

Special Council Meeting Minutes

10 April 2019

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.*

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City of
Norwood
Payneham
& St Peters

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VENUE Council Chambers, Norwood Town Hall

HOUR 7.00pm

PRESENT

Council Members Mayor Robert Bria
Cr Kester Moorhouse
Cr Garry Knoblauch
Cr John Minney
Cr Carlo Dottore
Cr Kevin Duke
Cr Connie Granozio
Cr Scott Sims
Cr Fay Patterson
Cr Sue Whittington
Cr John Callisto
Cr Christel Mex

Staff Mario Barone (Chief Executive Officer)
Peter Perilli (General Manager, Urban Services)
Carlos Buzzetti (General Manager, Urban Planning & Environment)
Sharon Perkins (General Manager, Corporate Services)
Andrew Alderson (Financial Services Manager)
Tina Zullo (Administration Officer, Governance & Community Affairs)

APOLOGIES Cr Mike Stock, Cr Evonne Moore

ABSENT Nil

1. CONFIRMATION OF THE MINUTES OF THE COUNCIL MEETING HELD ON 1 APRIL 2019

Cr Sims moved that the minutes of the Council meeting held on 1 April 2019 be taken as read and confirmed. Seconded by Cr Dottore and carried unanimously.

2. STAFF REPORTS

2.1 DRAFT 2019-2020 RECURRENT BUDGET

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/05563
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to present and obtain “in principle” endorsement of the Draft 2019-2020 Recurrent Budget.

BACKGROUND

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.

In accordance with the Council’s agreed strategy, the Draft 2019-2020 Recurrent Budget is prepared in isolation of the decision regarding Rates Revenue and the Projects and Capital Works component of the Annual Budget.

The preparation of the Recurrent Budget prior to consideration of the Operating Projects (‘discretionary’ budget items), enables the value of funds available for Operating Project programs and services, to be quantified and a ‘priority’ list of these items to be established for inclusion in the Annual Budget, based on available funding, need and priority.

The Projects expenditure components are scheduled to be considered at a Special Meeting of the Council on 17 April 2019. The Draft 2019-2020 Annual Business Plan (which incorporates all components of the 2019-2020 Budget), will be considered at the Council Meeting scheduled on 6 May 2019. The Draft 2019-2020 Annual Business Plan and Budget will be released for public consultation for a period of twenty-one (21) days as required by *the Local Government Act 1999*.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

The Council’s long term strategic direction is outlined in *City Plan 2030: Shaping our Future*. The Draft 2019-2020 Annual Business Plan and supporting Draft 2019-2020 Budget, sets out the proposed services and programs and explains how the Council intends to finance its continuing activities which are proposed to be undertaken during the year.

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

Financial sustainability underpins the Council’s Financial Goals and Outcomes, which are set out in the Long Term Financial Plan. 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 sharp increases in rate revenue or cuts in service provision and standards.

From an operational perspective, financial sustainability is being able to manage the conflict between keeping rate revenues increases to a reasonable level, maintaining existing service standards and spending on new services and major capital investments.

The Draft 2019-2020 Budget is developed on the basis of ensuring that it will assist in delivering on the Councils Long Term Strategic direction and financial objectives set out in the LTFP.

The financial projections set out in the LTFP will be reviewed and updated following the adoption of the 2019-2020 Annual Business Plan and Budget.

FINANCIAL AND BUDGET IMPLICATIONS

The Council's Long Term Financial Plan, sets out a Recurrent Operating Surplus of \$1.006 million (prior to Rate Revenue increase) for the 2019-2020 Financial year.

In line with the Councils Budget Framework, the Draft Recurrent Budget is considered and endorsed in principle prior to the inclusion of Rate Revenue increases and the impact of Operating Projects.

The Council will consider the Operating Projects, along with the potential Rate Revenue increase at the Special Council Meeting scheduled for 17 April 2019.

EXTERNAL ECONOMIC IMPLICATIONS

The Draft 2019-2020 Recurrent Budget will have a financial impact on property owners and suppliers of goods and services to the Council, the level of which will be dependent on the final decisions taken in respect to the service levels and the level of income required to meet the agreed service levels.

SOCIAL ISSUES

No Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

The preparation of the Annual Business Plan and Budget ensures the Council meets its legislative responsibility in accordance with the requirements of *the Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

CONSULTATION

- **Elected Members**
An overview of the Draft 2019-2020 Recurrent Budget was provided to Elected Members at an Information Briefing held on 27 March 2019.
- **Community**
The community will have input into the Draft 2019-2020 Recurrent Budget through public consultation on the Draft Annual Business Plan.
- **Staff**
The preparation of the Draft 2019-2020 Recurrent Budget has been completed with the involvement of the Chief Executive Officer, General Managers and council staff responsible for budget management.
- **Other Agencies**
Not Applicable.

DISCUSSION

The Draft 2019-2020 Recurrent Budget is a future focused and financially responsible proposal, which is targeted at ensuring the Council's continuing priorities are appropriately resourced. The Draft 2019-2020 Recurrent Budget, is based on ensuring that the Council can maintain the service standards for its existing services to support the delivery of the Strategic Objectives outlined in the Council's *CityPlan 2030: Shaping our Future* and that those services receive appropriate funding. It is acknowledged however, that the budget and funding requirements need to be balanced with ensuring that the community does not face significant increases in their annual rates contribution.

The key driver is to develop a Recurrent Budget that 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.

Budget Parameters/Assumptions

As in previous years, no increase in rate revenue has been accounted for in the preparation of the Draft Recurrent Budget. Rate revenue increases will be determined once the Council has endorsed the non-rate revenue and expenditure components (including Operating Projects) of the Draft Budget and considered the proposed initiatives to be introduced or undertaken during 2019-2020.

In developing the Draft 2019-2020 Recurrent Budget, the Council's Long Term Financial Plan (LTFP) forms the basis for the financial targets to be achieved for the 2019-2020 Financial Year. In addition, the following principles and assumptions were applied:

- the Recurrent Operating Budget be prepared based on "business-as-usual";
- maximum Material, Contracts and Other Expenses cost escalation be set at 2.5%;
- Wages and Salaries increases are based on the Council's Enterprise Agreements; and
- fees and charges not set by Legislation are increased by 2.4% at a minimum.

The Target Recurrent Operating Surplus, prior to any Rate Revenue increase, is \$1.089 million.

2019-2020 Recurrent Budget Overview

The Draft 2018-2018 Recurrent Budget provides for an Operating Surplus, before Rate Revenue increases and Operating Projects, of \$1.006 million (**Attachment A**).

The Target Budget has been determined by reference to the 2017-2018-2027-2028 LTFP. The key components of the Target Budget compared to the Draft 2018-2019 Recurrent Budget, excluding rate revenue, are shown in Table 1 below:

TABLE 1 – 2019-2020 DRAFT BUDGET vs 2019-2020 TARGET BUDGET

	2019-2020			
	Draft Budget	Target Budget	Variance Fav/(Unfav)	Variance Fav/(Unfav)
	\$'000	\$'000	\$'000	%
Rate Revenue *	33,507	33,405	102	0.31%
Non Rate Revenues	8,645	8,706	(61)	(0.70%)
Total Income	42,152	42,111	41	0.10%
Recurrent Expenditure				
Employee Expenses	15,590	15,756	166	1.05%
Contracts, Material & Other Expenses	15,413	14,745	(666)	(4.52%)
Finance Costs	644	1,207	563	46.6%
Depreciation	9,500	9,314	(186)	(1.99%)
Total Expenditure	41,146	41,022	(123)	(0.30%)
Recurrent Operating Surplus	1,006	1,089	(82)	(7.55%)
Recurrent Operating Surplus Ratio	2.4%	2.6%		

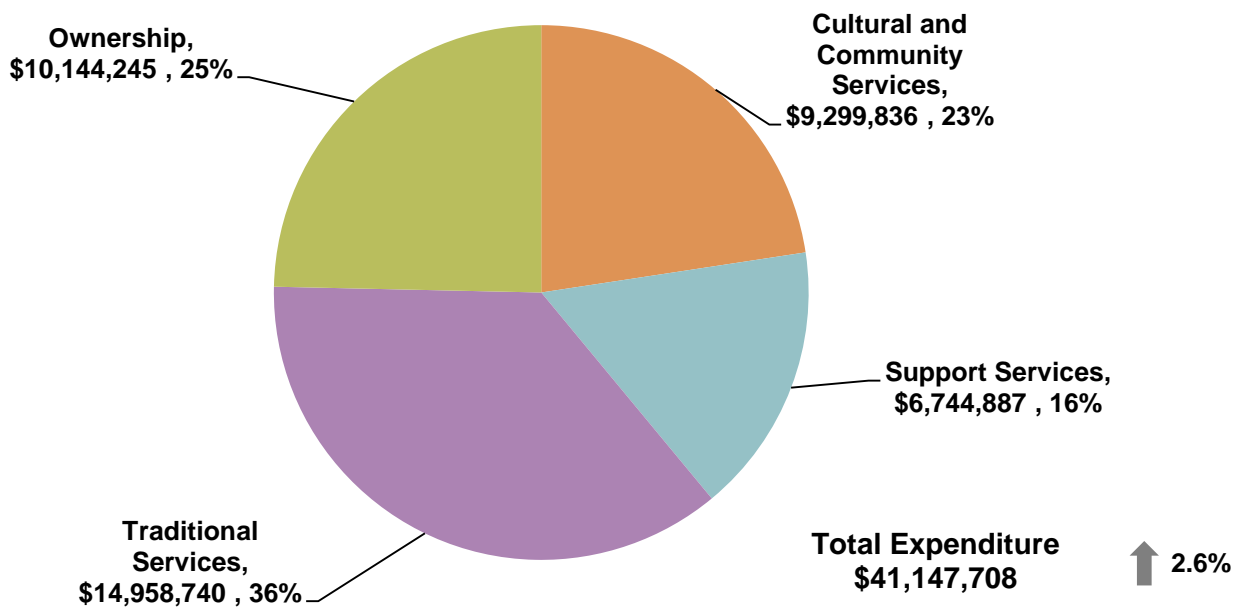
It should be noted that Finance Cost's detailed in Table 1 above, are based on an estimate of new borrowings of \$2.2 million. The extent of new borrowings which are required, will be determined once the 2019-2020 Capital Expenditure Budget has been finalised and adopted by the Council.

In setting the general parameters for the preparation of the Draft 2019-2020 Budget, the Council set a budget guideline which set the maximum combined increase in the overall budget of 2.4%. Overall, the Recurrent Operating Expenditure compared to the 2018-2019 Adopted Recurrent Budget, inclusive of Ownership Costs is 2.6%. Excluding Ownership costs (\$10.144 million) the overall increase is 2.04%.

The total recurrent expenditure is \$41.147 million, with just over \$31 million (76%) of the total expenditure being more readily influenced the decisions made as part of the budget process. The remaining \$10 million (24%) of expenditure relates to Ownership costs, which are a result of past investment decisions. While the level of expenditure cannot be influenced or changed in the current year, the future ownership costs can be influenced by the decisions made with respect to the amount of expenditure incurred in 2019-2020 on investment in new and upgraded assets.

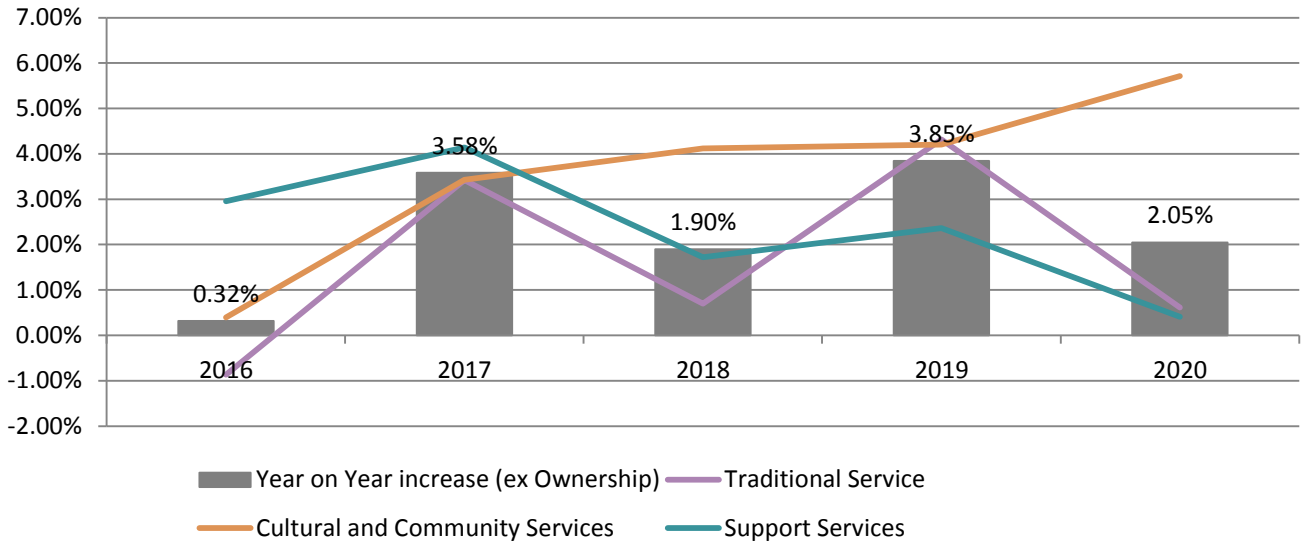
As detailed in Figure 1 below, services, programs and activities delivered within the Recurrent Budget, can be classified into Traditional Services, which are the provision a ranges of services, programs and infrastructure to meet the needs of the community. A number of these services are a responsibility of the Council by virtue of the *Local Government Act 1999* and other relevant legislation. Other services, which are classified into Cultural and Community, are provided by the Council in response to the Community's interest and or need. Together, these services represent 59% (\$24.3 million) of the draft Recurrent Budget. These services, programs and activities are support by the Councils' Governance and Administration structure. These support services represent 16% (\$6.7m) of the draft Recurrent Budget. The final component of the Recurrent Budget is Ownership Costs. These costs are a result of past investment decision in long term assets, as such the Council has little influence over the value of these costs for the current year. The Council can however influence the future costs with the decision that are made with respect to the level of capital investment in new and upgraded assets, when the Projects budget is considered at the Special Council meeting scheduled to be held on 17 April 2019.

FIGURE 1: COMPONENTS OF DRAFT RECURRENT BUDGET



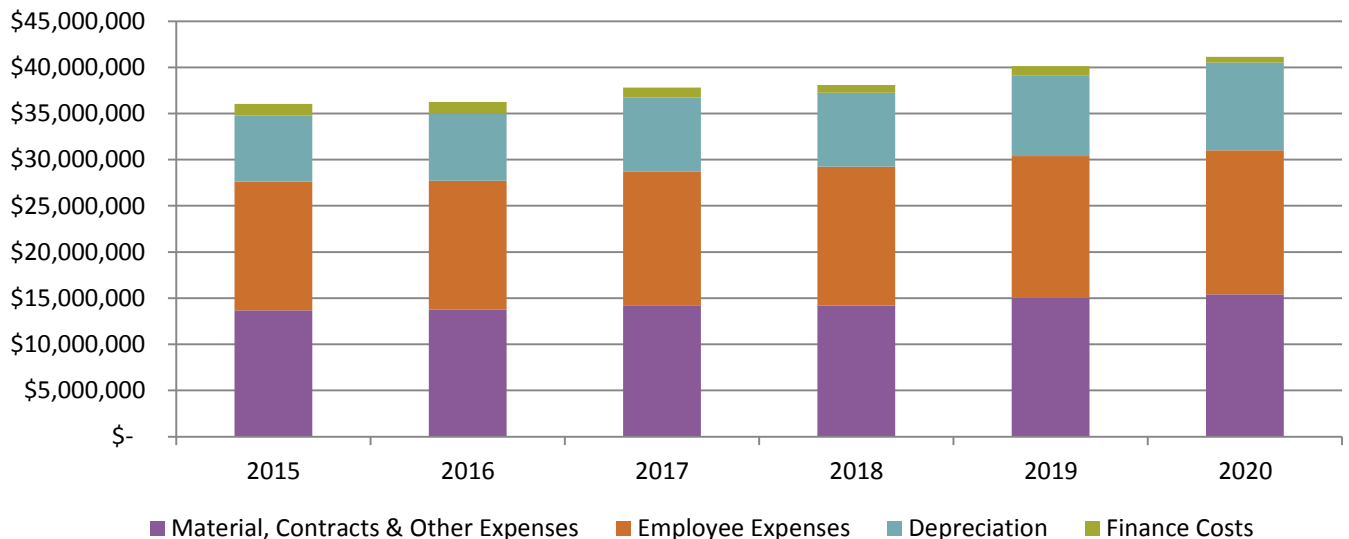
As detailed in Figure 2 below, the Council has, over the past five (5) years, kept the overall year on year increase in operating expenses to a minimum, with the 2019-2020 increase being limited to 2.05%, which is within the Council endorsed budget parameter of 2.4%.

FIGURE 2: OPERATING EXPENSES



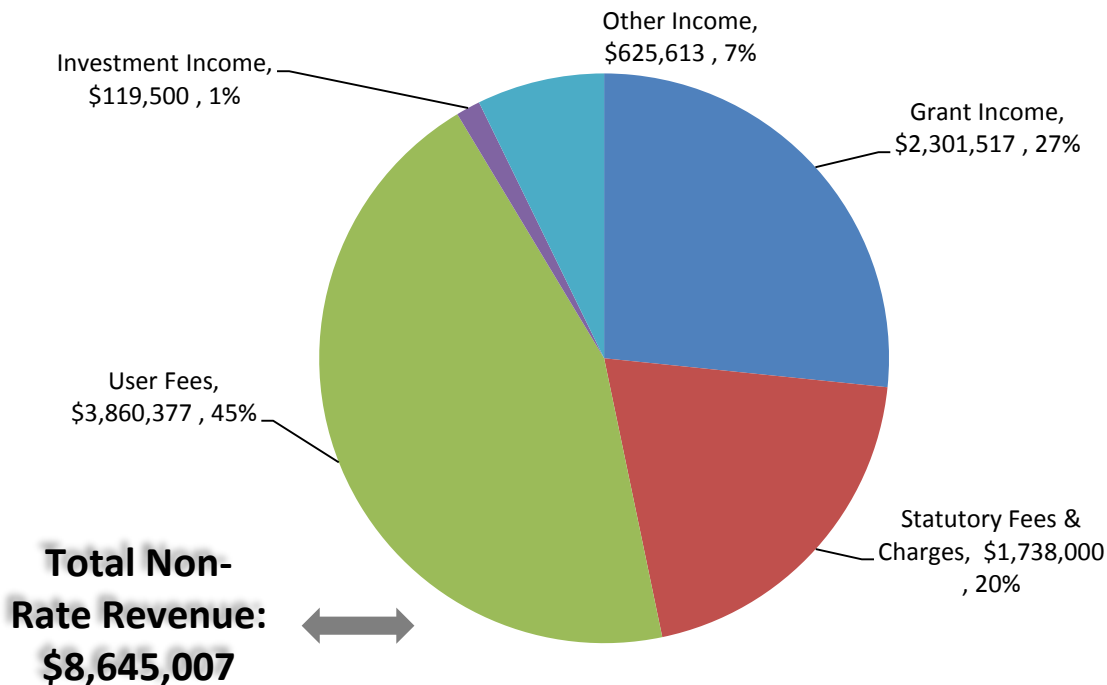
The cost elements of the Recurrent Budget as detailed in Figure 3 below, are Employee Expenses, which represent 38%, Material, Contracts & Other Expenses, which represent 37.5%, Depreciation which represents 23% and Finance Costs which represent 1.5% of the total draft Recurrent Budget. Over the past five years, the share of each cost element of the total budget has been consistent. The overall Recurrent Budget increase for 2019-2020 is 2.6%.

FIGURE 3 : COST ELEMENTS



Rate revenue is the Council's major source of income and funds in the order of 79% of the Council's recurrent expenditure. The balance is funded from non-rate revenue which is predominately made up of User Charges (45%) which incorporate Child Care Centre fees, Swimming Centre, Hire and lease fees associated with Council facilities, HACC Services; Grant Income (27%) and Statutory Charges (20%) which incorporates Dog Registration fees, Parking Infringements, Residential Parking permits, Planning & Development fees, Hoarding Licences, Outdoor Dining permits. Non-rate revenue represents 19.5% of the Council's total revenue, with the draft Recurrent Budget estimating \$8.645 million being raised.

FIGURE 4: BREAKDOWN OF NON-RATE REVENUE



Revenue derived from the Council's main sources of non-rate revenue (statutory and user charges) has remained stable over the last five (5) years. The static and /or diminishing nature of other revenue sources means that the Council is increasingly dependent on Rate revenue to fund the provision of services and programs.

User Charges includes fees payable for the use of the Council's discretionary services and facilities, with 86% of the Council's User Charges income is sourced from the St Peters Child Care Centre & Pre-school, the Swimming Centre's and the Norwood Concert Hall.

Statutory Charges includes fees and charges that are set by legislation. In some circumstances, such as parking infringements, the fees charged are set at a fixed rate outlined by the respective legislation, where as other legislation allows the Council to charge a fee with the value of the fee determined by the Council, up to a maximum limit as set out in the legislation (i.e. Dog Registration Fees). Income earned from parking expiration fees is the main source (57%) of Statutory Charges Income.

Federal Government decisions with respect to advancing Financial Assistance Grants have had impacts on the levels of Grant Revenue which the Council has received over the past few years. The proposed budget assumes that the Council will continue to receive four quarters of the Financial Assistance Grant, however while the Federal Government, as part of the 2019-2020 Federal Budget has committed to a further two (2) years of Supplementary Road Funding for South Australia, the funds will be advanced to Councils prior to 30 June 2019. As these funds are untied grants, the funding is required to be accounted for in the financial year in which the funds were received, in this instance 2018-2019. Therefore, while for a cash perspective, the Council will not be disadvantaged from this policy decision, no Supplementary Road Grant funding can be accounted for as part of the 2019-2020 Recurrent Budget.

Table 2 below sets out additional information on the Recurrent Operating Budget by functional area.

TABLE 2 - DRAFT 2019-2020 RECURRENT BUDGET BY FUNCTION

Function	Expenditure	Income	Net Operating Surplus / (Deficit)
Rates	-	33,292,169	33,292,169
Traditional Services			
Infrastructure Management	4,343,560	356,000	(3,987,560)
Trees Parks, Sport & Recreation	3,981,254	643,779	(3,337,475)
Waste management	3,821,597	40,676	(3,780,921)
Planning, Regulatory Services & Environment	2,812,329	1,727,500	(1,084,829)
	14,958,740	2,767,955	(12,190,785)
Cultural and Community Services			
Community Services Health Aged & Youth Services	4,494,362	3,525,414	(968,948)
Libraries & Community Facilities	2,780,421	939,561	(1,840,860)
Business & Economic Development	1,086,624	223,000	(863,624)
Community Events, Arts & Heritage	938,429	51,827	(886,602)
	9,299,836	4,739,802	(4,560,034)
Support Services			
Corporate Activities	4,947,865	871,250	(4,076,615)
Governance	1,797,022	370,000	(1,427,022)
	6,744,887	1,241,250	(5,503,637)
Ownership			
Depreciation & Financing	10,144,245	111,000	(10,033,245)
Total	41,147,780	42,152,176	1,004,468

Additional information relating to the Draft 2019-2020 Recurrent Budget by Function is contained in **Attachment B**.

OPTIONS

The Council has the following options in respect of this issue:

- endorse 'in principle' the Draft 2018-2019 Recurrent Operating Budget as contained in **Attachment A**; or
- amend the Draft 2018-2019 Recurrent Operating Budget as contained in **Attachment A**, as it sees fit.

Option 1 is recommended as it meets the financial targets set out in the Council's LTFP and is in line with the Budget Parameters and Guidelines adopted by the Council at the meeting held on 17 January 2019.

CONCLUSION

Through the Long Term Financial Plan, the Council has committed to the attainment of Financial Sustainability. The development of an 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.

To ensure that a responsible budget is set, the Council adopted a series of Budget Parameters, to guide Council Staff in preparing their respective budget estimates. As detailed in this report, the Draft 2018-2019 Recurrent Budget has been delivered within these guidelines.

COMMENTS

If Elected Members have any questions in relation to specific budget items or proposed allocations, please do not hesitate to contact the General Manager, Corporate Services on 8366 4585, prior to the meeting as these discussions may assist in resolving any enquiry prior to the meeting.

RECOMMENDATION

1. That the Draft 2019-2020 Recurrent Budget be endorsed "in principle", subject to the presentation and adoption of a consolidated report for the Council's consideration on the 2019-2020 Annual Business Plan and Budget.
 2. The Council notes that a report on the adoption of the 2019-2020 Budget be prepared for the Council's consideration in accordance with the 2019-2020 Budget timeframe.
-

Cr Minney moved:

1. *That the Draft 2019-2020 Recurrent Budget be endorsed "in principle", subject to the presentation and adoption of a consolidated report for the Council's consideration on the 2019-2020 Annual Business Plan and Budget.*
2. *The Council notes that a report on the adoption of the 2019-2020 Budget be prepared for the Council's consideration in accordance with the 2019-2020 Budget timeframe.*

Seconded by Cr Dottore and carried.

3. CLOSURE

There being no further business, the Mayor declared the meeting closed at 7.15pm.

Mayor Robert Bria

Minutes Confirmed on _____
(date)