



*City of*  
**Norwood  
Payneham  
& St Peters**

# **MINUTES**

OF THE

**SPECIAL MEETING OF COUNCIL**

HELD ON

**TUESDAY 27 APRIL 2010**

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**VENUE** : Council Chambers, Norwood Town Hall

**HOUR** : 7.00pm

**PRESENT**

**Council Members:** Mayor Robert Bria  
Cr Isaac Pasalidis  
Cr John Frogley  
Cr Carlo Dottore  
Cr Kevin Duke  
Cr Lucy Marcuccitti  
Cr Evonne Moore  
Cr Connie Granozio  
Cr Lance Manser  
Cr Sue Whittington  
Cr Paul Wormald (entered the meeting at 7.12pm)  
Cr John Minney  
Cr Scott Sims  
Cr Garry Knoblauch  
Cr Mike Stock  
Cr Barbara Erichsdotter

**Staff:** Mario Barone (Chief Executive Officer)  
Peter Perilli (General Manager, Urban Services)  
Mark Thomson (Acting General Manager, Urban Planning & Environment)  
Gary Button (General Manager, Corporate Services)  
Lisa Mara (Manager, Governance & Civic Affairs)

**APOLOGIES** : Nil

**ABSENT** : Nil

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

*Cr Erichsdotter moved that the minutes of the Council meeting held on 12 April 2010 be taken as read and confirmed. Seconded by Cr Minney and carried.*

**2. STAFF REPORTS**

## **2.1 PROPOSED 2010-2011 RECURRENT OPERATING BUDGET ESTIMATES**

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

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### **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)
<b>Total Expenditure</b>	<b>\$31,675</b>	<b>\$31,849</b>	<b>\$174</b>

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
<b>RATE REVENUE</b>	(23,425)	(23,416)	(23,908)	(23,396)	512
<b>RECURRENT OPERATIONS</b>					
<b>Revenue</b>					
Other Rate Revenue	(729)	(821)	(782)	(782)	-
Other Revenue	(7,032)	(6,892)	(6,995)	(7,173)	(180)
	<b>(31,186)</b>	<b>(31,129)</b>	<b>(31,685)</b>	<b>(31,351)</b>	<b>334</b>
<b>Expenses</b>					
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
	<b>31,017</b>	<b>31,814</b>	<b>30,952</b>	<b>31,849</b>	<b>893</b>
<b>RECURRENT OPERATING (SURPLUS) / DEFICIT</b>	<b>(169)</b>	<b>685</b>	<b>(733)</b>	<b>498</b>	<b>1,231</b>
(Excluding new LTFP items)					
<b>NEW LTFP ITEMS -</b>					
Future Existing Project Expenditure	-	-	285	-	(285)
Building Maintenance	-	-	215	-	(215)
Provision for New Projects	-	-	152	-	(152)
Swimming Centre Maintenance	-	-	70	-	(70)
	-	-	<b>723</b>	-	<b>(723)</b>
Operating Projects 2009-2010 carried fwd to 2010-2011	-	-	-	-	-
<b>RECURRENT OPERATING (SURPLUS) / DEFICIT</b>					
<b>BEFORE NEW OPERATING PROJECTS</b>	<b>(169)</b>	<b>685</b>	<b>(10)</b>	<b>498</b>	<b>508</b>
Joint Ventures Disclosures after the Recurrent Surplus in 2009-2010	<b>228</b>				
	<b>59</b>	<b>685</b>	<b>(10)</b>	<b>498</b>	<b>508</b>

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	%
<b>REVENUES</b>					
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)	-	-
<b>TOTAL REVENUES</b>	<b>(31,186)</b>	<b>(31,128)</b>	<b>(31,351)</b>	<b>(223)</b>	<b>0.72</b>
<b>EXPENSES</b>					
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		
<b>TOTAL EXPENSES</b>	<b>31,017</b>	<b>31,814</b>	<b>31,849</b>	<b>35</b>	<b>0.11</b>
<b>RECURRENT OPERATING (SURPLUS)DEFICIT</b>	<b>(169)</b>	<b>685</b>	<b>498</b>	<b>(187)</b>	<b>(27.3)</b>

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		
<b>REVENUE</b>	<b>(31,186)</b>	<b>(31,128)</b>	<b>(31,351)</b>	<b>(223)</b>	<b>(0.72)</b>
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
<b>EXPENSES</b>	<b>31,017</b>	<b>31,814</b>	<b>31,849</b>	<b>35</b>	<b>0.1</b>
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 %
<b>URBAN SERVICES</b>					
Operating Revenue	(1,523)	(1,528)	<b>(1,493)</b>	35	2.3%
Salaries & Wages	3,633	3,615	<b>3,744</b>	129	3.6%
Other Operating Expenses	6,917	6,874	<b>6,692</b>	(182)	(2.6%)
Net Cost of Operations before Rate Revenue	9,026	8,961	<b>8,943</b>	(18)	(0.2%)
<b>URBAN PLANNING &amp; ENVIRONMENT</b>					
Operating Revenue	(363)	(339)	<b>(339)</b>	1	0.1%
Salaries & Wages	1,296	1,300	<b>1,341</b>	41	3.2%
Other Operating Expenses	671	833	<b>697</b>	(136)	(16.3%)
Net Cost of Operations before Rate Revenue	1,604	1,794	<b>1,700</b>	(94)	(5.2%)
<b>COMMUNITY DEVELOPMENT &amp; LIBRARY SERVICES</b>					
Operating Revenue	(1,424)	(1,410)	<b>(1,372)</b>	39	2.7%
Salaries & Wages	2,180	2,175	<b>1,991</b>	(184)	(8.5%)
Other Operating Expenses	1,120	1,178	<b>857</b>	(321)	(27.3%)
Net Cost of Operations before Rate Revenue	1,877	1,943	<b>1,476</b>	(466)	(24.0%)
<b>CORPORATE SERVICES</b>					
Operating Revenue	(4,064)	(3,977)	<b>(4,501)</b>	(524)	(13.2%)
Salaries & Wages	2,434	2,264	<b>2,504</b>	240	10.6%
Other Operating Expenses	9,948	10,254	<b>10,872</b>	618	6.0%
Net Cost of Operations before Rate Revenue	8,318	8,541	<b>8,875</b>	334	3.9%
<b>CEO'S OFFICE</b>					
Operating Revenue	(387)	(460)	<b>(251)</b>	209	45.4%
Salaries & Wages	1,416	1,477	<b>1,809</b>	331	22.4%
Other Operating Expenses	1,401	1,844	<b>1,342</b>	(502)	(27.2%)
Net Cost of Operations before Rate Revenue	2,431	2,862	<b>2,900</b>	38	1.3%
<b>TOTAL</b>					
Operating Revenue	(7,760)	(7,713)	<b>(7,855)</b>	(142)	(1.8%)
Salaries & Wages	10,959	10,830	<b>11,388</b>	558	5.2%
Other Operating Expenses	20,058	20,983	<b>20,461</b>	(525)	(2.5%)
Net Cost of Operations before Rate Revenue	23,256	24,100	<b>23,993</b>	(107)	(0.4%)
Rate Revenue	(23,425)	(23,415)	(23,396)	19	(0.1%)
<b>Recurrent Operating (Surplus)/Deficit</b>	<b>(169)</b>	<b>685</b>	<b>498</b>	<b>(187)</b>	<b>(27.4%)</b>

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		
<b>URBAN SERVICES</b>	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)
<b>URBAN PLANNING &amp; ENVIRONMENT</b>	1,604	1,794	1,700	(94)	(5.25)
Employee Costs - EB costs	1,296	1,300	1,341	41	3.2
<b>COMMUNITY DEVELOPMENT &amp; LIBRARY SERVICES</b>	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)
<b>CORPORATE SERVICES</b>	<b>8,318</b>	<b>8,541</b>	<b>8,875</b>	<b>334</b>	<b>3.9</b>
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
<b>CEO's OFFICE</b>	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 \$	2010-2011 \$	% change
Residential	7,539,470,843	8,127,745,270	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%
<b>Total Rateable</b>	<b>9,406,646,000</b>	<b>10,115,657,500</b>	<b>7.54%</b>

**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 \$1069.

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)%
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	

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%
<b>NPSP</b>	<b>922</b>	<b>948</b>	<b>1013</b>	<b>1069</b>	<b>5.5%</b>
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.

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Cr Wormald entered the meeting at 7.12pm.

*Cr Frogley moved:*

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 5.0% 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 4.84% (after allowing for the impact of growth) to be endorsed in principle.*
4. *That an average commercial rate increase of 3.26% (after allowing for the impact of growth) to be endorsed in principle.*
5. *That rate capping on residential properties of 10.0% 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.*

*Seconded by Cr Minney and carried.*

**3. CONFIDENTIAL REPORTS**

Nil

**4. CLOSURE**

There being no further business, the Mayor declared the meeting closed at 7.17pm.

\_\_\_\_\_  
**Mayor Robert Bria**

Minutes Confirmed on \_\_\_\_\_  
(date)