

Special Council Meeting Minutes

8 May 2023

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 Claire Clutterham
Cr Garry Knoblauch
Cr Hugh Holfeld
Cr Josh Robinson
Cr Kevin Duke
Cr Connie Granozio
Cr Victoria McFarlane
Cr Scott Sims
Cr Grant Piggott
Cr Sue Whittington
Cr John Callisto
Cr Christel Mex

Staff

Mario Barone (Chief Executive Officer)
Carlos Buzzetti (General Manager, Urban Planning & Environment)
Lisa Mara (General Manager, Governance & Civic Affairs)
Sharon Francis (Acting Manager, Finance)
Natalia Axenova (Principal Finance Officer)
Teri Hopkins (Manager, Governance & Legal)
Simonne Whitlock (Manager, Communications & Community Relations)
Marina Fischetti (Executive Assistant, Governance & Civic Affairs)

APOLOGIES Nil

ABSENT Nil

1. CONFIRMATION OF THE MINUTES OF THE COUNCIL MEETING HELD ON 1 MAY 2023

Cr Holfeld moved that the minutes of the Council meeting held on 1 May 2023 be taken as read and confirmed. Seconded by Cr McFarlane and carried.

2. STAFF REPORTS

2.1 2023-2024 DRAFT ANNUAL BUSINESS PLAN AND BUDGET

REPORT AUTHOR: Acting Manager, Finance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4548
FILE REFERENCE:
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to provide for the Council's consideration and "in principle" endorsement, the Draft 2023-2024 Annual Business Plan, the Draft 2023-2024 Budget and the Draft Rating Policy, for public consultation.

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 (Draft Budget) after 31 May and except in a case involving extraordinary administrative difficulties, 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 the Budget 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 11 April 2023, the Council considered the Draft 2023-2024 Recurrent Budget, the Draft 2023-2024 Operating and Capital Projects Budget (the Draft 2023-2024 Budget), which projected an Operating Deficit of \$341,624 on a full accrual basis, prior to factoring into account any increase in Rate Revenue.

In addition, at the Special Council Meeting held on 11 April 2023, the Council also resolved that the Funding Submission for Additional Resources for the Regulatory Services Unit be adjusted to account for the estimated income as part of the Draft 2023-2024 Budget. Therefore, the Draft 2023-2024 Budget now includes income of \$200,000.

As a result of this amendment, the Operating Deficit was reduced to \$141,624, before any increase in Rate Revenue is factored into the Draft Budget 2023-2024.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

The Council's Long Term Strategic directions are outlined in the Council's Strategic Management Plan, *City Plan 2030 – Shaping our Future*. The Draft 2023-2024 Annual Business Plan and supporting Draft Budget, sets out the proposed services and programs and initiatives for the 2023-2024 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 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 Asset Management Plans, 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.

The Draft 2023-2024 Annual Business Plan and Budget has been developed on the basis of ensuring that it will assist in delivering on the Council's Long Term Strategic direction set out in the Council's Strategic Plan, *City Plan 2030 – Shaping our Future*, meets the Council's Asset Management principles set out in the respective *Infrastructure and Assets Management Plans* and financial objectives set out in the *LTFP*.

FINANCIAL AND BUDGET IMPLICATIONS

The 'in-principle' adoption of the Draft 2023-2024 Budget, as presented (based on a 7.5% Rate Revenue increase), will result in an Operating Surplus of \$1,077,507 and a Net Surplus (after Capital Income) of \$9.310 million – noting that this does not take into account the Operating results of the Regional Subsidiaries.

It should be noted that the Draft 2023-2024 Budget includes Carry Forwards of \$245,000 for 2022-2023 Operating Projects which are not anticipated to be completed by 30 June 2023.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

The Draft 2023-2024 Budget will be impacted upon by the decisions which are made by the Federal Government and State Government in their respective budgets. No information regarding these budgets is available.

As a result, the Draft 2023-2024 Budget presented in this report, has been developed on the following assumptions:

- that the Financial Assistance Grants, comprising of the General Assistance Grant and the Road Funding Grant, will be provided based on the current funding arrangements. The value of these payments has not been indexed;
- State Government Charges, which are set by Legislation, are yet to be indexed;
- no further increase in the Solid Waste Levy beyond the current fee of \$146 per tonnes; and
- no new fees and charges will be introduced.

Any adjustments to the Draft Budget arising from the State Budget will be incorporated into the Council Budget when this information becomes available.

Notwithstanding this, the preparation of the Draft 2023-2024 Annual Business Plan and Budget has been prepared to ensure 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**
Elected Members have been involved throughout the Budget preparation process and have considered the various components of the Draft Annual Business Plan & Budget and made decisions as appropriate.
- **Audit & Risk Committee**
At the Special Audit & Risk Committee meeting held on 17 April 2023, the Committee considered the Draft 2023-2024 Recurrent Budget and the Draft 2023-2024 Operating and Capital Projects Budget.
- **Community**
Citizens will be provided the opportunity to have input into the Draft 2023-2024 Budget through public consultation on the Draft Annual Business Plan, which is scheduled to be undertaken in May 2023.
- **Staff**
The preparation of the Draft 2023-2024 Budget has been completed with the involvement of the Chief Executive Officer, General Managers and staff responsible for management of the Budget.
- **Other Agencies**
Not Applicable.

DISCUSSION

The Draft 2023-2024 Budget is based on the continuation of existing services and priorities, as determined by the Council, being appropriately resourced and ensures that the Council can maintain the service standards for its existing services to support the delivery of the Strategic Objectives contained in *CityPlan 2030: Shaping our Future*.

The key objective therefore is to develop a Budget that not only contributes to the Council's broader strategic objectives of achieving *Community Well-being*, but also ensures that the Council is managing its financial resources in a sustainable, prudent and equitable manner and to ensure that future financial impacts can either be avoided or managed in a measured way, so that the funding requirements are balanced with ensuring that the community does not face unreasonable increases in their annual rates contribution.

At its meeting held on 11 April 2023, the Council considered the Draft 2023-2024 Budget and requested that the Council's Audit & Risk Committee provide comment on the Draft 2023-2024 Budget for the Council's consideration prior to the Council's endorsement of the Draft 2023-2024 Budget for the purpose of community consultation.

A meeting of the Council's Audit & Risk Committee was held on Monday, 17 April 2023.

At its meeting held on 1 May 2023, the Council was advised that *"the Audit & Risk Committee are of the view that the scheduled Capital Projects as set out in the Council's Long Term Financial Plan beyond 2023-2024 is ambitious and expressed concerns regarding the timing of those projects contained in the Long Term Financial Plan on the basis of the Capital Projects to be undertaken during 2023-2024 (ie Payneham Memorial Swimming Centre, Trinity Valley Stormwater Drainage Program, Burchell Reserve and Cruikshank Reserve), and the impact on the Council's capacity to meet its financial obligations.*

In short, the Audit & Risk Committee are of the view that the Capital Projects as set out in the Long Term Financial Plan, should be appropriately scheduled/timed to ensure that the Council is in a sound financial position prior to undertaking further Capital Projects beyond the 2023-2024 financial year.

The Audit & Risk Committee also agreed that it was important for the Council to achieve an Operating Surplus and not an Operating Deficit to ensure the Council can meet its financial obligations and deliver on its financial objectives".

Following consideration of the Draft 2023-2024 Budget, the Audit & Risk Committee resolved the following:

- *That the Audit & Risk Committee recommends to the Council that it considers the following matters when endorsing the Draft 2023-2024 Annual Business Plan & Budget for the purpose of undertaking public consultation:*
- *the 2023-2024 Budget should result in a minimum Operating Surplus of \$500,000, taking into consideration that CPI for the March 2023 Quarter, was 6.8%; and*
- *the timing and scheduling of the Capital Projects that are set out in the Long Term Financial Plan beyond the 2023-2024 financial year, as part of the Council's review of the Long Term Financial Plan taking into account the current interest rate environment and the Council's ability to service ongoing debt.*

To achieve an Operating Surplus of \$500,000, as recommended by the Audit & Risk Committee, a Rate Revenue increase of 7.5% would be required (prior to the inclusion of the Operating results from Regional Subsidiaries).

Elected Members may recall that for the 2023-2024 Financial Year, the Long Term Financial Plan estimates an Operating Surplus of \$1.355 million, based on a Rate Revenue increase of 4.55%.

However, applying a Rate Revenue increase of 4.55% as set out in the Long Term Financial Plan to the Draft 2023-2024 Budget, would result in an Operating Deficit of \$141,624.

To achieve an Operating Surplus of \$1.355 million as set out in the Long Term Financial Plan, a Rate Revenue increase of 8.78% would be required.

Budget Overview

Table 1 below sets out the proposed Operating Surplus of \$1,077,507, based on a Recurrent Operating Surplus of \$2,567,144, an Operating Deficit relating to Operating Projects (including 2022-2023 Carry Forwards) of \$1,198,736 and an additional \$290,901 for additional finance costs associated with borrowings which are required to deliver the strategic projects included within the draft Capital Projects Budget.

TABLE 1: 2023-2024 PROPOSED STATEMENT OF COMPREHENSIVE INCOME

	Recurrent Budget 2023-2024	Carry Forwards 2023-2024	Operating Projects 2023-2024	Capital Projects 2023-2024	Proposed 2023-2024
	\$	\$	\$	\$	\$
INCOME					
Rates	43,011,543	-	-	-	43,011,543
Statutory charges	1,900,000	-	200,000	-	2,100,000
User charges	3,836,788	-	-	-	3,836,788
Grants, subsidies and contributions	2,612,226	-	42,446	-	2,654,672
Investment income	120,000	-	-	-	120,000
Other income	491,110	-	-	-	491,110
Net loss joint ventures & associates	-	-	-	-	-
Total Income	51,971,667	0	242,446	0	52,214,113
EXPENSES					
Employee costs	17,418,099	-	370,682	-	17,788,781
Materials, contracts & other expenses	19,359,823	-	1,070,500	-	20,430,323
Finance costs	165,000	-	-	290,901	455,901
Depreciation & amortisation	12,461,601	-	-	-	12,461,601
Net loss Joint Ventures & Associates	-	-	-	-	-
Total Expenses	49,404,523	0	1,441,182	290,901	51,136,606
OPERATING SURPLUS / (DEFICIT)	2,567,144	0	-1,198,736	-290,901	1,077,507
Net gain (loss) on disposal or revaluation of assets	-	-	-	25,000	25,000
Amounts specifically for new or upgraded assets	-	-	-	9,310,301	9,310,301
NET SURPLUS (DEFICIT)	2,567,144	0	-1,198,736	9,044,400	10,412,808

The Council is required to report the Council's share of the Regional Subsidiaries Operating results and while this will have an impact on the Council's reported Operating Result, this is a non-cash transaction that does not have an impact on the Council's cash position. The underlying Operating Deficit (adjusted for Regional Subsidiaries) is currently estimated at \$354,714.

Financial sustainability underpins the Council's Financial Goals and Outcomes which are set out in the Council's LTTP. In general terms, financial sustainability is based on ensuring that the Council has the financial resources and capacity 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.

To be truly financially sustainable, the Council needs to generate sufficient cash flow from its 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.

Pursuant to Section 123 (10)(b) of the *Local Government Act 1999*, Part 2 Financial Accountability Regulation 7 of the *Local Government (Financial Management) Regulations 2011*, sets out that the budget must:

- (a) *include budgeted financial statements, which must be presented, other than notes and other explanatory documentation, in a manner consistent with the Model Financial Statements; and*
- (b) *state whether projected operating income is sufficient to meet projected operating expenses for the relevant financial year; and*
- (c) *include 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) *include estimates with respect to the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding 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 7.5% increase in Rate Revenue. The Financial Statements also provide comparisons with the 2022-2023 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 2023-2024 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 11 April 2023, the Council considered the Draft 2023-2024 Capital Budget ("Draft Capital Budget") and resolved to endorse "in-principle", a Draft Capital Budget, which incorporates Capital Projects to the value of \$53.8 million, inclusive of the expenditure required to finalise the 2022-2023 Capital Projects which are not anticipated to be completed by 30 June 2023 and staff costs of \$1.28 million which are capitalised and included in the final cost of the asset. The Draft Capital Budget expenditure is offset by Capital Funding which incorporates Grant and Other Revenues to the value of \$9.352 million, which will result in a net cost to the Council of \$34.384 million which will be funded via cash borrowings, depreciation (via Rate Revenue) or cash reserves.

The endorsed Capital Projects for 2023-2024 have been broken down into a number of categories as detailed in Table 2 below.

It should be noted that the Total Capital Projects Expenditure as set out in Table 2 is based on the proposed scheduling of major projects (ie. the Payneham Memorial Swimming Centre Project and the Trinity Valley Stormwater Project).

TABLE 2: CAPITAL PROJECT CATEGORIES

Capital Project Category	2023-2024 Proposed Capital Projects \$
Whole-of-Life Capital Works Program	
* Road Resealing	4,964,143
* Footpath Reconstruction	1,181,033
* Kerb Reconstruction	1,551,917
* Stormwater Drainage Program (inc. carry forward budgets) *	14,130,044
Other Infrastructure Asset Renewal	1,972,313
Major Projects (inc. carry forward budgets)	17,800,000
Quadrennial Art Project (inc. carry forward budgets)	75,000
Non-Infrastructure Renewal	525,700
Minor projects	257,500
Capitalisation of Salaries (existing staff)	1,279,257
Total Capital Projects Expenditure	43,736,907
Capital Funding	9,310,301
Net Cost	34,426,606

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 is associated with 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 Capital and Operating Projects endorsed as part of the Draft 2023-2024 Annual Business Plan and Budget is contained in *Appendix One: Key Initiatives & Projects* of **Attachment B**.

Borrowings

Proposed net capital expenditure, as detailed in **Attachment B**, is \$34.426 million (inclusive of Roads-to-Recovery project) is proposed to be funded as follows:

Use of depreciation recovered through rate revenue	\$ 12,461,601
Roads-to-Recovery Grant Funding	\$42,446
Grant Funding and other capital funding	\$9,310,301
Borrowings and cash reserves	\$21,922,559

In determining the timing and the level of borrowings that are required to fund the Capital Program, consideration has been given to the cash flow requirements and to intergenerational equity between current and future users (that is, an asset is funded from loan borrowings which is paid off over the life of the asset rather than raising rate revenue from current rate payers to pay for the asset). Whilst these considerations have formed part of the budget model, they will be reviewed and reconsidered before the decision to commit to any borrowings.

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 ranging between 3% and 6% each year.

Whist Rate Stability is a key objective which requires annual rate collections to be fair and equitable, it also requires that increases in Rate Revenue to be stable over the medium term. To ensure that 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 in one year may result in sharp Rate Revenue increases in the future.

Increases in Rate Revenue need to be reflective of increases in service levels, to ensure that the Council remains financially sustainable. In considering increases in service levels, the Council needs to take into account not only the increase in operating programs and services, but also the increase in service levels that emanate from past and proposed capital investment.

Based on the valuation information for the week ended 16 April 2023, the growth in the Residential Land Use classification, shows a Capital Value increase of 10.15% on 2022-2023 values. For the Commercial Land Use Classification, the Capital Value increase is 29.4% on 2022-2023 values.

Preliminary rates modelling, based on valuations provided by the Valuer-General for the week ended 16 April 2023, has been undertaken. It should be noted that the valuation information for the week ended 11 June 2023, will be used to determine the final average rate at the Council meeting to be held on 3 July 2023. The impact of the respective strategies on the Councils Operating result are set out in Table 3 below.

TABLE 3: RATING STRATEGY

<i>Proposed Rate Revenue Increases</i>	4.55%	6.0%	6.5%	7.00%	8.00%	7.5%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Rate Revenue (Gross)	\$41,375	\$41,949	\$42,147	\$42,345	\$42,740	\$42,543
Increase on 2022-2023	\$1,800	\$2,374	\$2,572	\$2,770	\$3,166	\$2,968
Operating Surplus/(Deficit) after rate revenue increases	(\$90)	\$486	\$680	\$880	\$1,2981	\$1,077

The Average Rate

The Average Rate is calculated by dividing the total rates value by the number of properties in each land use code.

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 and will be based on valuation data for the week ended 11 June 2023, as at the adoption of the Annual Business Plan and Budget.

Table 4 below details the impact of the proposed rating strategy options on the Residential and Commercial Rates.

TABLE 4: IMPACT OF RATING STRATEGY ON RESIDENTIAL AND COMMERCIAL RATES

<i>Proposed Rate Revenue Increases</i>	2022-2023			2023-2024			7.5%
	6.0%	4.55%	6.00%	6.5%	7.00%	8.00%	
Residential Rate							
Average Rate	\$1,812	\$1,837	\$1,863	\$1,872	\$1,880	\$1,898	\$1,889
Average Rate Difference \$	\$135	\$25	\$51	\$60	\$68	\$86	\$77
Increase from previous year %	8.05%	1.38%	2.81%	3.31%	3.75%	4.75%	4.25%
Rate-in-Dollar	0.001929	0.00177	0.001795	0.001803	0.001812	0.001828	0.00182
Commercial Rate							
Average Rate	\$2,635	\$3,076	\$3,119	\$3,133	\$3,148	\$3,178	\$3,163
Average Rate Difference \$	(\$96)	\$441	\$484	\$498	\$513	\$543	\$528
Increase from previous year %	-3.52%	16.74%	18.37%	18.90%	19.47%	20.61%	20.04%
Rate-in-Dollar	0.002315	0.002124	0.002154	0.002164	0.002174	0.002194	0.002184

The Minimum Rate

Table 5 below details the impact of the proposed rating strategy options on the Minimum Rate.

TABLE 5: IMPACT OF RATING STRATEGY ON MINIMUM RATES

<i>Proposed Rate Revenue Increases</i>	2022-2023			2023-2024			7.5%
	6.0%	4.55%	6.0%	6.5%	7.00%	8.00%	
Minimum Rate	\$1,132	\$1,184	\$1,200	\$1,206	\$1,211	\$1,223	\$1,217
\$ Difference from prior year	\$64	\$52	\$68	\$74	\$6,737	\$91	\$85
No. of assessments	6,710	6,737	6,737	6,737	6,737	6,737	6,737
% of assessments on Minimum Rate	32.83%	33.21%	33.21%	33.21%	33.21%	33.21%	33.21%

Table 6 details the Capital Value, by land use, for all property classes as advised by the Valuer-General.

TABLE 6: CAPITAL VALUES BY LAND USE

Land Use	2023-2024 Capital Value \$000	\$ Increase/ (Decrease) \$000	% Increase/ (Decrease)	No of Assessments	Average Value \$000
Residential	16,908,342	1,577,282	10.29%	17,490	967
Commercial	3,120,743	688,468	28.31%	2,217	1408
Industrial	169,956	32,998	24.09%	142	1197
Vacant Land	287,954	107,272	59.37%	344	837
Other	452,887	68,367	17.78%	93	4870
Primary Production	962	240	33.24%	1	962
Non Rateable	454,868	41,404	10.01%	284	1602
Total	21,395,712	2,516,031	13.33%	20,571	1040
Total Rateable Value	20,940,844	2,474,627	13.40%	20,287	1032

Rating Policy

A review of the Council's Rating Policy has been undertaken, with particular focus on the eligibility criteria for Rate Capping Rebates.

Residential Properties

Pursuant to Section 166(1)(l)(ii) of the Act, the Council grants a rebate of General Rates, subject to certain eligibility criteria, to the principal ratepayer of a residential assessment, where that property is the principal place of residence and that the increase in the rates levied is a result of a rapid change in the property value.

For eligible residential ratepayers, the increase in general rates (excluding the Regional Landscape Levy) will be capped at two (2) times the rate revenue increase, subject to certain conditions.

The current eligibility criteria for the automatic rebate is any such increase in property value, in whole or part is not result of:

- (a) development greater than \$30,000 undertaken on the property, or
- (b) a change in land use for rating purposes on the date the Council declared its general rates; or
- (c) a change in the zoning of the land; or
- (d) a change in the ownership of the property since 1 January 2022.

Commercial Properties

Section 166(1)(l)(ii) of the Act also applies to Commercial properties and therefore, the Council can grant a rebate of General Rates for all properties on a specified land use basis.

As set out in Table 6 above and as advised by the Valuer-General, valuations for Commercial properties have increased by 28.3%.

This is a significant increase for Commercial properties and therefore, in addition to the General Rate Rebate for residential properties, the Council could, if it deems it to be necessary, consider adopting a General Rate Rebate for Commercial properties, given the increase in valuations.

Whilst a General Rate Rebate can be applied to Commercial properties, the Council has not previously applied a General Rate Rebate for Commercial properties.

For 2022-2023, the Capital Values increased (as advised by the Valuer-General) across the City by 23.4%, which was predominately driven by the increase in the Capital Value of residential properties of 27.2%.

The impact of this meant that the Average Rate Difference for Commercial properties for 2022-2023 was minus \$133.00, compared to the 2021-2022 Average Rate.

In addition, in 2021-2022, for the Commercial Land Use classification, the Capital Value increase was 1.5% on 2020-2021 valuations.

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 2023-2024 Financial Year and the proposed funding of those activities, the Draft Annual Business Plan has been prepared and is included in **Attachment B**.

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 7.5%. Upon finalisation of the Draft Budget through its "endorsement in principle," the Draft Annual Business Plan will be made available for citizens in May 2023. Submissions will be sought with interested citizens providing comments prior to or at the Public Meeting.

Following consideration of the submissions by the Council on 13 June 2023, the final 2023-2024 Annual Business Plan and the 2023-2024 Annual Budget will be presented to the Council for adoption at the Council Meeting to be held on 3 July 2023.

OPTIONS

The Council can endorse the 2023-2024 Draft Annual Business Plan and Budget as presented in this report or can choose to amend 2023-2024 Draft Annual Business Plan and Budget by either:

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

CONCLUSION

Through the adoption of the Long Term Financial Plan, the Council has committed to attaining and maintaining 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 2023-2024 Annual Business Plan and Budget as presented in **Attachment B**, will deliver an Operating Surplus of \$1,077,507 based on a 7.5% increase in Rate Revenue, however, the underlying Operating Result, excludes the share of Regional Subsidiaries.

Decisions regarding Rate Revenue will have future impacts on the Council's ability to deliver on the financial objectives and targets set out in its Long Term Financial Plan and while the Draft Budget as presented in this report is forecasting an Operating Surplus, the draft Budget, as presented is forecast to deliver a cash surplus of \$1,679,000 after taking into account borrowings of \$22m.

Notwithstanding this, the 'in-principle' adoption of the Draft 2023-2024 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.

COMMENTS

It should be noted that \$100,000 allocation for the 2024 AFL Gather Round, as approved by the Council at its meeting held on 1 May 2023, has not been included in the Draft Budget due to time constraints. This funding allocation will be factored into the calculations and its impact on the final Rate Revenue increase and its consequent impact on the average rate will be available at the Council meeting.

If Elected Members have any questions or require clarification in relation to specific budget items, and/or any issues raised in this report, please contact the General Manager, Governance & Civic Affairs, Lisa Mara, prior to the meeting.

RECOMMENDATION

That subject to further consideration of the Draft 2023-2024 Budget by the Council following the receipt and consideration of any public submissions in respect to the 2023-2024 Annual Business Plan:

- (a) 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.
 - (b) That an average residential rate increase of _____% be endorsed “in principle”.
 - (c) That an average commercial rate increase of _____% be endorsed “in principle”.
 - (d) That a rate cap on residential properties of two (2) times the rate revenue increase of 7.5% be adopted ‘in principle’ for the 2023-2024 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.
 - (e) That the Council endorses “in principle” Loan Borrowings for the 2023-2024 Financial Year up to a maximum of \$22 million for the purposes of funding Capital Expenditure.
 - (f) That the Draft 2023-2024 Annual Business Plan, as contained within Attachment B, be approved for release for public consultation subject to incorporation of any amendments which may be determined by the Council.
 - (g) That the Chief Executive Officer be authorised to make editorial changes to the Draft 2023-2024 Annual Business Plan, as contained within Attachment B, prior to it being released for public consultation.
-

Personal Explanation – Cr Grant Piggott

Cr Piggott sought leave of the meeting to make a Personal Explanation in relation to his email communication to Elected Members regarding the 2023-2024 Draft Annual Business Plan and Budget.

The meeting granted leave for Cr Piggott to make a Personal Explanation.

Cr Piggott provided his Personal Explanation.

Short Term Suspension of Proceedings

At 7.07pm, with approval of two-thirds of the Elected Members present, the Mayor suspended the meeting proceedings pursuant to Regulation 20(1) of the *Local Government (Procedures at Meetings) Regulation 2013*, for up to 60 minutes to enable informal discussion regarding the 2023-2024 Draft Annual Business Plan and Budget.

Resumption of Proceedings

The meeting resumed at 7.34pm.

Adjournment of Council Meeting

At 7.46pm Cr Sims moved:

That the Council meeting be adjourned to allow the General Manager, Governance & Civic Affairs to clarify the proposed average commercial rate increase percentages.

Seconded by Cr McFarlane and carried unanimously.

Resumption of Council Meeting

At 8.07pm the Council meeting resumed.

Cr Piggott moved:

That subject to further consideration of the Draft 2023-2024 Budget by the Council following the receipt and consideration of any public submissions in respect to the 2023-2024 Annual Business Plan:

- (a) That a Rate Revenue increase, of 8.5%, 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 5.25% be endorsed "in principle".*
- (c) That an average commercial rate increase of 21.18% be endorsed "in principle".*
- (d) That a rate cap on residential properties of two (2) times the rate revenue increase of 8.5% be adopted 'in principle' for the 2023-2024 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.*

Seconded by Cr Duke and carried unanimously.

Cr Piggott moved:

- (a) That the Council endorses "in principle" Loan Borrowings for the 2023-2024 Financial Year, up to a maximum of \$22 million for the purposes of funding Capital Expenditure and requests a report to its June 2023 meeting, setting out financial status and timing (including that considered beyond the 2023-2024 financial year) of all projects included in this Plan over \$750,000.*
- (b) That the Draft 2023-2024 Annual Business Plan, as contained within Attachment B, be approved for release for public consultation with the inclusion of information regarding capital spending (other than Whole of Life capital) committed to future financial years through progression of this Plan.*
- (c) That the Chief Executive Officer be authorised to make editorial changes to the Draft 2023-2024 Annual Business Plan, as contained within Attachment B, prior to it being released for public consultation.*

Seconded by Cr McFarlane and carried.

3. CLOSURE

There being no further business, the Mayor declared the meeting closed at 8.45pm.

Mayor Robert Bria

Minutes Confirmed on _____
(date)