

Special Council Meeting Minutes

14 April 2021

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

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VENUE Council Chambers, Norwood Town Hall

HOUR 7.00pm

PRESENT

Council Members Mayor Robert Bria
Cr Kester Moorhouse
Cr Evonne Moore
Cr Garry Knoblauch
Cr John Minney
Cr Carlo Dottore
Cr Kevin Duke
Cr Connie Granozio
Cr Scott Sims
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)
Scott Dearman (Project Manager, Assets)
Tina Zullo (Administration Officer, Governance & Community Affairs)

APOLOGIES Cr Mike Stock, Cr Fay Patterson

ABSENT Nil

1A. CONFIRMATION OF THE MINUTES OF THE COUNCIL MEETING HELD ON 6 APRIL 2021

Cr Dottore moved that the minutes of the Council meeting held on 6 April 2021 be taken as read and confirmed. Seconded by Cr Knoblauch and carried unanimously.

1B. DEPUTATIONS

**1B.1 DEPUTATIONS – 2021-2022 OPERATING AND CAPITAL PROJECTS BUDGET –
EXPENDITURE ON STREET TREE PLANTING**

REPORT AUTHOR: City Arborist
GENERAL MANAGER: General Manager, Urban Services
CONTACT NUMBER: 8366 4523
FILE REFERENCE: qA1041
ATTACHMENTS: Nil

SPEAKER/S

Ms Susan Raphael

ORGANISATION/GROUP REPRESENTED BY SPEAKER/S

Greening Joslin Group.

COMMENTS

Ms Susan Raphael has written to the Council requesting that she be permitted to address the Council in relation to the proposed expenditure on street tree planting in the Council's 2021-2022 Operating and Capital Projects Budget.

In accordance with the Local Government (Procedures at Meetings) Regulations 2013, Ms Susan Raphael has been given approval to address the Council.

Ms Susan Raphael addressed the Council in relation to this matter.

2. STAFF REPORTS

2.1 DRAFT 2021-2022 RECURRENT BUDGET

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA67879
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to present and obtain “in principle” endorsement of the Draft 2021-2022 Recurrent Budget.

BACKGROUND

Section 123(8) of *the Local Government Act 1999* (the Act), 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 2021-2022 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 new 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 of the Draft 2021-2022 Budget are presented to the Council for consideration at Agenda Item 2.2. The Draft 2020-2021 Annual Business Plan (which incorporates all components of the 2020-2021 Budget), will be considered at the Council Meeting scheduled on 3 May 2021.

The Draft 2020-2021 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 2021-2022 Annual Business Plan and supporting Draft 2021-2022 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 2021-20212Budget 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.

FINANCIAL AND BUDGET IMPLICATIONS

For the 2021-2022 Financial year, the 2021-2031 LTFP sets out a Recurrent Operating Deficit of \$437,000 million, based on a Rate Revenue increase of 4.6%.

To ensure that the Council can deliver on its financial objectives as set out in the Council's Long Term Financial Plan, the Draft Recurrent Budget should be developed within the budget parameters which were adopted by the Council at its meeting held on 21 January 2020 and on this basis, targets a Recurrent Operating Deficit in the order of \$219,000 (prior to factoring in any Rate Revenue increase).

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 at Agenda Item 2.2.

EXTERNAL ECONOMIC IMPLICATIONS

Given the current economic climate, as the State recovers from the impacts of the COVID-19 pandemic, the decisions made by the Council with respect to the draft 2021-2022 Budget and consequent rating decisions will have a financial impact on property owners and suppliers of goods and services to the Council. The level of impact will be dependent on the final decisions which the Council determines 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 draft 2021-2022 Budget will be impacted upon by the decisions of the Federal Government and State Government in handing down their respective budgets. The Federal Government Budget is scheduled to be handed down on 11 May 2021, with the State Budget scheduled to be handed down in June. At the time of writing this report, the date the State Budget is scheduled to be delivered is yet to be confirmed.

As a result, the Recurrent 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 of four (4) quarterly instalments, with the value of funding being indexed by 2%;
- Supplementary Road funding to South Australia will not be re-instated;
- 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 \$145 per tonnes; and
- no new fees and charges will be introduced.

Any adjustments to the Recurrent Budget arising from either the Federal or State Budgets will be incorporated when the information becomes available.

Notwithstanding this, the preparation of the Draft 2021-2022 Annual Business Plan and Budget will be 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**

An overview of the Draft 2021-2022 Recurrent Budget was provided to Elected Members at an Information Briefing held on 17 March 2021.

- **Community**

As a result of the COVID-19 pandemic, the requirement to hold a public meeting in respect of the draft Annual Business Plan and budget was suspended as per the *Public Access and Public Consultation Notice (No 2) 2020* (the "Notice"). The provisions of the Notice are still in place, therefore the Council is not required to hold a public meeting for the purpose of receiving feedback and comments on the Draft 2021-2022 Annual Business Plan and Budget.

Should the Council wish to hold a Public Meeting, the Council must pass a resolution to hold a public meeting. Notwithstanding this, the community will be provided the opportunity have input into the Draft 2020-2021 Recurrent Budget through public consultation on the Draft Annual Business Plan, which is scheduled from Wednesday 12 May 2021 through to 1 June 2021.

- **Staff**

The preparation of the Draft 2021-2022 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 2020-2021 Recurrent Budget is based on the continuation of existing services and priorities, as determined by the Council, being appropriately resourced and 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.

The key driver therefore is to develop a Recurrent 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 and equitable manner and to ensure that future financial shocks 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.

Budget Parameters/Assumptions

As in previous years, at this stage of the process 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 of the Draft Budget and considered the proposed initiatives (Operating Projects) to be introduced or undertaken during 2021-2022.

In developing the Draft 2021-2022 Recurrent Budget, the following principles and assumptions have been applied:

- the Recurrent Operating Budget be prepared based on the provision of existing services, programs and activities;
- the cost escalation for Material, Contracts and Other Expenses has been set at a maximum of 1.5%;
- Wages and Salaries increases are based on the Council's Enterprise Agreements; and
- fees and charges not set by Legislation are increased by 1.75% at a minimum.

The Target Recurrent Operating Deficit (which has been determined by reference to the 2021-2031 LTFP and the budget parameters endorsed by the Council), prior to any Rate Revenue increase, is \$219,000.

2021-2022 Recurrent Budget Overview

The Draft 2021-2022 Recurrent Budget provides for an Operating Deficit, before Rate Revenue increases and Operating Projects, of \$398,000. A copy of the Draft Recurrent Budget is contained in **Attachment A**.

The key components of the Target Budget compared to the Draft 2020-2021 Recurrent Budget, excluding rate revenue, are shown in Table 1 below:

TABLE 1: 2021-2022 DRAFT BUDGET vs 2021-2022 TARGET BUDGET

	2021-2022		Variance Fav/(Unfav) \$'000	Variance Fav/(Unfav) %	LTFP \$'000
	Draft Budget \$'000	Target Budget \$'000			
Rate Revenue *	36,493	36,493	0	0.00%	36,257
Non Rate Revenues	8,615	8,819	(204)	(2.3%)	8,856
Interest Income	111	113	(2)	(1.8%)	113
Total Income	45,219	45,425	(206)	(0.46%)	45,225
Recurrent Expenditure					
Employee Expenses	16,116	16,287	171	1.1%	15,961
Contracts, Material & Other Expenses	18,131	18,059	(72)	0.4%	18,403
Finance Costs	730	773	43	5.6%	773
Depreciation	10,640	10,525	(115)	(1.1%)	10,525
Total Expenditure	45,617	45,644	27	0.01%	45,662
Recurrent Operating Surplus	(398)	(219)	(178)		(437)
Recurrent Operating Surplus Ratio	(0.88%)	(0.48%)			(0.97%)

It should be noted that Finance Cost's detailed in Table 1 above, are based on the interest cost on existing borrowings. The extent of new borrowings which are required and the subsequent financing costs, will be determined once the 2021-2022 Capital Expenditure Budget has been finalised and endorsed by the Council.

In setting the general parameters for the preparation of the Draft 2021-2022 Budget, the Council endorsed budget parameters which set the maximum combined increase in the overall budget of 1.75%. Overall, the Recurrent Operating Expenditure compared to the 2020-2021 Adopted Recurrent Budget, exclusive of Ownership Costs is 1.4%.

It should be noted that the Draft Recurrent Budget as presented in this report includes the transfer of funding associated with the following Operating Projects, which in line with the Council's Budget Policy are recommended for inclusion in the Recurrent Budget.

- *Melodies in the Park* and *Symphonies in the Park* (\$40,000).
- *Movie on the Oval* (\$7,000)
- Youth Arts Program (\$19,000)

The Concert in Park events and Youth Arts Program have been well supported by the Community since their introduction and therefore it is recommended that these programs be included as part of Recurrent Budget.

In addition, while not being in-place for three (3) years, due to the nature of the expenditure, it is recommended that the following items, which were part of the 2020-2021 Projects Budget be included in the Recurrent Budget:

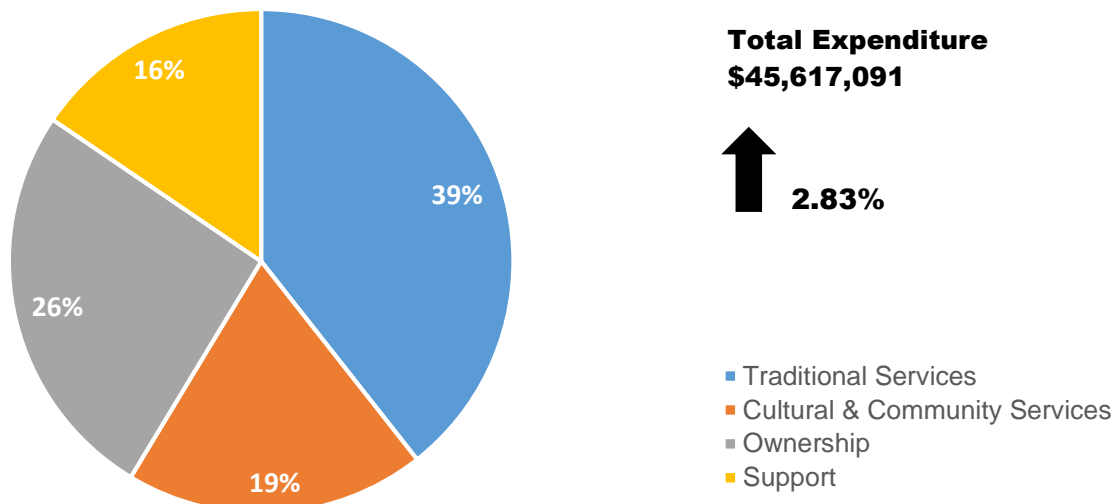
- Traffic Engineer and Traffic & Integrated Transport Investigations (\$224,000)
- On-going system support and licencing for Electronic Document Management System (\$40,000)

It should be noted, the 2021-2031 LTFP included an allowance for the abovementioned items.

The total recurrent expenditure is \$45.617 million, with just over \$34.247 million (74%) of the total expenditure being more readily influenced by the decisions made as part of the budget process. The remaining \$11.4 million (26%) of expenditure relates to Ownership costs, which are a result of past investment decisions in respect to the upgrading existing assets or building new assets. While the level of expenditure cannot be influenced or changed in the current year, the future ownership costs are influenced by the decisions made in respect to the amount of expenditure incurred in 2021-2022 on investment in new and upgraded assets.

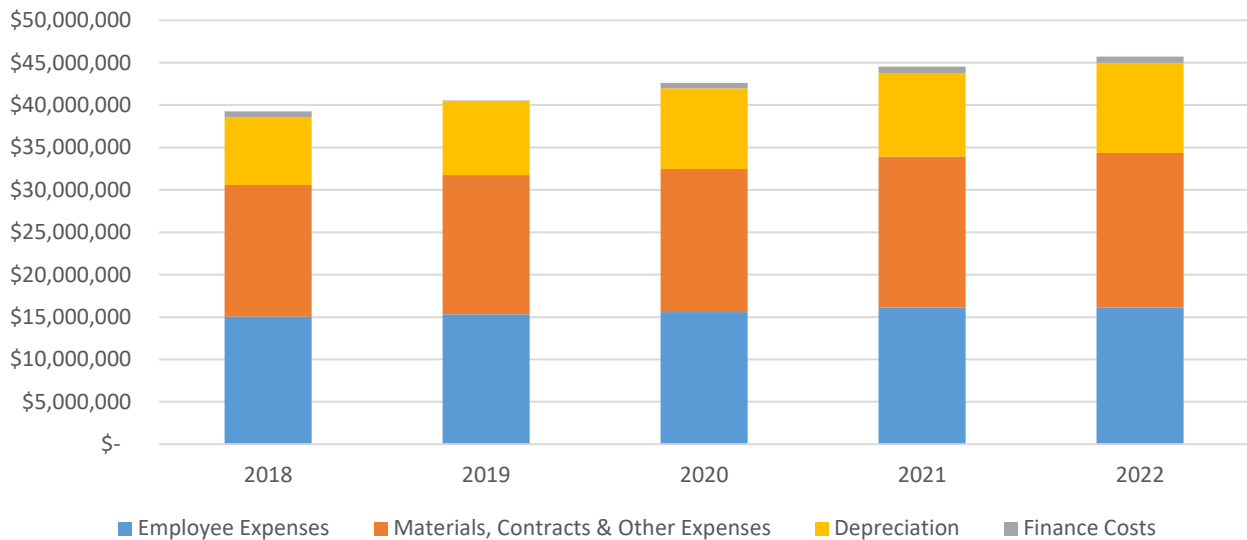
As detailed in Figure 1 below, services, programs and activities delivered through the Recurrent Budget, can be classified into *Traditional Services*, which are the provision of a range of services, programs and infrastructure to meet the needs and expectations of the community. A number of these services are the responsibility of the Council by virtue of the requirements 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, expectation and/or needs. Together, these services represent 59% (\$25.8 million) of the draft Recurrent Budget. These services, programs and activities are supported by the Councils' *Governance and Administration* structure. These support services represent 16% (\$6.8m) of the draft Recurrent Budget. The final component of the Recurrent Budget is Ownership Costs (\$11.4m). These costs are being now incurred as a result of past investment decisions in long term assets and as such the Council has little influence over the value of these costs for the current year. The Council can however influence future costs associated with the decision that are made with respect to the level of capital investment in new and upgraded assets when considering the 2021-2022 Projects Budget.

FIGURE 1: COMPONENTS OF DRAFT RECURRENT BUDGET



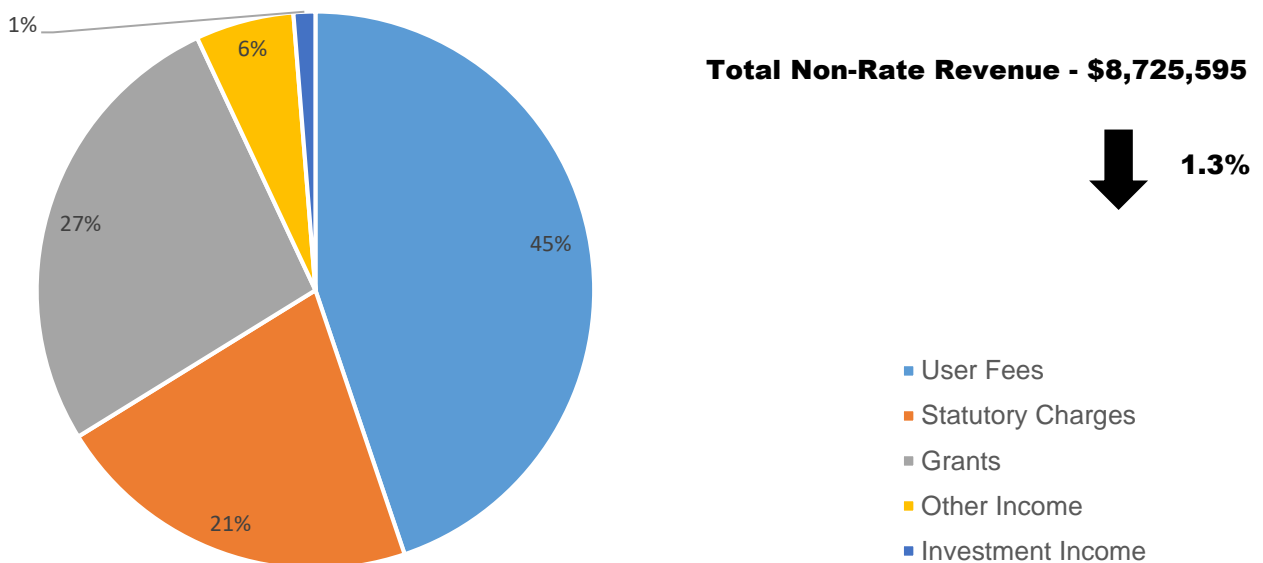
The cost elements of the Recurrent Budget as detailed in Figure 2 below, are Employee Expenses, which represent 35%, Material, Contracts & Other Expenses, which represent 40%, Depreciation which represents 23% and Finance Costs (excluding any new borrowings) which represent 2% of the total draft Recurrent Budget. Over the past five years, Material, Contracts & Other Expenses and Finance costs, as a percentage of the total recurrent budget have been consistent, where as Employee Expenses have been decreasing from 38% of the total budget to 35% and ownership costs increasing from 20% to 23% of the total Recurrent Budget. The overall Recurrent Budget increase for 2021-2022 is 2.83%, with the increase being driven predominately by depreciation expense.

FIGURE 2 : COST ELEMENTS



Rate revenue is the Council's major source of income and funds in the order of **80%** 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 charges, Hire and Lease fees associated with Council facilities, HACC Services; Grant Income (27%) and Statutory Charges (21%) which incorporates Dog Registration fees, Parking Infringements, Residential Parking permits, Planning & Development fees, Hoarding Licences, Outdoor Dining permits. Non-rate revenue represents 20% of the Council's total revenue, with the \$8.726 million being factored into the draft Recurrent Budget.

FIGURE 3: 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 being generated 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 set out in 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 Notices is the main source (57%) of Statutory Charges Income.

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

TABLE 2 – DRAFT 2021-2022 RECURRENT BUDGET BY FUNCTION

Function	Expenditure	Income	Net Operating Surplus / (Deficit)
General Rates	1,632,150	36,365,953	34,773,803
Traditional Service	17,325,344	3,091,657	(14,233,687)
Infrastructure Management	4,824,609	365,000	(4,459,609)
Trees Parks, Sport & Recreation	4,310,574	622,282	(3,688,292)
Waste management	4,400,346	43,000	(4,357,346)
Economic Development, Regulatory Services, Environment & Planning	3,789,815	(2,061,375)	(1,728,440)
Cultural and Community	8,472,435	4,541,188	(3,931,247)
Community Events, Arts & Heritage	930,139	8,000	(922,139)
Libraries & Community Facilities	4,683,752	3,696,178	(987,574)
Community Services Health Aged & Youth Services	2,858,544	837,010	(2,021,534)
Governance, Administration & Communications	6,817,157	1,111,750	(5,705,407)
Governance	1,956,749	300,000	(1,656,749)
Administration	4,270,437	791,750	(3,478,687)
Communications	589,971	20,000	(569,971)
Ownership & Financing	11,370,005	108,500	(11,261,505)
Total	46,617,091	45,219,048	(398,043)

Additional information relating to the Draft 2021-2022 Recurrent Budget by Function is contained in **Attachment B**.

Public Meeting

Pursuant to S123(4)(a)(i)A of the *Local Government Act 1999*, the Council's Public Consultation Policy must provide for a Public Meeting to be held in relation to the draft Annual Business Plan and Budget. However, due to the COVID-19 pandemic, the requirement to hold a public meeting in respect of the draft Annual Business Plan and Budget was suspended as per the *Public Access and Public Consultation Notice (No 2) 2020* (the "Notice"). The Notice remains in force, therefore the Council is not required to hold the public meeting as required by S123 of the Act. However, while the Notice remains in place, the Council can determine to hold a Public Meeting in relation to the 2021-2022 Draft Annual Business Plan and Budget. To do so, the Council must resolve that it will hold a Public Meeting as part of the Annual Business Plan and Budget process. It is recommended that the Council to hold a Public Meeting for the purpose of receiving feedback and comments on the Draft 2021-2022 Annual Business Plan and Budget.

OPTIONS

The Council has the following options in respect to the consideration of this matter;

- endorse 'in principle' the Draft 2021-2022 Recurrent Budget as contained in **Attachment A**; or
- amend the Draft 2021-2022 Recurrent Budget as contained in **Attachment A**, as determined by the Council.

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 18 January 2021.

CONCLUSION

The draft Recurrent Budget as presented in this report is based on the Council continuing to deliver its existing services, program and activities.

To ensure that a responsible budget is set, the Council has adopted a series of Budget Parameters, to guide Council Staff in preparing their respective budget estimates. As detailed in this report, the Draft 2020-2021 Recurrent Budget has been delivered with reference to these guidelines and where the parameters have not been achieved, the reasons have been provided.

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 2021-2022 Recurrent Budget, as contained in Attachment A, be endorsed "in principle", subject to the presentation and adoption of a consolidated report for the Council's consideration on the 2021-2022 Annual Business Plan and Budget.
2. That, notwithstanding the terms of the Community Consultation Policy (as modified by the making of the Public Access and Public Consultation Notice (No.2) 2020) the Council determines that it will hold a Public Meeting as part of its consultation activities with respect to the draft 2021-2022 Annual Business Plan and Budget.
3. That the Chief Executive Officer be authorised to:
 - a. arrange for the Public Meeting to be held;
 - b. provide notice to the public of the Public Meeting in such manner and form as determined by the Chief Executive Officer; and
 - c. cancel entirely or defer the holding of the Public Meeting in the event it cannot be accommodated in line with relevant State Government public health/emergency directions, regulations or legislation related to COVID-19.

Cr Dottore moved:

1. *That the Draft 2021-2022 Recurrent Budget, as contained in Attachment A, be endorsed "in principle", subject to the presentation and adoption of a consolidated report for the Council's consideration on the 2021-2022 Annual Business Plan and Budget.*
2. *That, notwithstanding the terms of the Community Consultation Policy (as modified by the making of the Public Access and Public Consultation Notice (No.2) 2020) the Council determines that it will hold a Public Meeting as part of its consultation activities with respect to the draft 2021-2022 Annual Business Plan and Budget.*
3. *That the Chief Executive Officer be authorised to:*
 - a. *arrange for the Public Meeting to be held;*
 - b. *provide notice to the public of the Public Meeting in such manner and form as determined by the Chief Executive Officer; and*
 - c. *cancel entirely or defer the holding of the Public Meeting in the event it cannot be accommodated in line with relevant State Government public health/emergency directions, regulations or legislation related to COVID-19.*

Seconded by Cr Sims and carried unanimously.

2.2 2021-2022 OPERATING AND CAPITAL PROJECTS BUDGET

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 83664585
FILE REFERENCE: qA67879
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to provide for the Council's consideration and "in principle" endorsement, the Operating and Capital Projects Budget components of the Draft 2021-2022 Budget (the Draft Budget).

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 Annual Business Plan and make it available for public consultation.

The Draft 2021-2022 Recurrent Budget which was considered by the Council at Agenda Item 2.1, projects an Operating Deficit of \$398,000, on a full accrual basis, prior to taking into account any increase in Rate Revenue and Operating Projects.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's long term strategic direction is outlined in *City Plan 2030: Shaping our Future*. The Draft 2021-2022 Annual Business Plan and supporting Draft 2021-2022 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.

In determining the services and projects which are to be proposed to be provided or delivered in 2021-2022, the Council must ensure that they will assist in delivering on its Long Term Strategic directions and financial objective set out in the LTFP, *Infrastructure and Asset Management Plans* and *City Plan 2030 – Shaping our Future*.

FINANCIAL AND BUDGET IMPLICATIONS

In developing the Draft 2021-2022 Projects Budget, consideration has been given to the appropriateness and merit of the each proposal, the operational need and the available resources to undertake or manage the various projects and initiatives. In undertaking the assessment, each project was scored against a Project Ranking Matrix which takes into account the serviceability of the existing assets, the risk associated with the project, the relevance to the Council's Strategic outcomes (ie as contained in *City Plan 2030*) and existing strategies and plans and whether the project proposal had been identified within the Council's Long Term Financial Plan.

The 'in-principle' endorsement of the Draft Project Budget as presented in this report, will result in a Draft 2021-2022 Budget (prior to the incorporation of any Rate Revenue increases) which will deliver an Operating Deficit of \$957,745 and a Net Surplus (after capital income) of \$3.258 million.

It should be noted that the Draft Budget Operating Surplus includes \$362,000 from the Federal Governments Roads-to-Recovery Grant Funding Program. In respect to this Program, the Council receives funding annually from the Federal Government under the Roads-to-Recovery Program to undertake works over and above the Councils existing Civil Infrastructure Capital Works Program. For 2021-2022, it is proposed that the Roads-to-Recovery funding will be utilised to undertake the reconstruction of Battams Road, from Addison Avenue through to Second Avenue.

EXTERNAL ECONOMIC IMPLICATIONS

Given the current economic climate as the state recovers from the impacts of the COVID-19 pandemic, the decisions made by the Council with respect to the draft 2021-2022 Budget and rating decisions 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 draft 2021-2022 Budget may be impacted by the decisions of the Federal Government and State Government in handing down their respective budgets. The Federal Government Budget is scheduled to be handed down on 11 May 2021, with the State Budget being handed down in June. At the time of writing this report the date for the handing down of the State Budget dates is yet to be confirmed.

As a result the draft Budget presented in this report, has been developed on the following assumptions:

- that Financial Assistance Grants, comprising of the General Assistance Grant and the Road Funding Grant, will be provided based on the current funding arrangements of four (4) quarterly instalments, with the value of funding being indexed by 2%;
- supplementary Road funding to South Australia will not be re-instated;
- 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 \$145 per tonnes; and
- no new fees and charges will be introduced.

Adjustments to the Recurrent Budget arising from either the Federal or State Budgets will be incorporated when the information becomes available.

Should these assumptions and other decisions upon which the Draft 2021-2022 Budget is based not eventuate, there is a possibility that the Council will not be in a position to deliver its proposed operating initiatives and projects or the budgeted Operating result.

Notwithstanding the uncertain times that are currently being faced, the preparation of the Annual Business Plan and Budget has been prepared to ensure the Council meets its legislative responsibilities in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

COVID-19 IMPLICATIONS

As part of the economic recovery from the COVID-19 pandemic, the State Government released a number of funding programs aimed at stimulating the economy through infrastructure spend. The Council has submitted a number of grant applications to the State Governments *Open Space and People for Places Grant Funding Programs* and *Grassroots Facilities Program*.

The applications which have been submitted include a funding application for \$1 million to assist with the Burchell Reserve Upgrade Project. In line with the endorsed LTFFP, a funding submission has been included in the draft 2021-2022 Capital budget for the upgrade of Burchell Reserve for \$2.6 million. As the outcome of these funding applications are yet to be determined, the grant income has not, at this stage, been included in the draft Budget.

In addition, funding applications have been submitted for a number of infrastructure improvement projects which are also not currently included in the Draft Capital Budget. These projects have been determined based on the potential projects which have been identified in future years of the long Term Financial Plan and Infrastructure and Asset Management Plans. The estimated capital cost of these projects is in the order of \$9.775 million. Projects where grant funding applications have been submitted under the various grant programs are detailed in Table 1 below:

TABLE 1: PROJECT FUNDING APPLICATIONS

Project Name	Project Description	Project Cost	Funding Sought
The Parade Stage 1 Construction	The Parade Stage 1 Construction Project sought funding to implement Stage 1 of the Masterplan by undertaking the detail design and construction for the section of The Parade located between Osmond Terrace and Sydenham Road.	\$5,000,000	\$2,500,000
<i>Open Space & Places for People Program</i>			
Dunstan Adventure Playground Redevelopment	The Dunstan Adventure Playground is identified in a number of the Council's strategic documents as one of four Regional Level Playgrounds within the City of Norwood Payneham & St Peters. The intent of the Project is to design and construct a new Playground, whilst maintaining some of the key elements that are well loved by the broader Adelaide community. In addition, the Project includes; <ul style="list-style-type: none"> • the redesign of the current carpark • new toilet block and • fixed shade structures. 	\$1,000,000	\$450,000
<i>Open Space & Places for People Program</i>			

Project Name	Project Description	Project Cost	Funding Sought
River Torrens Linear Park Shared Path Enhancement – Stage 2	The reconstruction of the shared path along the River Torrens Linear Park between the intersection of Battams Road/Ninth Street Royston Park and Twelftree Reserve, Collage Park, encompassing a section of the path that passes through Dunstan Adventure Playground. The project will deliver a 2.6 km, 3.0-3.5 metre wide shared path with compliant LED lighting. The intent of the project is to increase pedestrian and cyclist capacity whilst improving safety and accessibility for all ages and abilities. This is a continuation of Stage 1 of the River Torrens Shared Path enhancement Project which was completed in 2019.	\$2,975,000	\$1,350,000
<i>Open Space & Places for People Program</i>			
Cruickshank Reserve Facilities Upgrade	Cruickshank Reserve, located in Maylands, contains the 'Maylands Sports Centre' comprising tennis and netball playing courts, a small building (31 sqm) with a clubroom/kitchen area and toilets, a veranda and storage shed. The Project proposes the demolition of the existing building, veranda and storage shed and the construction of a new multipurpose building to support tennis, netball and other recreation activities at the Reserve. The Council will co-fund and manage the delivery of the new multipurpose building at Cruickshank Reserve.	\$800,000	\$400,000
<i>Grassroots Facilities Program</i>			
Total		9,775,000	4,700,000

Given the nature of the projects listed above, it is anticipated that project delivery will be undertaken across two (2) financial years, therefore should the Council be successful in securing grant funding for these applications, the net increase to the Councils Draft Capital Program would be between \$2.5 million and \$4.7million.

CONSULTATION

- **Elected Members**

An overview of the Draft 2021-2022 Recurrent Budget was provided to Elected Members at an Information Briefing held on 17 March 2021.

An overview of the Draft 2021-2022 Operating and Project Budgets was provided to Elected Members at an Information Briefing held on 30 March 2021.

- **Community**

The community will be provided with an opportunity have input into the Draft 2021-2022 Budget through public consultation on the Draft Annual Business Plan, which is scheduled from Wednesday 12 May 2021 through to 1 June 2021.

- **Staff**

The preparation of the Draft 2021-2022 Recurrent Budget and Operating and Capital Projects has been completed with the involvement of the Chief Executive Officer, General Managers and Council staff responsible for budget management and the various projects and initiatives.

- **Other Agencies**

Not Applicable.

DISCUSSION

2021-2022 Proposed Operating Projects

The Draft Budget, as presented, incorporates Operating Projects to the value of \$742,000 exclusive of 2020-2021 carry forwards.

The proposed Operating Projects for 2021-2022 have been broken down into a number of categories as detailed in Table 2 below:

TABLE 2: OPERATING PROJECT CATEGORIES

Operating Project Category	2021-2022 Proposed Operating Projects \$
Proposed New Projects arising from	
• Council resolutions	25,000
• Proposals submitted by Elected Members	200,000
• New Projects	163,500
• Regular/Recurring Project approved in prior years	214,500
• Council Administration, Policy and Council Plans	139,000
Total Operating Projects Expenditure	742,000

In addition to the new Operating Projects, there are a number of Operating Projects that were adopted as part of the 2021-2022 Budget, that are not anticipated to be completed by 30 June 2020. Based on the 2020-2021 Mid-year Budget Review, the Operating projects to be carried forward and completed during the 2021-2022 Financial year are valued at \$180,000 and will be funded by cash reserves.

Details of the recommended Operating Projects to be included in the Draft Budget are contained in **Attachment A**.

In undertaking the assessment of the proposed operating projects, the following projects are not supported to be included within the Draft 2021-2022 Operating Projects Budget. The projects and the reasons for not supporting the funding submission are detailed below.

Additional Street Tree Planting (\$200,000)

The *Additional Street Tree Planting* proposal seeks to increase the number of street trees planted each year to 700, an annual increase of 400 street trees per year to increase the tree canopy across the City.

As part of the Recurrent Budget, the Council plants a total of 300 street trees per year. As part of the 2018-2019 Budget, the Council committed to an *Additional Street Tree Planting Program*, which encompassed an additional 100 street trees being planted each year over a period of three (3) years, with 2020-2021 being the final year of this current program. These plantings are additional to trees which are planted in reserves and are in addition to the 300 street trees currently planted annually as part of the Council's standard Street Tree Planting Program. In assessing the *Additional Street Tree Planting Program*, consideration was given to the increase in the number of street trees that could be maintained within the existing resources of the Council.

While it is noted that the objective of the proposal is in-line with the *CityPlan 2030* target of planting a minimum of 500 new trees per year in streets and/or public spaces, the emphasis of the proposal is on increasing the number of street trees only, as such the submission is not supported in its current form.

A significant increase in the annual number of new street tree plantings over and above the planned program, which for the 2020-2021 is set at 400 trees, will have substantial financial implications beyond the cost of planting the new trees, as the planting of trees also require an increase in resources which are required successfully establish and maintain the tree stock, and in particular the watering required for the first three (3) years to ensure the trees survive. The implications of the increase in the number of street trees on additional Council services such as street and footpath sweeping, footpath maintenance and stormwater issues, the opportunity cost of diverting as well as the increased level of development within the City needs to be understood and taken to account when determining the appropriate increase in the number of street trees that should be planted each year.

With respect to the *CityPlan 2030* target of planting a minimum of 500 new trees per year in streets and/or public spaces, given the Burchell Reserve upgrade and St Peters Street Upgrade planned to commence in 2021-2022 and the future reserve and streetscape upgrades planned in the LTFP, the Council will deliver on this target over the next few years.

In addition, it must be recognised that there is insufficient public land within the City to meet the 30 Year Plan for Greater Adelaide and as such, the Council needs to consider other initiatives which encourage the planting and maintaining of trees on private land.

It is therefore recommended that the Council consider extending the existing *Additional Street Tree Planting Program* of 100 Street trees per annum, with consideration of any further increases in the number of street trees being planted coinciding with the replacement of the water truck, which is due for replacement in 2026-2027. A staged approach, together with working with the community and developers to increase tree planting on private land, will allow efficiencies to be built into the maintenance programs and analysis of alternative watering options, such as irrigation and tree-net inlets, to be undertaken so that there is a marginal increase in on-going maintenance costs rather than a step increase, which would require an significant rate revenue increase to meet the additional costs.

Tour Down Under (\$105,000)

The Council has been a regular participant in the *Tour Down Under* by hosting a number of Stage starts and the associated *Norwood on Tour Street Party*. Due to the COVID-19 pandemic, the 2021 Tour Down Under was cancelled, with the State Government hosting a domestic cycling event in its place.

To date, the Council is yet received any communications that the 2022 Tour Down Under will be held in January 2022. As such, it is recommended that the funding submission be excluded from the 2021-2022 Operating Projects Budget. Should the *Tour Down Under* be held and the Council be selected Interest to host a stage and associated event, a funding submission will be presented to the Council for consideration as part of the regular Budget Reviews.

Details of the Operating Projects recommended **not** to be included in the Draft Budget are contained in **Attachment C**.

Budgeted Capital Projects

The Draft 2021-2022 Budget, as presented, incorporates Capital Projects to the value of \$ 20.126 million exclusive of 2020-2021 carry forwards and staff costs of \$1.035 million which are capitalised (ie staff involved in the delivery of the projects involving physical assets) and included in the final asset cost.

This expenditure is offset by Capital Funding which incorporates grants and other revenues to the value of \$4.088 million, which results in a net cost to Council of \$16,038 million (exclusive of capitalised salaries, which are estimated to be in the order of \$1.035 million). The proposed Capital Projects for 2020-2021, have been broken down into a number of categories as detailed in Table 3 below:

TABLE 3: CAPITAL PROJECT CATEGORIES

Capital Project category	2021-2022 Proposed Capital Projects \$
Whole-of-Life Capital Works Program	
* Road Resealing	3,489,234
* Footpath Reconstruction	976,259
* Kerb Reconstruction	1,686,440
* Stormwater Drainage Program	3,846,000
Other Asset Renewal and existing Asset Upgrades	3,637,537
New Asset Upgrades	6,085,100
Quadrennial Art Project *	110,620
Elected Member Proposals	157,000
Council Administration, Policy and Council Plans	138,440
Total Capital Projects Expenditure	20,126,630
Capital Funding	4,088,347
Net Cost	16,038,283

It should be noted, that while the Council's *Public Art Policy* states the Council will ensure the adequate and on-going funding of public art through the creation of a reserve fund where the equivalent of 1% of the Capital Works Budget (Civil Infrastructure Capital Works Program and Drainage Infrastructure Works Program) or \$50,000, whichever is the greater amount, is set aside annually for the purpose of funding a commissioned art work during the term of each Council, the *Public Art Policy* also states that the funding allocation is subject to annual budget deliberations.

Based on the application of the 1% of the Capital Works Program, as per Public Art Policy, and the forward estimate of the Capital Works Program as set out in the Long Term Financial Plan, by November 2022, the Council will have provided a total of \$366,000 to undertake the Quadrennial Art Installation.

As part of the COVID-19 Stimulus packages provided by the Federal and State Governments, the Council has been successful in securing grant funding for two of the major projects in which committed to through the Council's adoption of the *Infrastructure and Asset management Plans* and *Long Term Financial Plan* in January 2021. Under the terms of the Funding Agreements, the projects must commence during the 2021-2022 Financial year and be completed within two (2) years.

The projects where grant funding applications have been successful and have been included in the draft 2021-2022 Capital Projects Budget are set out in Table 4 below. It should be noted, that these projects are scheduled to be completed over two (2) financial years, as such, an estimate of the expenditure to be incurred in the 2021-2022 financial year is included in the draft Capital Works Program, as opposed to the full Project Estimate.

TABLE 4: PROJECTS FUNDED BY GRANT FUNDING

Project Name	Project Description	Project Cost	Funding Secured
St Peters Street Upgrade	This project builds on the recent upgrades to the St Peters Precinct, which included Linde Reserve-Dunstone Grove, the St Peters Town Hall Complex and the Avenue of Honour from Payneham Road to Second Avenue. Once completed, St Peters Street will provide improved amenity and connection between the River Torrens Linear Park and other major focal points within the Precinct.	\$4,500,000	\$1,270,000

The key features proposed include:

- a reduction in the overall paved road width;
- improved amenity and accessibility for pedestrians and cyclists;
- wider footpaths;
- new tree planting and landscaping, including Water Sensitive Urban Design (WSUD) elements
- revitalised central median
- improved local stormwater management, with seasonal stormwater detention at Cliff Goodwin Reserve
- improved access and amenity of the open space adjacent to Eighth Avenue and the St Peters Billabong

The funding requested enables the implementation of the Concept Plan, endorsed by the Council in 2019-2020.

Project estimates includes civil infrastructure renewal works and stormwater drainage works to the value of \$1.5 million. These elements have been accounted for in the recently adopted *Infrastructure & Asset Management Plans*.

The Project is scheduled to be delivered over two financial years, with the estimated spend being incurred as follows:

- 2021-2022 - \$1.970 million
- 2022-2023 - \$2.530 million

The Council has secured \$1.270 million as part of the Federal Governments *Local Government and Community Infrastructure Program Extension*.

Project Name	Project Description	Project Cost	Funding Secured
Payneham Memorial Swimming Centre	<p>The full redevelopment of the Payneham Memorial Swimming Centre, as per the Council's <i>Swimming Centres Strategy</i> and endorsed Concept Plans.</p> <p>The key features proposed include:</p>	\$24,000,000	5,600,000

- refurbishment of the main 50 metre pool in its current location with provision for a roof to be constructed at a later date;
- replacement of the existing gravity fed sand filtrations system, with a new Neptune Defender Filtration System;
- new Plant Room to service the 50m Pool, new 25m Pool and the Aquatic Recreational Equipment and Facilities;
- new semi-enclosed eight lane 25 metre outdoor Lap Pool and Learn to Swim Pool with all-weather lid;
- new two (2) storey sports and leisure centre providing pool facilities, administration, and café, gym/dry pool training space, clubrooms and multi-use function areas, available for hire;
- new leisure pools with interactive water play and high platform water slides integrated with the building;
- zero depth splash pad;
- the installation of shade, barbeques and picnic facilities on grassed embankment.

The Council has secured \$5.6 million in grant funds to assist in funding the water elements of the project with the Council required to fund at a minimum \$5.6m to match the grant funding.

The refurbishment of the 50 metre pool and replacement of the existing gravity fed sand filtrations system, with a new Neptune Defender Filtration System, are excluded from the Grant Funding project Scope as the funding guidelines do not allow for this work as the Council has included a funding allocation for this in its Budget .

The project is scheduled to be delivered over two financial years, with the estimated spend being incurred as follows:

- 2021-2022 - \$ 3.0 million
- 2022-2023 - \$21.0 million

Building and dry land elements, such as shade structures, barbeques and picnic facilities on grassed embankment are unfunded at this stage.

The Council has secured \$5.6 million as part of the State Governments' *Local Government Infrastructure Partnership Program*.

As previously advised, the Council has also sought funding to assist with the Burchell Reserve Upgrade Project. This projects involves the refurbishment of Burchell Reserve including new community tennis courts, seating, refurbished toilets and landscaping that would create a gathering point for the community and encourage social interaction.

The key features proposed include:

- a multipurpose court featuring two (2) community tennis courts, basketball and netball rings
- new toilets, shelter, barbeque and picnic facilities;
- play-space improvements and new equipment;
- new furniture, lighting and fencing;
- a ramp access to/from Sixth Avenue and internal paths;
- new tree planting and landscaping, including WSUD elements; and
- on-site stormwater detention, cleaning and reuse.

This project is estimated to cost \$2.6 million and is scheduled to be delivered over two (2) financial years. The project scope includes the diversion of stormwater from Stephen Terrace to reduce the risk of downstream flooding. The diverted stormwater will be detained in an underground tank within reserve and utilised for water sensitive urban design. The cost of the stormwater drainage works are estimated at \$1 million and have been incorporated within the Stormwater Drainage Program set out in the *Stormwater Drainage Asset Management Plan*, adopted by the Council at its meeting held on 18 January 2021.

In addition to the new Capital Projects, there are a number of Capital Projects that were adopted as part of the 2020-2021 Budget, that are not anticipated to be completed by 30 June 2020. Capital projects to be carried forward and completed during the 2020-2021 Financial year are valued at \$2.051 million with the major projects carried forward being:

- The Parade Scramble Crossing and George Street Upgrade (\$800,000) (This has been delayed due to the current litigation associated with the Scramble Crossing);
- Parade Median Streetscape Upgrade and Parade Masterplan (\$450,000); and
- Quadrennial Art Project (\$146,742).

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 with any associated loan borrowings. Grant income which is received relating to Capital Projects, however, is included as Capital Income within the Budgeted Statement of Comprehensive Income after the Operating Surplus/ (Deficit) as required by the Model Financial Statements prescribed by the *Local Government Act 1999*.

A summary of the 2021-2022 Proposed Capital Projects are contained in **Attachment A**.

Attachment B contains the detailed Funding Submissions for all Project Proposals, both the Operating and Capital Projects which have been included in the Draft Budget.

Borrowings

Proposed capital expenditure, as detailed in **Attachment A**, is \$20.126 million (inclusive of Roads-to-Recovery project) is proposed to be funded as follows:

Use of depreciation recovered through rate revenue	\$10,525,000
Roads to Recovery Funding	\$362,000
Grant Funding and other capital funding	\$4,216,000
Borrowings	\$5,023,000

In determining the timing and the level of borrowings 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.

Given the nature of the major projects to be undertaken over the next two financial years, to minimise the interest costs and debt servicing needs, it is recommended that the Council utilise the Discounted Cash Advance Facilities in place to fund the cashflow required during the construction phases as opposed to the utilisation of the standard fixed period debenture loans.

Overview of Budget Position

Table 5 below sets out the Draft Operating Surplus, prior to the incorporation of Rate Revenue increases. The Council's Operating Surplus/Deficit position before Capital Income is determined by combining the Draft 2021-2022 Recurrent Budget and Operating Projects Budget. Capital Income is defined as grants and subsidies received to fund specified Capital Projects, gains and losses on disposal of assets or direct contributions of physical assets.

The Draft Operating Deficit of \$957,745 is based on a Recurrent Operating Deficit of \$398,043, an Operating Deficit related to 2021-2022 Operating Projects of \$379,702 (inclusive of Roads to Recovery Funding of \$362,298) and an Operating Deficit of \$180,000 from 2020-2021 Carried Forward Operating Projects. With the exception of the fees charged for the provision of services, it should be noted that the councils share of the operating result from Joint Venture have been excluded from the Draft 2021-2022 Budget.

TABLE 5: 2021-2022 DRAFT INCOME STATEMENT (BEFORE RATE REVENUE INCREASES)

	Recurrent Operating	Operating Projects	Capital Projects	Carry Forwards	Proposed
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	\$	\$	\$	\$	\$
INCOME					
Rates	36,493,453	-	-	-	36,493,453
Statutory charges	1,865,875	-	-	-	1,865,875
User charges	3,910,411	-	-	-	3,910,411
Grants, subsidies and contributions	2,340,869	362,298	-	-	2,703,167
Investment income	110,500	-	-	-	110,500
Other income	497,940	-	-	-	497,940
Total Income	45,219,048	362,298	-	-	45,581,346
EXPENSES					
Employee costs	16,115,712	-	-	-	16,115,712
Materials, contracts & other expenses	18,131,374	742,000	-	180,000	19,053,374
Finance costs	730,000	-	-	-	730,000
Depreciation, amortisation & impairment	10,640,005	-	-	-	10,640,005
Total Expenses	45,617,091	742,000	-	180,000	46,539,091
OPERATING SURPLUS / (DEFICIT)					
(prior to Rate Revenue Increase)	(398,043)	(379,702)	-	(180,000)	(957,745)
Net gain (loss) on disposal or revaluation of assets	-	-	18,000	-	18,000
Amounts specifically for new or upgraded assets	-	-	4,197,707	-	4,197,707
Net Surplus/(Deficit)	(398,043)	(379,702)	4,215,707	(180,000)	3,257,962
(prior to Rate Revenue Increase)	(398,043)	(379,702)	4,215,707	(180,000)	3,257,962

OPTIONS

Elected Members can either endorse the Draft 2021-2022 Budget as presented in this report or can choose to vary the Draft Budget by either:

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

CONCLUSION

The Draft 2021-2022 Budget, as presented within this report, will deliver an underlying Operating Deficit, prior to the 2021-2022 Rate Revenue increase, of \$957,745.

The Draft 2021-2022 Budget is based on the continuation of the Council's existing Service but also considers a number of proposed service initiatives, which are proposed to be undertaken to contribute to the delivery of the Council's objectives, as set out in *CityPlan 2030*. The proposed Capital works program reflects the recently adopted Infrastructure and Asset Management Plans, with the proposed Capital expenditure in line with the funding allocation as set out in the Council's LTFP.

While the Rate Revenue increase has not been taken into consideration as part of the Draft 2021-2022 Budget, by applying the principles set out in the Long Term Financial Plan, the target Rate Revenue increase for the 2021-2022 Financial Year should be 4.35% based on:

- rate revenue indexation of 2.35% which is equivalent to the ten (10) year average of the Local Government Price Index (as at 30 June 2019);
- 0.5% revenue increase derived from new assessments; and
- factor (1.5%) for the financial impacts of new and upgraded infrastructure investment

Based on a Rate Revenue increase of 4.35%, the Budgeted Operating Surplus would be in the order of \$630,000.

COMMENTS

If Elected Members have any questions or require clarification in relation to specific budget items, and/or any issues discussed in this report, do not hesitate to contact the General Manager, Corporate Services, Sharon Perkins on 8366 4585 prior to the meeting.

RECOMMENDATION

1. That the proposed Operating and Capital Projects as set out in Attachment A be endorsed "in principle".
2. That the Draft 2020-2021 Budget, which incorporates the Draft 2021-2022 Recurrent Budget and the proposed Operating and Capital Projects as set out in Attachment A, be endorsed "in principle".
3. The Council notes that a report on the adoption of the Draft 2020-2021 Annual Business Plan and Budget, which includes the 2021-2022 Rating Strategy, will be prepared for the Council's consideration.

Cr Moorhouse moved:

That Project Submission O-ES1 Street Tree Planting funding be amended to reflect that 500 street trees be planted each year.

Seconded by Cr Sims and lost.

Division

Cr Moorhouse called for division and the decision was set aside.

Those in favour:

Cr Whittington, Cr Dottore, Cr Sims, Cr Granozio, Cr Moorhouse and Cr Moore.

Those against:

Cr Knoblauch, Cr Minney, Cr Duke, Cr Mex and Cr Callisto.

The Mayor declared the motion carried.

Cr Granozio moved:

- 1. That the proposed Operating and Capital Projects as set out in Attachment A, as amended (as set out above), be endorsed "in principle".*
- 2. That the Draft 2020-2021 Budget, which incorporates the Draft 2021-2022 Recurrent Budget and the proposed Operating and Capital Projects as set out in Attachment A, as amended, be endorsed "in principle".*
- 3. The Council notes that a report on the adoption of the Draft 2020-2021 Annual Business Plan and Budget, which includes the 2021-2022 Rating Strategy, will be prepared for the Council's consideration.*

Seconded by Cr Minney and carried unanimously.

2.3 EASTERN HEALTH AUTHORITY DRAFT 2021-2022 ANNUAL BUSINESS PLAN AND BUDGET

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA69175/A146059
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present to the Council the Eastern Health Authority (EHA) Draft 2021-2022 Annual Business Plan and Budget for endorsement.

BACKGROUND

Eastern Health Authority (EHA) is a Regional Subsidiary established pursuant to Section 43 of the Local Government Act 1999, for the purpose of providing environmental health services to the Constituent Councils. The other Constituent Councils are the Cities of Burnside, Campbelltown and Prospect and the Town of Walkerville.

Pursuant to Clause 8 of the Eastern Health Authority Charter (the Charter), EHA must prepare an Annual Business Plan which informs and supports the Authority's Annual Budget.

Upon completion of the draft Annual Business Plan and Budget, pursuant to Clause 8.1 (c) of the Charter, the EHA must provide the draft Annual Plan to the Constituent Councils for the purposes of obtaining consent from the Constituent Council's.

The Annual Business Plan and Budget can only be adopted by the EHA Board, with absolute majority approval of the Constituent Councils.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

As a Constituent Council, there are financial implications for the Council's budget, emanating from the EHA Draft 2021-2022 Annual Business Plan and Budget.

As a receiver of services provided by EHA, the Council's budget includes an annual fee of \$572,000 for the provision of the environmental health services which are provided by EHA. In addition, the Council must also account for its share of EHA's operating result.

The financial implications are discussed in detail in the Discussion section of this report.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

COVID-19 IMPLICATIONS

Not Applicable.

CONSULTATION

- **Elected Members**
Councillors Whittington and Knoblauch are the Council appointments to the Eastern Health Authority Board.
- **Community**
Not Applicable.
- **Staff**
General Manager, Urban Planning & Environment
- **Other Agencies**
Not Applicable.

DISCUSSION

The key priorities outlined in the Annual Business Plan include:

- implementation of the Regional Public Health Plan, '*Better Living, Better Health*' as it applies to EHA;
- continuing to undertake the necessary public health functions on behalf of Constituent Councils to protect the health and well-being of the community during the COVID-19 Pandemic. Other COVID-19 priorities include:
 - the participation in Local Government COVID-19 meetings and forums to ensure consistency of approach in relation to public health and operational matters;
 - review of the Business Continuity Plan in light of the COVID-19 Pandemic; and
 - ensure operational activities (inspections, investigations, immunisation services etc) are undertaken in line with required social distancing and hygiene measures to protect EHA employees and the community.
- promotion of EHA's online immunisation appointment booking system;
- conduct immunisation surveys to gain client feedback for use in development of the 2021 Clinic Immunisation Timetable;
- implement improvements to the recalls and reminders for overdue immunisation clients; and
- undertake the organisation service review which considers the current scope and delivery of public and environmental health services by EHA to its Constituent Councils.

EHA has advised that significant influences on the Annual Business Plan and in particular the Draft Budget, include:

- EHA's response to the COVID-19 Pandemic;
- the reduction of income from the School Based Immunisation Program, due to the finalisation of the Year 11 catch-up program during 2019-2020. The 2020-2021 program is based on the immunisation of Year 8 and 10 students only;
- immunisation services no longer being provided to the City of Unley;
- the commencement of the Adelaide Public Health Network Immunisation Community Engagement Partnership Project; and
- Enterprise Bargaining wage increases for staff.

EHA's main source of income to fund its operations is contributions from its Constituent Councils. To deliver the Annual Business Plan, EHA requires contributions of \$1,828,263 (which equates to a 2.1% or \$33,589 increase on 2020-2021) to fund the operational expenditure, with the respective Councils contribution being based on the weighted activities across nine (9) categories which are detailed in Table 1 below.

TABLE 1: ACTIVITY WEIGHTING

Activity Description	Activity Weighting	NPSP Share
Administration	12.5%	2.50%
Number of Food Premises	35.0%	13.08%
Environmental Health Complaints	7.0%	0.60%
Supported Residential Facilities	6.5%	2.24%
Cooling Towers	6.5%	1.30%
Hairdresser/Beauty	6.5%	2.08%
Swimming Pools	2.0%	0.19%
Year 8/10/11 Enrolments (Vaccinations)	15.0%	4.68%
Average Number of Clients Receiving Vaccinations	15.0%	4.60%

It should be noted, that the Council's ownership share of EHA has decreased from 32.74% to 31.27%, a decrease of 2.48%, driven by a reduction in the proportion of environmental health complaints received by EHA and school enrolment numbers. The Councils contribution to EHA's operations is \$571,786, a decrease of \$14,522 on 2021-2022.

The Council's Draft 2021-2022 Budget includes a funding allocation of \$571,786 for the provision of environmental health services and for its share the operational service review. Given that EHA is forecasting a break even operating result, the Council's draft 2021-2022 Budget does not need to be adjusted to include this Council's share of the EHA Operating result. A copy of the Authority's draft Annual Business Plan and Budget is contained in **Attachment A**.

OPTIONS

The Council can choose not to endorse the Draft 2021-2022 Annual Business Plan and Budget, however, there are no specific issues or activities which present a financial or risk management issue for this Council to take this course of action.

CONCLUSION

EHA's Business Plan is consistent with previous years Business Plans and is in-line with the objectives set out in its Charter. While the Authority's Charter does not require the Constituent Councils to endorse the Draft Budget, however by virtue of the endorsement of the Business Plan, the Council is also ostensibly endorsing the EHA Draft Budget. The Business Plan, as contained in **Attachment A** does not present any specific issues or activities which would create a financial or risk management issue for this Council,

COMMENTS

Nil

RECOMMENDATION

That the Eastern Health Authority be advised that pursuant to Clause 8 of the Charter, the Council has considered and hereby approves the Authority's Draft 2021-2022 Business Plan.

Cr Moore left the meeting at 8.41pm and did not return.
Cr Callisto left the meeting at 8.41pm.
Cr Callisto returned to the meeting at 8.43pm.

Cr Minney moved:

That the Eastern Health Authority be advised that pursuant to Clause 8 of the Charter, the Council has considered and hereby approves the Authority's Draft 2021-2022 Business Plan.

Seconded by Cr Whittington and carried.

2.4 EAST WASTE DRAFT 2021-2022 ANNUAL PLAN

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA169173/A146058
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present to the Council the East Waste Draft 2021-2022 Annual Plan (the Plan) for endorsement.

BACKGROUND

East Waste (the Authority) is a Regional Subsidiary established pursuant to Section 43 of the Local Government Act 1999, for the purpose of providing waste management services to Constituent Councils. The City of Norwood Payneham & St Peters, together with the City of Burnside, the City of Campbelltown, the City of Mitcham, Adelaide Hill Council, Town of Walkerville and the City of Prospect make up the Constituent Councils of East Waste.

Pursuant to Clause 51 of the East Waste Charter (the Charter), East Waste must prepare an Annual Business Plan which informs and supports the Authority's Annual Budget.

Upon completion of the draft Annual Business Plan and Budget, pursuant to Clause 52.3 of the Charter, the Authority must provide the draft Annual Plan to Constituent Councils for the purposes of obtaining approval from the Constituent Council's on or before 31 May.

The Annual Plan can only be adopted by the East Waste Board, with absolute majority approval of the Constituent Councils.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

As a Constituent Council, there are financial implications on the Council's budget, emanating from the East Waste Draft Annual Plan and Budget and while Constituent Councils are not required, pursuant to the East Waste Charter, to approve the East Waste Budget, by virtue of the endorsement of the Annual Plan, the Constituent Councils ostensibly endorse the Authority's draft Budget.

The Authority's draft 2021-2022 Budget is developed based on a Common Fleet Costing methodology, with Common Fleet Costs, which predominately relate to collection costs, which are charged to Constituent Councils based on the cost to undertake the collection of each Council's waste streams. The allocation of the Common Fleet Costs is based on the Authority's GPS System.

In addition, where Constituent Councils utilise East Waste for other services such as Contract Management Services (Disposal and Resource processing) and Waste Bin Maintenance, these services are "on charged" to Councils at cost.

The Draft 2021-2022 Budget is reporting an Operating Surplus of \$16,000. The Council's share of the draft Operating Deficit is \$2,288, which is based on an ownership share of the Authority of 14.3%.

The Authority's collection costs have increased by 2.35% on the 2020-2021 Budget, however for this Council, the collection cost has increased by 7.8%, which is significantly higher than the overall increase in the East Waste collection costs. East Waste has advised that the higher than average increase for this Council is due to two key factors, namely:

- A new charge for the collection of waste bins in narrow streets (\$60,000). East Waste has advised that without permanent parking controls within the narrow streets which allow ease of access for the Waste Collection trucks it is no longer feasible, logistically or reputationally, to continue with the existing collection practices. However, it should be noted that to date, East Waste has yet to articulate the basis upon which the new charge has been calculated.
- An increase in Organics collections, which has contributed to an increase in the common fleet collection percentage, from 16.52% to 16.93% for the current financial year.

The Council's Draft Waste Management Budget, reflects a proposed Common Fleet fee of \$2.204 million (2020-2021 \$2.098 million) to be charged for the collection of this Councils waste streams, which include Domestic waste, Green Organics, Recyclables, Public Litter Bins, Illegal Dumping and pre-booked Hard Rubbish Collection. The year-on-year increase in the Common Fleet Cost is 5.42%, which is made up of the Council share of the increased common fleet costs (\$44,880), offset by a slight reduction in the Council's share of Common Fleet Costs from 16.6% to 16.5% (\$46,302).

The breakdown of proposed fee per service, for this Council is detailed in Table 1 below.

TABLE 1: BREAKDOWN OF PROPOSED WASTE COLLECTION FEE

Fee component	2020-2021 Adopted Budget	2021-2022 Draft Budget	Movement	% Change	Comments
Administration Fee	33,557	34,229	672	2.0%	
Collection Costs (Landfill, Recyclables, Green organics and Hard waste)	2,043,854	2,203,770	159,916	7.8%	Includes Narrow Street charge of \$60,000. Increase share of collection costs due to an increase in green organic collections of \$52,000. Average cost indexation of 2.35% of \$48,000.
Total Collection Costs	\$2,077,411	\$2,237,999	160,588	7.7%	
Green Organics Disposal	170,000	170,000	0	0.0%	Fee based on tonnage estimates.
Recyclables Disposal	390,000	390,000	0	0.0%	Fee based on tonnage estimates.
Hard Waste Disposal (including illegal dumping)	139,900	149,900	10,000	10.0%	Fee based on tonnage estimates. Includes a mattress collection fee of \$75 per mattress.
Total Waste Collection and Processing Fee	2,777,311	2,947,899	170,588	6.1%	

As previously advised, disposal charges are a "pass through" cost from East Waste to each Constituent Council. As such, the proposed budget for the disposal of the Council's streams is based on the Council's estimate of waste which is collected and processed.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Elected Members**
Cr Stock is a member of the East Waste Board.
- **Community**
Not Applicable
- **Staff**
Representatives from East Waste have held discussions with the Council's Manager, City Services and the Financial Services Manager, regarding the collection costs.
- **Other Agencies**
Not Applicable

DISCUSSION

The Draft Annual Plan, is the first Plan to be presented based on the East Waste 2030 Strategic Plan which was endorsed by the Board in September 2020.

The East Waste 2030 Strategic Plan is based on the following objectives:

- Deliver cost-effective and efficient services facilities;
- Maximise source separation and recycling;
- Provide leading and innovative behaviour change and education;
- Help develop a local circular economy; and
- Provide leadership.

A summary of the key activities planned for 2021-2022 are detailed below.

Deliver cost effective and efficient services

- Continue and expand core services
- Investigate opportunities outside of existing Member Councils.
- Upgrade to Waste Trak II software system to manage all element of collections

Maximise source separation and recycling

- Investigate a broadscale 'Choice & Flexibility model.'. This program will draw together the latest research and findings to develop an "off-the-shelf" framework which will drive reduced material to landfill, particularly food waste.

Provide leading and innovative behaviour change and education

- Undertake Audits of businesses and Multi Unit Dwellings to provide baseline data
- Undertake the biennial East Waste kerbside bin audit.
- Delivery of the "Why Waste It?" behaviour change program and associated social media.

Help develop a local circular economy

- Identify amongst constituent councils the uptake of crushed glass
- Hard Waster re-use trial

Provide leadership

- Fleet Replacement
- IT and Cyber Security Enhancement

A copy of the Draft 2020-2021 Annual Plan & Budget is contained in **Attachment A**.

OPTIONS

The Council can choose not to endorse the Draft Annual Business Plan, however, there are no specific issues or activities which present a financial or risk management issue for this Council to take this course of action.

CONCLUSION

In line with the East Waste Charter, Constituent Councils are not required to endorse the 2021-2022 Draft Budget however, by virtue of the endorsement of the Annual Plan, the Council is also ostensibly endorsing the East Waste Budget.

COMMENTS

Nil

RECOMMENDATION

1. That the Eastern Waste Management Authority Incorporated be advised that pursuant to Clause 52 of the Charter, the Council has considered and hereby approves the Authority's Draft 2021-2022 Annual Plan.
2. The Council notes that further discussion will be held with East Waste to understand the basis for the increased costs to collect waste in narrow streets.

Cr Sims moved:

1. *That the Eastern Waste Management Authority Incorporated be advised that pursuant to Clause 52 of the Charter, the Council has considered and hereby approves the Authority's Draft 2021-2022 Annual Plan.*
2. *The Council notes that further discussion will be held with East Waste to understand the basis for the increased costs to collect waste in narrow streets.*

Seconded by Cr Minney and carried unanimously.

2.5 ERA WATER DRAFT 2021-2022 BUDGET

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA69171/A146060
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present to the Council the ERA Water Draft 2021-2022 Budget for endorsement.

BACKGROUND

ERA Water is a Regional Subsidiary established pursuant to Section 43 of the *Local Government Act 1999*, for the primary purpose of implementing the Waterproofing Eastern Adelaide Project (the Scheme), which involves the establishment of wetland bio-filters, aquifer recharge and recovery, pipeline installations and water storage facilities. ERA Water manage the Scheme on behalf of the Constituent Councils and provide recycled stormwater for the irrigation of parks and reserves to Constituent Councils. The City of Norwood Payneham & St Peters, together with the City of Burnside and the Town of Walkerville make up the Constituent Councils of ERA Water.

Pursuant to Clause 5.1.1 of the ERA Water Charter (the Charter), prior to 31 March of each year, ERA Water must prepare and submit the ERA Water Draft Budget to the Constituent Councils for approval.

The Draft 2021-2022 Budget can only be adopted by the ERA Water Board, following unanimous approval of the Constituent Councils.

Upon completion of the Draft Budget, pursuant to Clause 6.1 of the Charter, ERA Water must prepare and provide the draft Annual Business Plan to Constituent Councils. The Annual Business Plan can only be adopted by the ERA Water Board, once absolute majority is provided by the Constituent Councils.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

The Draft 2021-2022 Budget is forecasting an Operating Deficit of \$600,000. This Councils share of the Operating Deficit, which will be required to be included in the Councils 2021-2022 Budget, is \$200,000. While ERA Water is budgeting for an Operating Deficit, ERA Water has sufficient access to cash to fund the expenditure shortfall and therefore, there will be no capital contributions required to be made by the Constituent Councils.

The Draft 2021-2022 Budget includes water sales to this Council of \$217,440, which is based on water consumption of 76.67ML. The Council's Draft 2021-2022 Budget includes a budget estimate of \$366,000, which includes water sourced from SA Water and ERA Water for the Councils reserves, parks, medians and sporting grounds.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

- **Elected Members**
Cr John Minney is a member of the ERA Water Board.
- **Community**
Not Applicable.
- **Staff**
Nil
- **Other Agencies**
Not Applicable.

DISCUSSION

The ERA Water Draft 2021-2022 Budget assumes that 305ML of water will be sold in the 2020-2021 Financial year, with the first 205ML of the available water, being sold to the Constituents Councils on a “take or pay” basis and the balance (91.5ML) being made available to third parties to purchase. The water sold to Constituent Councils will be priced at the SA Water price, which is forecast at \$2.85/kL. Forecast income from Constituent Councils is in the order of \$594,000. It should be noted that due to the “take or pay” basis, Constituent Council pre-pay their respective water allocations in July.

The third party water sales, are assumed to be made at 85% of the SA Water price, with the income forecast at \$261,000 and represents 30% of total water sales for 2021-2022.

Operating costs are forecast to be \$642,000 which includes Employee Expenses of \$250,000. Fixed Operating costs of \$123,000 and other variable operating costs of \$269,000 to operate and maintain the Scheme. The Scheme’s operational costs include mechanical and electrical operations and maintenance support provided by an external contractor, licence fees, water testing, utilities costs and administration costs such as insurances, audit fees and general administrative costs.

The ERA Water Draft 2020-2021 Budget includes Capital Expenditure of \$150,000, which includes \$100,000 to support additional connections to external customers, and \$50,000 as a general provision for capital works.

While the ERA Water Draft 2021-2022 Budget forecasts a cashflow position that is below the approved debt cap of \$15.3 million, this position is based on the assumption upon which the budget was developed holding true. Depending on the actual performance, the debt cap may be exceeded towards the end of the 2012-2022 Financial year.

A copy of the Draft Budget is contained in **Attachment A**.

OPTIONS

The Council can choose not to endorse the Draft 2021-2022 Budget, however, there are no specific issues or activities which present a financial or risk management issue for this Council to take this course of action.

CONCLUSION

As with any forecast, the financial projections contained within the Budget are meant to provide an indication of the Scheme direction and financial capacity based on a set of assumptions. The achievement of the financial forecast is dependent on the assumptions holding true. The key assumption, in which ERA Water has limited influence on, is the level of rainfall.

COMMENTS

Nil

RECOMMENDATION

That ERA Water be advised that pursuant to Clause 5.1.1 of the Charter, the Council has considered and hereby approves the Draft 2021-2022 Budget, as contained in Attachment A.

Cr Minney moved:

That ERA Water be advised that pursuant to Clause 5.1.1 of the Charter, the Council has considered and hereby approves the Draft 2021-2022 Budget, as contained in Attachment A.

Seconded by Cr Duke and carried unanimously.

3. CLOSURE

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

Mayor Robert Bria

Minutes Confirmed on _____
(date)