

Special Council Meeting Minutes

23 April 2018

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

Page No.

1.	CONFIRMATION OF THE MINUTES OF THE SPECIAL COUNCIL MEETING HELD ON 17 APRIL 2018	1
2.	STAFF REPORTS	1
2.1	2018-2019 DRAFT ANNUAL BUSINESS PLAN AND BUDGET	2
3.	CLOSURE	15

VENUE Council Chambers, Norwood Town Hall

HOUR 7.00pm

PRESENT

Council Members Mayor Robert Bria
Cr Lucy Marcuccitti
Cr Christel Mex
Cr Connie Granozio
Cr Kevin Shepherdson
Cr Carlo Dottore
Cr Kevin Duke
Cr Evonne Moore
Cr John Frogley
Cr Garry Knoblauch
Cr John Minney
Cr Sue Whittington
Cr Paul Wormald

Staff Mario Barone (Chief Executive Officer)
Peter Perilli (General Manager, Urban Services)
Carlos Buzzetti (General Manager, Urban Planning & Environment)
Lisa Mara (General Manager, Governance & Community Affairs)
Sharon Perkins (General Manager, Corporate Services)
Andrew Alderson (Financial Services Manager)
Marina Fischetti (Executive Assistant, Urban Services)

APOLOGIES Cr Mike Stock

ABSENT Nil

**1. CONFIRMATION OF THE MINUTES OF THE SPECIAL COUNCIL MEETING HELD ON
17 APRIL 2018**

Cr Minney moved that the minutes of the Special Council meeting held on 17 April 2018 be taken as read and confirmed. Seconded by Cr Shepherdson and carried.

2. STAFF REPORTS

2.1 2018-2019 DRAFT ANNUAL BUSINESS PLAN AND BUDGET

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 83664585
FILE REFERENCE: S05042
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to provide for the Council's consideration and "in principle" endorsement, the Draft 2018-2019 Annual Business Plan, the Draft 2018-2019 Budget and the Draft Rating 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.

Part 2 of the Act, "Annual Business Plans and Budgets" requires the Council to consider its budget in conjunction with the Council's Annual Business Plan and adopt it following adoption of the Annual Business Plan.

Pursuant to Section 123 (3) of the Act, before the Council adopts an Annual Business Plan, the Council must prepare a Draft ABP and make it available for public consultation.

At the Special Council meeting held on 17 April 2018, the Council considered the Draft 2018-2019 Recurrent & Operating Projects Budget (Draft Budget), which projected an Operating Surplus of \$0.938 million on a full accrual basis, prior to factoring into account any increase in Rate Revenue.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

The Council's Long Term Strategic directions are outlined in *City Plan 2030 – Shaping our Future*. The Draft 2018-2019 Annual Business Plan and supporting Draft Budget, sets out the proposed services and programs and initiatives for the 2018-2019 Financial Year and explains how the Council intends to finance its continuing services, programs and initiatives which are to be undertaken during the financial year.

The Council's Long Term Financial Plan (LTFP), is a key document in the Councils Planning Framework. It is the primary financial management tool which links the Councils Strategic Plan, *City Plan 2030 – Shaping our Future*, Whole-of-Life Assets Management Plans, the Annual Business Plan and Budget.

The 'in-principle' adoption of the Draft 2018-2019 Annual Business Plan and Budget will, contribute to the Council achieving its goals and objectives as set out in the suite of Strategic Planning documents set out above.

FINANCIAL AND BUDGET IMPLICATIONS

The 'in-principle' adoption of the Draft 2018-2019 Budget, as presented (based on a Rate Revenue increase of 2.5%, being the target increase as set in the LTFFP), will deliver an Operating Surplus of \$1.514 million (2017-2018: \$3.081 million) and a Net Surplus (after capital income) of \$10.266 million (2017-2018: \$9.785 million). It should be noted that the Council has made grant funding applications to the value of \$3.265 million to assist in funding a number of the proposed Capital Projects. The Net Surplus as presented in the Draft Budget, is based on the assumption that the Council will be successful in securing the total value of the grant funding in which it has applied for.

As advised at the Special Council Meeting held on 17 April 2018, the Draft Operating Surplus incorporates \$0.260 million from the Roads-to-Recovery Program. While the funding will be utilised to fund a Capital Project, this funding is required to be included when determining the Council's Operating Surplus. Excluding the Roads-to-Recovery funding, the underlying Operating Result for the provision of the Council's continuing services and programs and new initiatives, would be an Operating Surplus of \$1.254 million (2017-2018: \$1.958 million).

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

There are a number of risk management issues arising from this issue and as such, it is important, that the budget is prepared and adopted in accordance with the relevant statutory requirements. To this end, the Draft budget has been prepared in accordance with the relevant statutory requirements.

CONSULTATION

- **Elected Members**
Elected Members have been involved throughout the Budget preparation process and have considered the various components of the Draft Budget and made decisions as appropriate.
- **Community**
The community through community consultation process on the Annual Business Plan will have input into the final form of the Draft Budget. The community consultation period will commence on 9 May 2018.
- **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

The Draft 2018-2019 Annual Business Plan and Budget, is strategically focused, financially responsible and targeted at ensuring that the Council's priorities and operations are appropriately resourced. The focus in developing the Draft 2018-2019 Annual Business Plan and Budget, has been on ensuring that the Council can maintain the service standards for its existing range of services which are aimed at supporting the delivery of the Strategic Objectives outlined in the Councils' Strategic Management Plan *CityPlan 2030* and that those services receive appropriate funding, balanced with ensuring that the community does not face significant increases in their annual rates contribution.

The key driver for this year's budget is to develop a Draft Annual Business Plan and Budget which not only contributes to the Council's broader strategic objectives, but also ensures that the Council's long term financial objective of managing its financial resources in a sustainable and equitable manner is achieved.

The Draft Budget is based on the principle of Financial Sustainability which is demonstrated by the adhering to the overarching principles which requires the Council to:

- achieve long term income and expenditure neutrality while keeping rates growth within the average for the sector;
- achieve long term cash flow neutrality while keeping rates growth within the average for the sector; and
- ensure Council's long term capital program fully funds asset renewal requirements.

Budget Overview

Table 1 below sets out the proposed Operating Surplus of \$1.514 million, based on a Recurrent Operating Surplus of \$2.127 million, an Operating Deficit related to Operating Projects of \$0.463 million and an additional \$0.150 million for additional finance costs associated with borrowings which are required to deliver the strategic projects included within the Capital Projects Budget.

As previously advised, due to the ban on recyclables, there will be an increase in disposal costs due to the Council no longer receiving the rebate of \$30.50 per tonne and the re-introduction of a gate fee on disposal. While the actual impact is not yet known, an expenditure allowance of \$300,000 has been included within the Draft Budget.

It should be noted that the Operating Surplus related to 2018-2019 Projects, incorporates \$0.260 million from the Roads-to-Recovery Program. While this funding will be utilised to fund a Capital Projects, this funding is required to be included when determining the Council's Operating Surplus.

TABLE 1: 2018-2019 PROPOSED BUDGETED STATEMENT OF COMPREHENSIVE INCOME

	Recurrent Operating	Carry Forwards	Operating Projects	Projected Operating Projects Carry Forwards	Capital Projects	Proposed
	2018-2019	2017-2018	2018-2019	2019-2020	2018-2019	2018-2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME						
Rates	34,733	-	-	-	-	34,733
Statutory charges	1,730	-	-	-	-	1,730
User charges	3,610	-	-	-	-	3,610
Grants, subsidies and contributions	2,430	-	261	-	-	2,691
Investment income	119	-	-	-	-	119
Other income	744	-	-	-	-	744
Total Income	43,365	0	261	0	0	43,626
EXPENSES						
Employee costs	15,338	-	-	-	-	15,338
Materials, contracts & other expenses	16,320	204	619	(100)	-	17,043
Finance costs	881	-	-	-	150	1,031
Depreciation, amortisation & impairment	8,699	-	-	-	-	8,699
Net loss Joint Ventures & Associates	-	-	-	-	-	0
Total Expenses	41,238	204	619	(100)	150	42,112
OPERATING SURPLUS / (DEFICIT)	2,127	(204)	(358)	100	(150)	1,514
Net gain (loss) on disposal or revaluation of assets	-	-	-	-	20	20
Amounts specifically for new or upgraded assets	-	496	-	-	2,769	3,265
Physical resources received free of charge	-	3,320	-	-	2,147	5,467
NET SURPLUS (DEFICIT)	2,127	3,611	(358)	(100)	4,786	10,266

Since considering the Draft Budget, at the Special Council Meeting held on 17 April 2018, the following adjustments have been made to the Draft Budget:

1. Inclusion of additional disposal costs of \$300,000 in response to the collapse in the recyclable market caused by the ban on recyclables which has been set by the Chinese Government.
2. A transfer of Carried Forward budget (\$24,000) associated with the purchase of Christmas decorations on the Parade to the Draft Capital Budget.
3. A reduction in the funding (\$20,000) required to be carried forward to finalise the deliverables from the Bicycle Strategy project.

As previously outlined, while an increase in Rate Revenue of 2.5% will deliver an Operating Surplus of \$1.514 million (2017-2018: \$3.081 million), the underlying Operating Result (excluding Roads-to-Recovery funding) for the provision of the Council's continuing services and programs and new initiatives, is an Operating Surplus of \$1.254 million (2017-2018: \$1.954 million). The Operating Surplus as presented in this report, is slightly below (\$72,000) the target Operating Surplus set out in the Council's LTFF.

Financial sustainability underpins the Council's Financial Goals and Outcomes which are set out in the Council's LTFF. In general terms, financial sustainability is ensuring that the Council has the financial resources to meet the long term service and infrastructure needs of the community, without any large rate revenue increases or cuts in service provision and/or standards.

From an operational perspective, financial sustainability is being able to manage the balance between keeping rate revenues increases to a minimum, maintaining existing service standards and expenditure on appropriate new services and necessary major capital investments and initiatives. The Draft Budget as presented in this report achieves this objective.

To be truly financially sustainable, the Council needs to generate sufficient cash flow from recurrent operations to meet existing principal loan repayments, spending on renewal works, while having the future financial capacity (i.e. cash reserves to meet future loan servicing) to undertake new investments in the Council's Infrastructure, services and activities. The Draft Budget provides for sufficient cash flow to ensure that the Council can meet existing and new loan repayments from recurrent operations.

Pursuant to Section 123 (10) (b) of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011, Part 2 Financial Accountability, the budget is required to contain:

- a) a budgeted income statement, balance sheet, statement of changes in equity and statement of cash flows, presented in a manner consistent with the Model Financial Statements; and
- b) a statement as to whether projected operating income is sufficient to meet projected operating expenses for the relevant financial year; and
- c) a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and
- d) estimates with regard to the Council's Operating Surplus ratio, Asset Sustainability ratio and Net Financial Liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

The Financial Statements contained in **Attachment A**, are presented as prescribed in the Model Financial Statements and are based on a 2.5% increase in rate revenue. The Financial Statements also provide comparisons with the 2017-2018 Forecast and the Audited Financial Statements for the past three (3) years. Together, these Statements provide a complete picture of the Council's budgeted financial position for the 2018-2019 Financial year.

The Financial Statements will be updated following the Council's decision on the various components of the budget, if the proposed outcome is varied.

Budgeted Capital Projects

At the Special Council Meeting held on 17 April 2018, the Council considered the Draft 2018-2019 Capital Budget ("Draft Capital Budget"). At that meeting, the Council endorsed "in-principle", a Draft Capital Budget, which incorporates Capital Projects to the value of \$29.492 million inclusive of 2017-2018 Carry Forwards. The Draft Capital Budget expenditure is offset by Capital Funding which incorporates Grant and Other Revenues to the value of \$8.752m million, which will result in a net cost to Council of \$20.740 million (exclusive of capitalised salaries). It should be noted that the Capital Funding includes the contribution from the Norwood Football Club to the development of the proposed Norwood Oval Clubrooms & Members Facilities, women's and umpires facilities and away team change rooms (\$5.467 million).

The endorsed Capital Projects for 2018-2019 have been broken down into a number of categories as detailed in Table 2 below:

TABLE 2: CAPITAL PROJECT CATEGORIES

Capital Project Category	2018-2019 Endorsed Capital Projects	2018-2019 Grant Funding and Other Revenues	2018-2019 Net Cost
Whole-of-Life Capital Works Program (Infrastructure Renewal)			
• Road Resealing	\$1.267m	\$ nil	\$1.267m
• Footpath Reconstruction	\$0.811m	\$ nil	\$0.811m
• Kerbing Reconstruction	\$0.765m	\$ nil	\$0.765m
• Stormwater Drainage Program	\$4.100m	\$1.750m	\$2.350m
• Recreation and Open Space Program	\$0.632m	\$ nil	\$0.632m
• Building Works Program	\$0.951m	\$ nil	\$0.951m
<i>Sub-total</i>	<i>\$8.787m</i>	<i>\$1.750m</i>	<i>\$7.037m</i>
Recurring Capital Projects			
Annual Acquisition of Library Books	\$0.198m	\$0.125m	\$0.073m
Annual Website Upgrades and Improvements	\$0.010m	\$ nil	\$0.010m
Depot Plant Replacement	\$0.204m	0.020m	\$0.184m
Quadrennial Art Project (includes carry forward funding)	\$0.150m	\$ nil	\$0.150m
<i>Sub-total</i>	<i>\$0.562m</i>	<i>\$0.145m</i>	<i>\$0.417m</i>
New Capital Projects			
Parade Median Streetscape Upgrade	\$0.300m	\$ nil	\$0.300m
Burchell Reserve Upgrade	\$0.900m	\$ nil	\$0.900m
Syd Jones Reserve Upgrade	\$0.482m	\$0.212	\$0.270m
Master Plan Concept Design for the Payneham Memorial and Norwood Swimming Centres	\$0.100m	\$ nil	\$0.100m
Payneham Memorial Swimming Centre Main Pool Refurbishment	\$1.500m	\$ nil	\$1.500m
Payneham Oval Tennis Courts Reconstruction	\$0.835m	\$0.200m	\$0.635m
Norwood Oval Members Clubrooms - Additional Budget Funding	\$2.823m	\$1.411m	\$1.412m
Norwood Oval - Women's Facilities	\$1.903m	\$1.218m	\$0.685m
Electronic Document Management System	\$0.486m	\$ nil	\$0.486m
Various Projects less than \$100,000	\$0.426m	\$ nil	\$0.325m
<i>Sub-total</i>	<i>\$9.755m</i>	<i>\$3.041m</i>	<i>\$6.715m</i>
Total New Capital Projects	\$19.103m	\$4.936m	\$14.167m
Carry Forward Projects			
Whole-of-Life Capital Works Program (Infrastructure Renewal)			
Completion of 2017-2018 Civil Works Program	\$0.290m	\$nil	\$0.290m
Completion of 2017-2018 Stormwater Drainage Program	\$0.898m	\$nil	\$0.898m
Hackney Road Stormwater Drainage	\$0.338m	\$nil	\$0.338m
<i>Sub-total</i>	<i>\$1.526m</i>	<i>\$nil</i>	<i>\$1.526m</i>
Felixstow Reserve	\$0.600m	\$nil	\$0.600m
Adey Reserve Master Plan	\$0.080m	\$nil	\$0.080m

Capital Project Category	2018-2019 Endorsed Capital Projects	2018-2019 Grant Funding and Other Revenues	2018-2019 Net Cost
Buttery Reserve Concept Plan	\$0.070m	\$nil	\$0.070m
River Torrens Linear Park Upgrade	\$0.700m	\$nil	\$0.700m
Beulah Road Bicycle Boulevard	\$0.850m	\$nil	\$0.850m
Norwood Oval Clubrooms	\$5.300m	\$3.320m	\$1.980m
Payneham Oval Clubrooms	\$0.800m	\$0.496m	\$0.304m
Payneham Memorial Swimming Centre – Pipework replacement	\$0.280m	\$nil	\$0.280m
Various Projects less than \$100,000	\$0.181m	\$nil	\$0.181m
<i>Sub-total</i>	<i>\$8.861m</i>	<i>\$3.816m</i>	<i>\$5.405m</i>
Total Carry Forward	\$10.388m	\$3.816m	\$6.572m
Total Capital Projects Expenditure	\$29.492m	\$8.752m	\$20.740m

Since considering the Capital Projects, at the Special Council Meeting held on 17 April 2018, the following adjustments as detailed in Table 3 below are recommended for the inclusion in to the Draft Capital Budget.

TABLE 3: RECOMMENDED ADJUSTMENTS TO THE DRAFT CAPITAL PROJECTS BUDGET

	Recommended Adjustment
Removal of carried forward funding for Stormwater Drainage works on Hackney Road, which has been carried forward from the 2015-2016 Stormwater Drainage Whole-of-Life Program.	\$0.338 million
<p>The 2018-2019 Stormwater Drainage Whole-of-Life program which has been endorsed for inclusion in the Draft Capital Projects Budget includes a funding allocation of \$1 million for the drainage works along Hackney Road, between Botanic Street and the First creek culvert. The scope of this program encompasses the works deferred as part of the 2015-2016 Drainage Program, as such the carry forward is not required.</p>	
Reduction in the funding allocation for Burchell Reserve Upgrade Project.	\$0.800 million
<p>While community consultation has been undertaken, the final concept for the Burchell Reserve has yet to be adopted by the Council. Given the nature and timing of the completion of projects which are to be carried forward from the 2017-2018, it is unlikely that staff will be in a position to finalise the Concept Plan, undertake detailed Design and complete construction within a twelve (12) month timeframe, as such it is recommended that the funding allocation be reduced to \$0.100m, with the scope of works for 2018-2019 being limited to the finalisation of the Concept and Detail design documentation. Funding for the construction will be allocated in future years, upon finalisation of the pre-requisite documentation.</p>	
Transfer of funding for Christmas Decorations along the Parade to be transferred from the Operating Projects Budget to the Capital Budget	\$0.024 million
<p>Scope of work will involve the purchase of decorations which can be capitalised.</p>	

The net effect of the recommended adjustments as detailed above is a reduction in the Draft 2018-2019 Capital Budget by \$1.114m, to \$28.378m. The breakdown of the Draft Capital Budget as recommended is detailed in Table 4 below:

TABLE 4: DRAFT CAPITAL PROJECT BUDGET

Capital Project Category	2018-2019 Proposed Capital Projects	2018-2019 Grant Funding and Other Revenues	2018-2019 Net Cost
Whole-of-Life Capital Works Program			
• Road Resealing	\$1.527m	\$ nil	\$1.267m
• Footpath Reconstruction	\$0.811m	\$ nil	\$0.811m
• Kerbing Reconstruction	\$0.765m	\$ nil	\$0.765m
• Stormwater Drainage Program	\$4.100m	\$1.750m	\$2.350m
• Recreation and Open Space Program	\$0.632m	\$ nil	\$0.632m
• Building Works Program	\$0.951m	\$ nil	\$0.951m
Recurring Capital Projects	\$0.562m	\$0.145m	\$0.417m
New Capital Projects	\$8.955m	\$3.040m	\$5.915m
Carry Forward Projects	\$10.073m	\$3.816m	\$6.257m
Total Capital Projects Expenditure	\$28.378m	\$8.752m	\$19.624m

As previously advised, the Council has made grant funding applications to the value of \$3.265 million to assist in the funding a number of proposed Capital Projects. The Draft Budget is based on the assumption that the Council is successful in securing the total value of the grant funding in which it has applied for.

On a full accrual basis, the capital expenditure will not affect the operating result before capital revenues, except through future years' depreciation and financing costs on any associated loan borrowings. Grant income which has been received and which relates to Capital Projects, will however, be included as Capital Income within the Budgeted Income Statement, after the Operating Surplus/ (Deficit) as required by the Model Financial Statements prescribed by the Local Government Act 1999.

Details of the endorsed Capital and Operating Projects is contained in **Attachment B**.

Borrowings

Proposed Net Capital Expenditure is \$19.624 million and is proposed to be funded as follows:

- Use of depreciation recovered through rate revenue \$8.699 million
- Roads-to-Recovery Funding \$0.260 million
- Long Term Borrowings \$6.500 million
- Existing cash reserves \$4.165 million

Of the total borrowings of \$6.5 million, \$4.0 million relates to the Norwood Oval Clubroom & Members Facilities and Women's Facilities. Due to the timing of the Norwood Oval Project, the borrowing will be required to be taken out in the first half of the 2018-2019 Financial year. To minimise the impact on the annual interest expense, the balance of the borrowings (\$2.5 million) will be taken out in the latter half of the 2018-2019 Financial Year. In determining the level of borrowings required to fund the capital program, consideration has been given to the cashflow requirements and to intergenerational equity between current and future users. Whilst these considerations have formed part of the budget model they will be reviewed and reconsidered before the decision to commit to any borrowings.

In addition, given the anticipated cash reserves, there is no expectation that the Council will be required to take out short term borrowings to cover periods of negative cash flow.

Rates Modelling

The Council's LTFP is based on a series of financial outcomes, with one being Rate Stability, with the overall objective being that "annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term". The LTFP has set the target of Rate Revenue increases to be between 2% and 4% each year. It is recognised that the Council seeks Rate Revenue increases to be kept to a minimum however, in making a decision regarding increases in Rate Revenue, the Council must keep in mind the long term financial goal of delivering the Council's Strategic Outcomes by managing the financial resources in a sustainable and equitable manner. To this end, the Council has recently endorsed its LTFP which is based on an average Rate Revenue increase of 2.55%.

While Rate Stability is a key objective which requires annual rate collections to be fair and equitable, it also requires that Rate Revenue increases be stable over the medium term. To ensure this objective is met, the Council must make decisions in respect to rate revenue (or decreases in expenditure) with the future in mind, as any significant decrease in rate revenue today may result in sharp rate revenue increases in the future.

As advised as the Special Council Meeting held on 17 April 2018, there has been strong growth in capital values across the all land uses across the City. The Residential sector, has again recorded strong growth, with a Capital Value increase of 9.3% on the 2017-2018 Capital Values. New residential development accounts for 1.2% of this growth. For the Commercial Sector, the Capital Value increase is 7.4%, with new Commercial development accounting for 1.39% of this growth.

Following the discussion at the Special Council Meeting held on 17 April 2018, the Draft Budget presented in this report, is based on a Rate Revenue increase of 2.5%. Preliminary rates modelling, based on valuations provided by the Valuer-General for the week ended 13 April 2018, have been undertaken based on rate revenue increases of 1.1%, 1.75%, 2.0%, 2.25%, and 2.5%. It should be noted that the valuation information for the week ended 15 June 2018, will be used to determine the final average rate at the 2 July 2018 Council meeting.

Proposed Rating Strategy

The Council's LTFP sets out an Operating Surplus for the 2018-2019 Financial year of \$1.586 million. Based on the Draft Budget (which incorporates a Rate Revenue increase of 2.5%), the Draft 2018-2019 Budget will deliver an Operating Surplus of \$1.514 million (inclusive of Roads-to-Recovery Grant Income of \$0.260 million). The underlying Operating Surplus (adjusted for Roads-to Recovery Grant Income and Carried forward expenditure) for the 2018-2019 Financial year is \$1.254 million.

Table 5 provides a summary of the Rating Strategy, compared to the Long Term Financial Plan.

TABLE 5: RATING STRATEGY

<i>Proposed Rate Revenue Increases (inclusive of new development growth of 1.13%)</i>	<i>LTFP</i>	2018-2019					2.5%
		1.1%	1.75%	2.0%	2.25%	2.5%	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Rate Revenue (Gross)	34,149	33,664	33,880	33,963	34,046	34,130	34,130
Increase on 2017-2018	852	362	582	666	749	832	832
Operating Surplus/(Deficit) after rate revenue increases *	1,568	1,044	1,248	1,329	1,410	1,514	1,514

The increase in rate revenue is made up of new development and a rate revenue indexation. The breakdown of the increase in General Rate Revenue, for the rating strategy detailed in Table 5 is outlined below in Table 6.

TABLE 6: BREAKDOWN OF RATE REVENUE INCREASE

	2018-2019 Rating Strategy				
<i>Proposed Rate Revenue Increases (inclusive of new development growth of 1.13%)</i>	1.1%	1.75%	2.0%	2.25%	2.5%
New Development Growth	1.1%	1.1%	1.1%	1.1%	1.1%
Revenue due to New Development (\$'000)	362	362	362	362	362
Rate Revenue Indexation	0%	0.65%	0.9%	1.15%	1.4%
Revenue due to rate revenue indexation (\$'000)	0	220	304	387	470
Increase in Rate Revenue (\$'000)	362	582	666	749	832

The Council's Long Term Financial Plan, sets out the Councils Financial Goal, which is to be a *City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner*. To achieve this, a number of Financial Outcomes and financial targets have been established, one being Rate Stability. The Council has defined Rate Stability to mean *Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term*.

Assuming a Rate Revenue increase of 2.5%, as proposed within the Draft Budget, for the current term of Council, the average rate revenue increase is 2.31%, which is at the lower end of the Rate Revenue target, set out in the recently endorsed Long Term Financial Plan. For the same period, the average residential rate increase was 1.91%, with the average Commercial Rate increase being 0.36%.

As such, from a financial management perspective, the Council has clearly delivered on its financial objective.

The Average Rate

The average rate is calculated by obtaining the average property value and multiplying it by the rate-in-the dollar.

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

- growth associated with new property development;
- the change in the residential proportion of the overall total valuation amount; and
- the proposed increase in rate revenue.

It should be noted that the average rate figure may change once more accurate valuation data becomes available.

Table 7 below details the impact of the proposed rating strategy options on the Residential and Commercial Rates. The Draft Budget, as presented in this report, is based upon an increase in rate revenue of 2.5%.

TABLE 7: IMPACT OF RATING STRATEGY ON RESIDENTIAL AND COMMERCIAL RATES

<i>Proposed Rate Revenue Increases</i>	2017-2018			2018-2019		2.5%
	2.0%	1.1%	1.75%	2.0%	2.25%	
Residential Rate						
Average Rate	\$1,454	\$1,449	\$1,460	\$1,464	\$1,469	\$1,479
Average Rate Difference - \$	\$37	(\$5)	\$6	\$10	\$15	\$25
Increase from previous year - %	2.65%	(0.34%)	0.41%	0.71%	1.01%	1.75%
Rate-in-Dollar	0.00239	0.00221	0.00223	0.00224	0.00224	0.00226
Rate-in-Dollar Change		(7.6%)	(6.9%)	(6.6%)	(6.3%)	(5.6%)
Commercial Rate						
Average Rate	\$2,497	\$2,441	\$2,459	\$2,466	\$2,473	\$2,492
Average Rate Difference - \$	(\$52)	(\$57)	(\$38)	(\$31)	(\$24)	(\$6)
Increase from previous year - %	(2.03%)	(2.27%)	(1.53%)	(1.24%)	(0.95%)	(0.22%)
Rate-in-Dollar	0.00287	0.00265	0.00267	0.00268	0.00269	0.00271
Rate-in-Dollar Change		(7.6%)	(6.9%)	(6.6%)	(6.3%)	(5.6%)

The Average Rate – Comparison with Other Councils

Comparison of rates with other councils is a complex issue. Each council has different characteristics (such as size, demographics, residential base, growth etc.) and provides either different services or similar services at different standards. This Council provides a broad range and level of services to the community, although some of these are statutory requirements, the majority are determined by the expectations of our community where discretionary decisions are made by the Council. The cost of providing and maintaining these services are spread across the community in the form of rates. The Council determines a Rate-in-the-Dollar, based on the amount of revenue that will be required to meet the ongoing cost of providing services to the community and maintaining assets, etc. for the coming financial year. The quantum of rates to be paid is determined by multiplying the property value which is applied by the Valuer-General, by the Rate-in-the-Dollar (e.g. if the property value is \$600,000 and the Rate-in-the-Dollar is 0.002409 cents in a dollar, the rates payable will be \$1,445).

Table 8 shows a comparison of the average residential rates for a number of Adelaide metropolitan councils for the financial years 2012-2013 to 2017-2018. (It should be noted that at the time of preparing the report the average residential values for 2018-2019 are not available from other councils.)

The average residential rate for the City of Norwood Payneham & St Peters in 2017-2018, was \$1,454, calculated using the residential rate of 0.0023929 cents-in-the-dollar.

The City of Norwood Payneham & St Peters has been able to deliver its program of services and projects as outlined in the 2017-2018 Annual Business Plan, whilst maintaining the lowest Average Residential Rate of those councils listed.

TABLE 8: COMPARISON OF AVERAGE RESIDENTIAL RATE

Council Area	Average	Average	Average	Average	Average	Average
	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
	\$	\$	\$	\$	\$	
Walkerville	1,665	1,710	1,735	1,826	1,859	1,916
Prospect	1,464	1,523	1,614	1,684	1,732	1,780
Burnside	1,464	1,531	1,601	1,656	1,707	1,752
Unley	1,462	1,510	1,600	1,662	1,706	1,759
Mitcham	1,374	1,449	1,510	1,573	1,614	NA
Tea Tree Gully	1,348	1,415	1,465	1,498	1,535	1,582
Campbelltown	1,202	1,282	1,327	1,387	1,444	1,504
Holdfast Bay	1,245	1,313	1,372	1,406	1,435	1,470
NPSP	1,268	1,320	1,372	1,392	1,417	1,454

The Minimum Rate

The Minimum Rate is recommended to rise in line with the increase in net rate revenue. Assuming that the comparison councils (as shown in Table 8 above) have Rate Revenue increases consistent with the City of Norwood, Payneham & St Peters, this Council's Minimum Rate would still continue to remain amongst the lowest set by councils in South Australia. Table 9 below details the impact of the proposed rating strategy options on the Minimum Rate.

TABLE 9: IMPACT OF RATING STRATEGY ON MINIMUM RATES

<i>Proposed Rate Revenue Increases</i>	2017-2018			2018-2019		
	2.0% \$'000	1.2% \$'000	1.75% \$'000	2.0% \$'000	2.25% \$'000	2.5% \$'000
Minimum Rate	958	\$968	\$975	\$977	\$979	982
\$Difference from prior year		\$11	\$17	\$19	\$22	24
No. of assessments	5,459	5,858	5,856	5,785	5,785	5,659
% of assessments on Minimum Rate	27.79%	29.37%	29.36%	29.01%	29.01%	28.38%

The property market in the lead up to the 2018-2019 Financial Year, has increased across all land use categories. Table 10 details the Capital Value, by land use, for all property classes as advised by the Valuer-General.

TABLE 10: CAPITAL VALUES BY LAND USE

Land Use	2018-2019 Capital Value \$000	\$ Increase/ (Decrease) \$000	% Increase/ (Decrease)	No of Assessment s	Average Value \$000
Residential	11,263,071	928,584	8.99%	17,185	655
Commercial	2,027,580	130,846	6.90%	2,205	920
Industrial	120,535	(6,652)	(5.23%)	159	758
Vacant Land	147,852	45,454	44.39%	294	503
Other	317,743	19,768	6.63%	99	3,210
Primary Production	663	33	5.15%	1	663
Non Rateable	286,060	23,091	8.78%	252	1,135
Total	14,163,505	1,141,124	8.76%	20,195	701
Total Rateable Value	\$13,877,445	1,118,033	8.06%	19,943	696

Draft Annual Business Plan

To fulfil the requirements of the Act and therefore provide citizens with the opportunity to review and comment on the Council's proposed activities for the 2018-2019 Financial Year and the proposed funding of those activities, the Draft Annual Business Plan has been prepared and is included in **Attachment C**.

The Draft Annual Business Plan incorporates all of the assumptions detailed within this report and for illustrative purposes only, has factored in an increase in rate revenue of 2.5%. Upon finalisation of the Draft Budget through its "endorsement in principle," the Draft Annual Business Plan will be made available for citizens from 9 May 2018. Submissions will be sought with interested citizens providing comments prior to or at the Public Meeting scheduled for 30 May 2018.

Following consideration of the submissions by the Council on 11 June 2018, the final 2018-2019 Annual Business Plan will be put forward for adoption, followed by the 2018-2019 Annual Budget at the Council Meeting to be held on 2 July 2018.

OPTIONS

Elected Members can endorse the 2018-2019 Draft Annual Business Plan and Budget as presented in this report or can choose to amend 2018-2019 Draft Annual Business Plan and Budget by either:

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

It should be noted, that by endorsing the Draft 2018-2019 Annual Business Plan and Budget, the Council will also be endorsing the proposed amendment to the Rate Capping Policy.

CONCLUSION

Through the adoption of the Long Term Financial Plan, the Council has committed to the attainment of Financial Sustainability. The development of the Annual Budget with reference to the financial targets and outcomes outlined in the LTFP, will ensure that the Council continues to move in the right direction to achieve its ultimate goal of Financial Sustainability.

The 'in-principle' adoption of the Draft 2018-2019 Annual Business Plan and Budget as presented in **Attachment D**, will deliver an Operating Surplus of \$1.514 million based on a 2.5% increase in Rate Revenue, however due to the inclusion of the Road-to-Recovery Grant Funding in this result, the underlying Operating Result for the provision of the Council's continuing services and programs and new initiatives, is an Operating Surplus of \$1.254 million.

The proposed Rating Strategy proposed within this report will result in a \$25 per annum increase on the rates payable for the Average Residential Ratepayer.

To ensure that the objective of Financial Sustainability is achieved, the Council must make rating decisions with the future in mind as any significant decrease in rate revenue today may result in sharp rate revenue increases in the future.

The proposed Rating Strategy and the Draft Budget as presented in this report, is based on sound financial management principles, which will deliver the Council's Strategic Outcomes in a sustainable and equitable manner, for both today's and future ratepayers.

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, Sharon Perkins on 8366 4585, prior to the meeting.

RECOMMENDATION

That subject to further consideration of the 2018-2019 Budget by the Council following the receipt and consideration of any public submissions in respect to the 2018-2019 Annual Business Plan:

- a) That a Rate Revenue increase, of _____% (inclusive of new development growth of 1.1%) 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.
- b) That an average residential rate increase of _____% (after allowing for the impact of growth) be endorsed in principle.
- c) That an average commercial rate increase of _____% (after allowing for the impact of growth) be endorsed in principle.
- d) That rate cap on residential properties of 8% be adopted 'in principle' for the 2018-2019 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.

- e) That the Council endorses "in principle" Loan Borrowings for the 2018-2019 Financial Year up to a maximum of \$6.5 million for the purposes of capital expenditure funding.
 - f) That the detailed program of Capital Works be undertaken in line with the Attachments supporting the Project Definition & Approval Schedules.
 - g) That the Draft 2018-2019 Annual Business Plan as contained within Attachment C be approved for release for public consultation subject to incorporation of any amendments which may be determined by the Council.
 - h) That the Chief Executive Officer be authorised to make editorial changes to the Draft 2018-2019 Annual Business Plan, as contained within Attachment C, prior to it being released for public consultation.
 - i) A further report in respect to the adoption of the 2018-2019 Budget is prepared for the Council's consideration.
-

Cr Frogley moved:

That subject to further consideration of the 2018-2019 Budget by the Council following the receipt and consideration of any public submissions in respect to the 2018-2019 Annual Business Plan:

- a) *That a Rate Revenue increase, of 2.5% (inclusive of new development growth of 1.25%) 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.*
- b) *That an average residential rate increase of 0.81% (after allowing for the impact of growth) be endorsed in principle.*
- c) *That an average commercial rate decrease of -1.07% (after allowing for the impact of growth) be endorsed in principle.*

Seconded by Cr Minney and carried unanimously.

Cr Minney moved:

- a) *That rate cap on residential properties of 8% be adopted 'in principle' for the 2018-2019 Financial Year and be applied to all eligible assessments without the requirement for an application to be made and approved by the Council for the rebate as per the Council resolution made at its meeting held on 10 October 2005.*
- b) *That the Council endorses "in principle" Loan Borrowings for the 2018-2019 Financial Year up to a maximum of \$6.5 million for the purposes of capital expenditure funding.*
- c) *That the detailed program of Capital Works be undertaken in line with the Attachments supporting the Project Definition & Approval Schedules.*
- d) *That the Draft 2018-2019 Annual Business Plan as contained within Attachment C be approved for release for public consultation subject to incorporation of any amendments which may be determined by the Council.*
- e) *That the Chief Executive Officer be authorised to make editorial changes to the Draft 2018-2019 Annual Business Plan, as contained within Attachment C, prior to it being released for public consultation.*
- f) *A further report in respect to the adoption of the 2018-2019 Budget is prepared for the Council's consideration.*

Seconded by Cr Dottore and carried unanimously.

3. CLOSURE

There being no further business, the Mayor declared the meeting closed at 7.19pm.

Mayor Robert Bria

Minutes Confirmed on _____
(date)