOSE OF REPORT

The purpose of this report is to provide to the Council, for its endorsement in principle, the proposed Recurrent Operating Budget for 2010-2011. Explanations for variations which are greater than \$20,000 between the Proposed 2010-2011 Budget and the Revised 2009-2010 Budget (adopted by the Council at its meeting held on 1 February 2010) are provided.

BACKGROUND

The preparation of the draft 2010-2011 Recurrent Operating Budget Estimates, has been completed and is in accordance with an agreed strategy to consider it separately from the Projects and Capital Works and Rates components and is now presented to the Council for consideration.

The Council has been able to receive and analyse its rating information earlier this year and the information is provided in this report to allow an "in principle" discussion to be considered. The next update will be provided by the Valuer General on 14 June 2010 (Week 50) and included in the July 2010 Council Report.

The Projects expenditure components and Loan Strategies will be considered at a Special Meeting of the Council which is scheduled for 13 May 2010. The 2010-2011 Annual Business Plan (which incorporates all components of the 2010-2011 Budget), will also be considered at that meeting. Following that meeting, the 2010-2011 Annual Business Plan will be released for public consultation as previously agreed to by the Council.

Section 123(8) of the Local Government Act 1999, requires the Council to adopt an Annual Business Plan and a budget for the ensuing financial year after 31 May and, except in a case involving extraordinary administrative difficulty, before 31 August.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

Not applicable.

FINANCIAL AND BUDGET IMPLICATIONS

The proposed Recurrent Operating Budget for 2010-2011 (subject to Council endorsement in principle), provides for an Operating Deficit of \$498k (before any rate revenue increase is taken into account), which is a decrease of \$187k on the December 2010 Budget Revision for 2009-2010 of \$685k.

EXTERNAL ECONOMIC IMPLICATIONS

Nil.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

There are no resource issues arising from this issue.

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, through the Council meeting, will have input and may endorse the Proposed Recurrent Operating Budget for 2010-2011.
- **Community**
The community through the process of public consultation on the Annual Business Plan will have input into the Recurrent Operating Budget for 2010-2011.
- **Staff**
The budget review process has been completed with the involvement of the Chief Executive Officer, General Managers and the Council's budget responsible officers.
- **Other Agencies**
Nil.

DISCUSSION

BUDGET PARAMETERS/ASSUMPTIONS

As in previous years, no increase in rate revenue has been accounted for in the analysis of the Recurrent Operating Budget, as this component (i.e. any increase in rate revenue) will be determined once the Council has settled on the expenditure components of the budget.

The adoption of an inflation rate of 2.5%, based on economic data forecast by the State Government for 2010-2011 for non-salaries and wages expenditure and the historical trend of the South Australian Local Government Price Index, together with the Enterprise Bargaining increase of 4% for salaries and 5% for wages, results in a combined increase of 3.2% for all operating expenditure and has been used in preparing the Recurrent Budget. Notwithstanding this, an increase of 3.2% has not been applied automatically across non-salaries and wages expenditure areas and staff have been required to justify all increases.

Consistent with last financial year, the budget is prepared on a full accrual basis. The key items affected by accrual accounting are:

- The purchase or construction of a capital item/asset, will not affect the Operating Surplus/Deficit position in the current financial year. It will however, affect future years' expenditure by increasing depreciation.
- The use of loan funds for infrastructure or major capital purchases, will not affect the Operating Surplus/Deficit position in the current financial year. It will however, affect future years' expenditure by increasing interest payments.

The practice of determining the budget estimates of Recurrent Income and Expenditure prior to consideration of the 'discretionary' budget items, (Operating Projects), enables the amount of funds available for Operating Project items, to be quantified and a 'priority' list of these items to be established for inclusion in the budget, based on available funding, need and priority.

The consideration of new Capital Projects is then a separate process focusing not on the Council's ability to fund in the current year, but future effects on expenditure over the life of any asset which is created.

BUDGET OVERVIEW (COMPARISON TO LONG TERM FINANCIAL PLAN)

The Estimated Income Statement contained in the Long Term Financial Plan is included as **Attachment A**.

The key components of the Long Term Financial Plan (Plan) compared to the Proposed Budget excluding rate revenue are shown in Table 1.

TABLE 1 LONGTERM FINANCIAL PLAN VS PROPOSED BUDGET

	Plan	Proposed Budget	Variance to Plan (Fav)/Unfav
	\$000's	\$000's	\$000's
Non Rate Related Income	\$6,995	\$7,074	(\$79)
Employee costs	\$11,295	\$11,388	\$93
Materials etc	\$12,545	\$12,503	(\$42)
Finance Costs	\$1,550	\$990	(\$560)
Depreciation	\$5,848	\$6,878	\$1,030
Net loss Joint Ventures		\$90	\$90
Project Related Expenses	\$437	TBD	(\$437)
Total Expenditure	\$31,675	\$31,849	\$174

TBD – To be determined at 13 May 2010 Council Meeting

The finance cost (interest expense) is less than the amount shown in the Plan by \$560k, as the Plan included a projected increase in borrowings to fund capital purchases. At the time the Plan was prepared it was not known that a \$5 million grant would be received for the Revitalising St Peter's project. Interest expense will be reviewed following approval of capital projects for 2010-2011.

The depreciation costs are above the amount estimated in the Plan by \$1030k, as a result of an increase in depreciation for Infrastructure assets of \$981k following the revaluation which occurred in 2009. The Plan identified that the impact of the revaluation could not be estimated with any degree of certainty.

Rate revenue for 2010-2011 as set out in the Plan was estimated at \$24690k and is 3.3% higher than 2009-2010 rate revenue of \$23903k, an increase of \$787k. A 3.3% rate revenue increase on actual rate revenue for 2009-2010 of \$23391k will result in an increase of \$772k.

TABLE 2 – PROPOSED BUDGET OUTCOME AT A GLANCE (COMPARED TO LONG TERM FINANCIAL PLAN)

	Original Budget 2009- 21010	Revised Budget 2009-2010	Long Term Financial Plan 2010- 2011	Proposed Budget 2010-2011	Variance b/w LTFP and Proposed Budget
	000's	000's	000's	000's	000's
RATE REVENUE	(23,425)	(23,416)	(23,908)	(23,396)	512
RECURRENT OPERATIONS					
Revenue					
Other Rate Revenue	(729)	(821)	(782)	(782)	-
Other Revenue	(7,032)	(6,892)	(6,995)	(7,173)	(180)
	(31,186)	(31,129)	(31,685)	(31,351)	334
Expenses					
Employee Costs	10,959	10,830	11,295	11,388	93
Materials, contracts & other expenses	12,718	13,446	12,511	12,503	(11)
Finance Costs	1,034	1,034	1,550	990	(560)
Depreciation	6,306	6,472	5,848	6,878	1,030
Net Loss - Joint Ventures & Associates	-	32	-	90	90
Target Expenditure Savings	-	-	(251)	-	251
	31,017	31,814	30,952	31,849	893
RECURRENT OPERATING (SURPLUS) / DEFICIT	(169)	685	(733)	498	1,231
(Excluding new LTFP items)					
NEW LTFP ITEMS -					
Future Existing Project Expenditure	-	-	285	-	(285)
Building Maintenance	-	-	215	-	(215)
Provision for New Projects	-	-	152	-	(152)
Swimming Centre Maintenance	-	-	70	-	(70)
	-	-	723	-	(723)
Operating Projects 2009-2010 carried fwd to 2010-2011	-	-	-	-	-
RECURRENT OPERATING (SURPLUS) / DEFICIT					
BEFORE NEW OPERATING PROJECTS	(169)	685	(10)	498	508
Joint Ventures Disclosures after the Recurrent Surplus in 2009-2010	228				
	59	685	(10)	498	508

The overall Operating Deficit position for the draft 2010-2011 Budget, does not incorporate carry forward operating projects from the 2009-2010 financial year and these will be accounted in a revision of the operating surplus to be presented to the Council on 13 May 2010 following completion of the Third Budget Revision to be presented to Council on 3 May 2010.

As a result of the Council's adoption of Asset Management Plans for capital expenditure and maintenance and the need to demonstrate transparency between the budget and these plans, as was the case last year, planned maintenance expenditure will be recognised through the Project Budget process.

On-going Savings:

2007-2008

The 2007-2008 budget setting process required identification of on-going savings of \$443k. The level of savings maintained in the 2010-2011 Proposed Budget is \$669k.

2008-2009

The 2008-2009 budget setting process required on-going savings of \$55k to be identified. The level of saving maintained in 2010-2011 Proposed Budget is \$49k.

2009-2010

The 2009-2010 budget setting process required on-going saving of \$244k to be identified. The level of saving maintained in the 2010-2011 Proposed Budget is \$80k.

The 2010-2011 Proposed Budget contains further savings of \$84k relating to the previous (3) three years' and new savings identified for 2010-2011 of \$8k.

BUDGET OVERVIEW (COMPARISON TO LONG TERM FINANCIAL PLAN)

Table 3 below details the proposed 2010-2011 Recurrent Operating Budget by revenue and expense type. This format is consistent with the Model Set of Financial Statements prescribed by the Local Government Act 1999 and provides a good overview of the material items affecting the draft 2010-2011 Budget

TABLE 3 - PROPOSED BUDGET OUTCOME AT A GLANCE (COMPARED TO REVISED 2009-2010 BUDGET)

	Original Budget 2009- 2010	Revised Budget 2009- 2010	Proposed Budget 2010- 2011	Variance to Revised Budget (Fav)/Unfav \$'000	Variance to Revised Budget (Fav)/Unfav %
	\$'000	\$'000	\$'000	\$'000	%
REVENUES					
Rates - General	(23,425)	(23,415)	(23,396)	19	0.08
Rates - Other	(729)	(821)	(782)	39	4.75
Statutory Charges	(1,389)	(1,379)	(1,382)	(3)	(0.22)
User Charges	(2,534)	(2,643)	(2,670)	(27)	(1.02)
Grants, Subsidies & Contributions	(2,546)	(2,294)	(2,599)	(206)	(8.94)
Investment Income	(200)	(182)	(176)	6	3.30
Reimbursements	(262)	(294)	(246)	48	16.33
Other Income	(101)	(101)	(101)	-	-
TOTAL REVENUES	(31,186)	(31,128)	(31,351)	(223)	0.72
EXPENSES					
Employee Costs	10,959	10,830	11,388	558	5.15
Contractual Services	7,993	8,371	7,509	(864)	(10.32)
Materials	1,918	1,988	1,681	(307)	(15.44)
Finance Costs	1,034	1,034	990	(44)	(4.26)
Depreciation & Amortisation	6,306	6,472	6,878	406	6.27
Other Expenses	2,807	3,087	3,315	228	7.39
Share Of Joint Ventures		32	90		
TOTAL EXPENSES	31,017	31,814	31,849	35	0.11
RECURRENT OPERATING (SURPLUS)DEFICIT	(169)	685	498	(187)	(27.3)

When compared to the 2009-2010 Revised Budget for Recurrent Operating, which projects a Recurrent Operating Deficit of \$685k, the proposed 2010-2011 Recurrent Operating Budget, shows an Operating Deficit of \$498k, a decrease of \$187k. Table 4 provides some explanations for variances over \$20k which contributes to this.

TABLE 4 - EXPLANATIONS FOR VARIATIONS GREATER THAN \$20 000 IN REVENUE/EXPENSE ITEMS
 (percentage variations based on revised budget of revenue/expense type eg. Statutory charges, User charges)

	Original Budget 2009- 2010	Revised Budget 2009- 2010	Proposed Budget 2010-2011	Variance to Revised Budget (Fav)/ Unfav \$'000	Variance to Revised Budget (Fav)/ Unfav %
	\$'000	\$'000	\$'000		
REVENUE	(31,186)	(31,128)	(31,351)	(223)	(0.72)
Rates - Other (contains rebate amount)	(729)	(821)	(782)	39	5
• Increase in amount of NMR levy revenue Council is required to collect	(600)	(695)	(799)	(104)	(15)
User Charges	(2,534)	(2,643)	(2,670)	(27)	(1)
• Expiry of Parkade lease	(217)	(217)	(128)	89	41
• Increase in Childcare Centre Fees	(1,054)	(1,171)	(1,241)	(70)	(6)
• Commonwealth User Subsidy for Childcare Centre Operations	(318)	(219)	(279)	(60)	(27)
Grants, Subsidies & Contributions	(2,546)	(2,294)	(2,499)	(205)	(9)
• Grants Commission 2009-2010 payment received in 2008-2009 and budget revised to reflect this	(676)	(410)	(670)	(260)	(38)
• Increase of sponsorships for 2010-2011		(43)	(100)	(57)	(132)
Reimbursements	(262)	(294)	(246)	48	16
• Recovery Income generally less across all budgets	(109)	(109)	(86)	23	21
EXPENSES	31,017	31,814	31,849	35	0.1
Employee Costs	10,959	10,830	11,388	558	5
• EB increase				436	
• GM position not filled in 2009-2010 and reinstated in 2010-2011				142	
Contractual Services	7,993	8,371	7,509	(862)	(10)
• Contract & Temp Staff Vacant positions are budgeted under employee costs in Proposed Budget.	103	459	71	(388)	(84.5)
• Relatively small increases across many General Contract budgets	2,950	3,109	3,143	34	1.1
• Increase from East Waste for refuse collection	1,741	1,613	1,700	87	5.4
Materials	1,918	1,988	1,681	(307)	(15)
• Small increases across many General Materials budgets	483	485	419	(66)	(13.6)
• Anticipated costs for Fuel & Oil are expected to decrease	135	135	102	(33)	(24.4)
• Purchased of Library Books will be reflected under Capital purchases	196	196	-	(196)	(100.0)
• Once-off Purchase Order adjustment in 2009-2010		(20)	-	20	(100.0)
Finance Costs	1,034	1,034	990	(44)	(4)
• Interest paid LGFA expected to decrease slightly	1,029	1,029	988	(41)	(4.0)
Depreciation & Amortisation	6,306	6,472	6,878	406	6.3
Depreciation is estimated on current fixed assets, capital projects expected to be completed by year end and attracting depreciation in 2010-2011, new assets and an index estimate of \$278k					
Other Expenses	2,807	3,087	3,315	228	9
• NMR levy Council needs to collect	588	681	782	101	14.83
• No anticipated savings have been reflected in 2010-2011	-150	-150	0	150	(100.00)
• Postage for Look East cost moved from Projects in 2009-2010 to Recurrent	46	45	102	57	126.67
Share of Joint Ventures	227	32	90	58	181.25

Table 5 provides additional information by splitting the Recurrent Operating (Surplus)/Deficit position by division. **Attachment B** contains more detailed information splitting the Recurrent Operating (Surplus)/Deficit position by responsible officer at master account level within the division.

TABLE 5 – PROPOSED BUDGET OUTCOME AT A GLANCE BY DIVISION

	Original Budget 2009-2010 \$'000	Revised Budget 2009-2010 \$'000	Proposed Budget 2010-2011 \$'000	Variance to Revised Budget	
				(Fav)/ Unfav \$'000	(Fav)/ Unfav %
URBAN SERVICES					
Operating Revenue	(1,523)	(1,528)	(1,493)	35	2.3%
Salaries & Wages	3,633	3,615	3,744	129	3.6%
Other Operating Expenses	6,917	6,874	6,692	(182)	(2.6%)
Net Cost of Operations before Rate Revenue	9,026	8,961	8,943	(18)	(0.2%)
URBAN PLANNING & ENVIRONMENT					
Operating Revenue	(363)	(339)	(339)	1	0.1%
Salaries & Wages	1,296	1,300	1,341	41	3.2%
Other Operating Expenses	671	833	697	(136)	(16.3%)
Net Cost of Operations before Rate Revenue	1,604	1,794	1,700	(94)	(5.2%)
COMMUNITY DEVELOPMENT & LIBRARY SERVICES					
Operating Revenue	(1,424)	(1,410)	(1,372)	39	2.7%
Salaries & Wages	2,180	2,175	1,991	(184)	(8.5%)
Other Operating Expenses	1,120	1,178	857	(321)	(27.3%)
Net Cost of Operations before Rate Revenue	1,877	1,943	1,476	(466)	(24.0%)
CORPORATE SERVICES					
Operating Revenue	(4,064)	(3,977)	(4,501)	(524)	(13.2%)
Salaries & Wages	2,434	2,264	2,504	240	10.6%
Other Operating Expenses	9,948	10,254	10,872	618	6.0%
Net Cost of Operations before Rate Revenue	8,318	8,541	8,875	334	3.9%
CEO'S OFFICE					
Operating Revenue	(387)	(460)	(251)	209	45.4%
Salaries & Wages	1,416	1,477	1,809	331	22.4%
Other Operating Expenses	1,401	1,844	1,342	(502)	(27.2%)
Net Cost of Operations before Rate Revenue	2,431	2,862	2,900	38	1.3%
TOTAL					
Operating Revenue	(7,760)	(7,713)	(7,855)	(142)	(1.8%)
Salaries & Wages	10,959	10,830	11,388	558	5.2%
Other Operating Expenses	20,058	20,983	20,461	(525)	(2.5%)
Net Cost of Operations before Rate Revenue	23,256	24,100	23,993	(107)	(0.4%)
Rate Revenue	(23,425)	(23,415)	(23,396)	19	(0.1%)
Recurrent Operating (Surplus)/Deficit	(169)	685	498	(187)	(27.4%)

Table 6 has been prepared to provide additional information regarding material variances by department.

TABLE 6 - EXPLANATION OF MAJOR VARIANCES

	Original Budget 2009-2010	Revised Budget 2009-2010	Proposed Budget 2010-2011	Variance to Revised Budget (Fav)/Unfav \$'000	Variance to Revised Budget (Fav)/Unfav %
	\$'000	\$'000	\$'000		
URBAN SERVICES	9,026	8,961	8,943	(18)	(0.20)
Operating Revenue	(1,523)	(1,528)	(1,493)	35	2.26
• Private works income reduced due to less works planned				35	23.04
Employee Costs - EB increase	3,633	3,615	3,744	129	3.57
Other Operating Expenses	6,917	6,874	6,692	(182)	(0.03)
• Increase from East Waste for refuse collection				160	3.3
• There are savings across a number of expenses such as water, fuel, and general material expenses				(61)	(4.98)
• There was a once-off payment in 2009-2010 that will not occur in 2010-2011				(21)	(5.0)
URBAN PLANNING & ENVIRONMENT	1,604	1,794	1,700	(94)	(5.25)
Employee Costs - EB costs	1,296	1,300	1,341	41	3.2
COMMUNITY DEVELOPMENT & LIBRARY SERVICES	1,877	1,943	1,476	(466)	(24.0)
Employee Costs - vacant GM position now included in CEO's area	2,180	2,175	1,991	(184)	(8.5)
Other Operating Expenses	1,120	1,178	857	(321)	(27.3)
• Library books removed for capitalisation				(141)	(5.6)
CORPORATE SERVICES	8,318	8,541	8,875	334	3.9
Operating Revenue	(4,064)	(3,977)	(4,501)	(524)	(13.2)
• Increase in NMR levy revenue Council is required to collect				(102)	(15.1)
• Increase in Childcare Centre fees and other user charges				(165)	(7.8)
• Variance due to Federal Grant for 2009-2010 being paid in 2008-2009. 2010-2011 reflects income being received as normal				(260)	(30.5)
Employee Costs - 2009-2010 reflects savings due to vacant position. 2010-2011 includes budget for vacant positions.	2,434	2,264	2,504	240	10.6
Other Operating Expenses	9,948	10,254	10,872	618	6.0
• 2009-2010 reflects costs for contractors used to fill vacant positions. These positions have been budgeted for under Employee Costs.				(221)	(23.6)
• Increase in material for Childcare Centre operations.				46	16.8
• 2009-2010 also contains a once-off adjustment from purchase order corrections that reduced the budget.				20	100.0
• Lower interest charges for LGFA anticipated				(43)	(4.2)
• Depreciation is estimated on current fixed assets, capital projects expected to be completed by year end and attracting depreciation in 2010-2011, new assets and an index estimate of \$278k				406	6.3
• Variance due to NMR levy				113	6.4
CEO's OFFICE	2,431	2,862	2,900	38	1.3
Operating Revenue	(387)	(460)	(151)	309	67.2%
• Decrease due to expiry of lease for Parkade Ground in 2010-2011				121	61%
• Grants, Subsidies & Contributions – increase in sponsorship				(57)	(132)
Employee Costs - vacant GM position now in CEO area and budgets for vacant positions	1,416	1,477	1,809	331	22
Other Operating Expenses	1,401	1,844	1,342	(502)	-27.2%
• 2009-2010 reflects costs for contractors used to fill vacant posts. These positions have been budgeted for under Employee Costs.				(195)	(30.0)
• There are decreases across a number of budgets				(29)	(25.2)
• 2009-2010 Budget reflects anticipated savings of \$150k, while 2010-2011 budget has no anticipated savings built in.				240	42.8%

PRELIMINARY RATES CONSIDERATIONS

RATES MODELLING

Attachment C contains a summary of projected rate revenue increases based on 3.0%, 3.3%, 3.5%, 4% and 5% and is based on valuations provided by the Valuer General at Week 39. As in the past, Week 50 information is used to determine the final average rate at the July Council meeting.

PROPOSED RATING STRATEGY

If the Council adopts the rate revenue increase contained within the Council's Long Term Financial Plan an increase in rate revenue of 3.3% (inclusive of 0.63% attributable to real growth through new properties as at Week 39), would be proposed and results in an average residential rate increase of 3.51% (including the impact of growth) or \$38 per annum. It should be noted, that the average rate figure will change once more accurate valuation data becomes available.

The minimum rate is recommended to rise in line with the increase in net rate revenue, thereby increasing the minimum rate from \$694 to \$717, an increase of \$23 per annum.

As set out in Table 7 below, the proposed minimum rate would compare favourably to the level established by other councils in 2009-2010.

TABLE 7 – COMPARISON OF MINIMUM RATE

Council	2009-2010 Minimum Rate	2010-2011 Minimum Rate figures not available at this time
Unley	568	
Burnside	610	
West Torrens	613	
Campbelltown	662	
Norwood Payneham & St Peters	694	
Mitcham	710	
Holdfast Bay	744	
Prospect	745	
Walkerville	832	
Tea Tree Gully	880	

The minimum rate of \$717 would still continue to remain amongst the lowest set by councils in South Australia.

It should be noted that there has been a steady level of property valuation increases across the City of Norwood Payneham & St Peters (overall 7.54% based on valuations at Week 39) as detailed in Table 8 below, by land use for all property classes as advised by the Valuer-General.

TABLE 8 - VALUATION INCREASE FROM 2009-2010 BY LAND USE

Land Use	2009-2010 % age	2010-2011 % age	% change
Residential	7,539,470,843	127,745,270	7.80%
Commercial	1,445,054,689	1,536,258,391	6.31%
Industrial	120,799,793	125,337,489	3.76%
Vacant Land	73,454,000	87,805,000	19.54%
Other	227,866,675	238,511,350	4.67%
Non-Rateable	198,654,800	210,420,020	5.92%
Total Rateable	9,406,646,000	10,115,657,500	7.54%

THE AVERAGE RESIDENTIAL RATE

The average residential rate is calculated by obtaining the average residential property value and multiplying it by the rate in the dollar. For the 2010-2011 financial year based on Week 39 valuations this will be \$1106. This is a 3.51% increase over last year's average rate of \$1103.

The increase in the average residential rate is affected by three (3) items;

- growth being new property development (0.63% at week 39);
- the change in the residential proportion of the overall valuation (1.5% shift to residential); and
- the proposed rate revenue increase (3.3%).

Therefore in any given year the rate revenue can shift between residential and commercial due to these factors.

TABLE 9 – PERCENTAGE CONTRIBUTION TO GENERAL RATE INCOME BY LAND USE

Land Use	2009-2010 %age	2010-2011 %age	% Change
Residential	78.8 %	78.9 %	0.1%
Commercial	17.8 %	17.8%	0.0%
Industrial	1.5 %	1.4%	(0.1) %
Vacant Land	0.95 %	0.98%	0.3%
Other	0.95 %	0.92	(0.3)%
Total	100 %	100 %	

Based on preliminary data from the Valuer-General, these factors have slightly shifted the rate revenue composition to residential for the 2010-2011 financial year, causing the average rate increase to be slightly higher than the actual rate revenue increase. Historically, this occurred in previous years where increases in residential values have been higher than commercial.

Average rates for 2010-2011 are not yet available from other councils, however, Table 10 below sets out the average residential rate for selected metropolitan councils for the 2006-2007, 2007-2008 and 2008-2009 and 2009-2010 financial years.

TABLE 10 – COMPARISON OF AVERAGE RESIDENTIAL RATE

Council Area	Average 2006-07	Average 2007-08	Average 2008-09	Average 2009-2010	Increase
Walkerville	1133	1245	1329	1415	6.4%
Adelaide Hills	1119	1195	1283	1371	6.8%
Unley	1093	1173	1211	1268	4.7%
Burnside	1108	1142	1214	1246	2.6%
Prospect	1061	1117	1175	1245	5.9%
Tea Tree Gully	1013	1064	1114	1173	5.3%
Mitcham	993	1012	1083	1152	6.4%
Campbelltown	952	999	1051	1099	4.5%
NPSP	922	948	1013	1069	5.5%
Holdfast Bay	885	902	962	1043	8.4%

RATE CAPPING

Information is not currently available regarding the financial implications of capping the rate increase at twice the rate of the rate revenue increase, as previously adopted by the Council; however estimates indicate that the total amount of rate capping for budgeting purposes is expected to be around \$10,000.

OPTIONS

The Council has the discretion to vary the Proposed 2010-2011 Budget as it sees fit, taking into account the consequences of any significant change.

CONCLUSION

Nil

COMMENTS

If Elected Members have any questions in relation to specific budget items, please do not hesitate to contact the General Manager, Corporate Services, prior to the meeting as these discussions may assist in resolving your enquiry prior to the meeting.

RECOMMENDATION

1. That the 2010-2011 Recurrent Operating Budget Estimates be endorsed in principle, subject to the presentation and adoption of a consolidated report for the Council's consideration on the 2010-2011 Budget Estimates and Annual Business Plan.
2. That a rate revenue increase of _____ % be endorsed in principle, subject to further consideration of the Budget by the Council following receipt and consideration of any submissions in respect of to the Annual Business Plan.
3. That an average residential rate increase of _____ % (after allowing for the impact of growth) to be endorsed in principle.
4. That an average commercial rate increase of _____ % (after allowing for the impact of growth) to be endorsed in principle.
5. That rate capping on residential properties of _____ % be adopted 'in principle' for the 2010-2011 financial year and be applied to all eligible assessments without the requirement for an application to made and approved by the Council for the rebate as per the Council resolution made at its meeting held on 10 October 2005
6. That a further report in respect to the adoption of the 2010-2011 Budget be prepared for the Council's consideration.

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