

Special Council Meeting Minutes

11 April 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 7.30pm

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 Grant Piggott
Cr Sue Whittington
Cr Christel Mex
Cr Scott Sims

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)
Marina Fischetti (Executive Assistant, Governance & Civic Affairs)

APOLOGIES Cr John Callisto

ABSENT Nil

1. CONFIRMATION OF THE MINUTES OF THE COUNCIL MEETING HELD ON 3 APRIL 2023

Cr Granozio moved that the minutes of the Council meeting held on 3 April 2023 be taken as read and confirmed. Seconded by Cr Holfeld and carried unanimously.

2. STAFF REPORTS

2.1 REVIEW OF PUBLIC ART POLICY

REPORT AUTHOR: General Manager, Governance & Civic Affairs
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4549
FILE REFERENCE: qA61370
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present the draft *Public Art Policy* to the Council for adoption.

BACKGROUND

At its meeting held on 2 June 2007, the Council adopted the *Public Art Policy* (the Policy).

The intention of the *Public Art Policy* is to guide the Council's processes in respect to the provision, placement and funding of public art across the City.

This framework has provided the basis for the Council's four (4) Quadrennial Public Art Commissions, *Spectrum*, which is located on Osmond Terrace, Norwood, *Fallow*, which is located at the St Peters Town Hall Complex, *Perpetual Sun* which is located on the corner of Magill Road and Nelson Street, Stepney and *Seed Mix*, which is located at the Old Mill Reserve in Hackney.

The existing Policy is proposed to be retained and as such it has been reviewed.

A copy of the draft *Council's Public Art Policy* is contained within **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The relevant Goals contained in *CityPlan 2030* are:

Outcome 2: Cultural Vitality

Objectives 2.1 An artistic, creative, cultural and visually interesting City.

Strategy 2.1.1 Use the arts to enliven public spaces and create a 'sense of place'.

Public art projects enliven the public realm, or encourage and use local creativity to create a sense of place, or provide opportunities and facilities for creative expression or attract and support cultural and creative organisations and individuals to our City.

FINANCIAL AND BUDGET IMPLICATIONS

The current Policy has financial implications as it commits the Council to setting aside an annual amount to be spent on a major public art work once in every term of the Council (ie once every four (4) years). Currently, the equivalent of one per cent (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 creation of a major artwork every four (4) years.

However, based on the financial model cited in the Policy and as a result of the extensive 2023-2024 Capital Works Budget, the funding allocation for the first year of the Quadrennial Public Artwork as part of the 2023-2024 Budget, needs to be reviewed and considered by the Council.

The financial implications of the 2023-2024 allocation for the Quadrennial Public Artwork are discussed further in the Discussion Section of this report.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

It is generally accepted that public art projects encourage community participation in creative activities and also attract the community into our public spaces. It is because of this that public art is recognised for its ability to enhance perceptions of community well-being.

CULTURAL ISSUES

Public Art helps create a sense of place and can help express and celebrate issues relevant to a variety of cultural groups and can enhance the unique character of the City.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Not Applicable.

CONSULTATION

- **Elected Members**
Not Applicable
- **Community**
Not Applicable
- **Staff**
Acting Manager, Finance
Manager, Arts, Culture & Community Connections
- **Other Agencies**
Not Applicable

DISCUSSION

The draft Policy, as contained within Attachment A, has been reviewed to ensure that it aligns with the Council's Strategic Management Plan, *CityPlan 2030* and is relevant. As a result of the review, only minor changes have been made to the Policy.

In terms of the Policy, the major component which has been reviewed is the current funding arrangements. It is therefore important to note that the draft Policy has not been amended to reflect any change to the funding arrangements, as this is dependent on the Council's decision following consideration of this report.

As stated above, the Council adopted the *Public Art Policy* in 2007. At that time, in accordance with the Policy, the Council allocated the equivalent of 1% of the Capital Works Budget (Civil Infrastructure Capital Works Program and Drainage Infrastructure Works Program) to the artwork annually which meant that approximately \$30,000 was set aside each year.

Since the adoption of the Policy, the Council has in subsequent years, reviewed the Policy and whilst the 1% allocation has not been amended by the Council, the "dollar" amount has been increased over the years. As set out in the draft Policy the "dollar" amount is set at \$50,000 per year.

The increase in the “dollar” amount was made on the basis of the value of the Capital Works Budget.

For example, for a number of years, based on previous Capital Works Budgets, a contribution equivalent to 1% of the budget would be less than the allocated “dollar” value and therefore the “dollar” value would be set aside for the relevant year.

Table 1 below sets out the budget allocations for the Quadrennial Public Artwork since 2007.

TABLE 1: BUDGET ALLOCATIONS – QUADRENNIAL PUBLIC ARTWORK

Year	2006-2010	2010 -2014	2014-2018	2018-2022
Budget	\$30,000	\$40,000	\$45,000	\$50,000
Allocation	per year	per year	per year	per year

It is important to note that the allocation for the 2021-2022 financial year (the final year of the allocation for the previous Council term), based on the formula of 1% of 2021-2022 Capital Works Budget was \$112,000, which was significantly higher than the \$50,000 threshold set out in the Policy. Therefore when adopting the 2021-2022 Budget the Council reduced the final Budget allocation for the fourth year to \$50,000.

The draft 2023-2024 Capital Works Budget is \$14,848,800.

This means that as part of the 2023-2024 Budget, and in accordance with the formula set out in the draft Policy, an allocation **\$148,488.00** has been included in the draft Budget.

Based on future Capital Works budgets the final allocation and the application of the current formula, approximately \$600,000 would be allocated to the Quadrennial Public Artwork over the four (4) year term.

Taking into account the current pressures on containing expenditure where possible and achieving a balance between the various services and programs which the Council must deliver, whilst at the same time ensuring that any increases in Rate Revenue are prudent, it is appropriate that the Council consider if this annual allocation is appropriate.

When the *Public Art Policy* was first considered by the Council, the Capital Works Budget was significantly lower and the 1% threshold provided a realistic budget allocation for the commissioning of a major artwork.

As set out in Table 1 above, based on the budget allocations since the adoption of the Policy, it is clear that the 1% is no longer relevant in terms of the Policy.

It is therefore recommended that the Council determine to amend the draft Policy to reflect a “dollar” allocation and remove the reference to the 1%.

The allocation of a set amount also provides certainty in terms of the final budget allocation which means that planning and progressing the commissioning process can be undertaken much earlier during the term of the Council. This also provides more lead in time for the Council to apply for grant funding through Arts SA across a range of categories, including the Major Projects - Major Commission category which provides \$100,000 funding towards new work by a leading South Australian independent artist, group or arts and cultural organisation.

The draft Policy would therefore be amended to read as follows:

The Council will ensure the adequate and on-going funding of public art through:

- 1. the creation of a reserve fund where \$75,000, is set aside annually for the purpose of funding a commissioned art work during the term of each Council, subject to annual budget deliberations;*

Based on the costs associated with the previous four (4) Quadrennial Public Artworks, an allocation of \$75,000 per year is recommended on the basis that this would ensure a total of \$300,000 for the Quadrennial Public Artwork. This funding would be used to commission a substantial major artwork in keeping with the framework for this project (and the scale of the Council’s first Quadrennial Public Artwork, *Spectrum*), the Concept Design stage and any landscaping, paving, lighting etc required once the artwork has been installed.

If the Council is successful in obtaining grant funding, the grant funding would be used to offset the Council's contribution.

If the Council is not satisfied with the recommended allocation of \$75,000 per annum, it can choose to allocate more or less funds.

OPTIONS

In recommending the draft revised *Public Art Policy* to the Council, the Council has three (3) options:

Option 1:

The Council can determine to maintain the current position in terms of the allocation of funding as set out in the *Public Art Policy*. That is, to maintain the following arrangements:

"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, subject to annual budget deliberations;"

Option 2:

The Council can determine to amend the annual amount set aside for the quadrennial public artwork based on a higher percentage or lower percentage of the Capital Works Budget (for example the allocation could be decreased to 0.5% or increased to 1.25 or 1.5 or 2% of the Capital Works Budget, etc).

Option 3:

The Council can determine that the allocation of an annual amount based on a percentage of the Capital Works Budget is no longer relevant and therefore determine to allocate an annual budget to the quadrennial public artwork based on a set amount each year.

The percentage allocation has not been applied to the quadrennial public artwork over the last twelve (12) years, as the alternative allocation of \$40,000, \$45,000 and \$50,000 has represented a higher funding allocation than the 1%.

It is for this reason and the certainty that the allocation of set funds provides in terms of the total funding for the project that Option 3 is the recommended option.

CONCLUSION

The draft *Public Art Policy* has been reviewed and amended to ensure that it continues to meet the needs of the Council in terms of the provision of large and small scale public artworks which may be permanent or temporary, commissioned or hired, or on loan or donated to the Council.

The draft Policy also reflects the Council's continuing desire to fund the provision of public art which will animate and enliven the public realm and contribute to the City's 'sense of place'.

COMMENTS

The draft *Public Art Policy* has essentially been presented to the Council for consideration in its current form pending the Council's decision in terms of an appropriate funding allocation.

Following consideration of the funding model to be applied to the Policy, the Policy will be updated and made available for public consultation. Following the public consultation period, the Policy will be presented to the Council for adoption.

RECOMMENDATION

The draft *Public Art Policy*, as contained in Attachment A, be amended to read as follows:

The Council will ensure the adequate and on-going funding of public art through:

1. *the creation of a reserve fund where \$75,000, is set aside annually for the purpose of funding a commissioned art work during the term of each Council, subject to annual budget deliberations.*
-

Cr Whittington moved:

The draft Public Art Policy, as contained in Attachment A, be amended to read as follows:

The Council will ensure the adequate and on-going funding of public art through:

1. *the creation of a reserve fund where \$75,000, is set aside annually for the purpose of funding a commissioned art work during the term of each Council, subject to annual budget deliberations.*

Seconded by Cr Duke and carried unanimously.

2.2 DRAFT 2023-2024 BUDGET

REPORT AUTHOR: Manager, Finance
GENERAL MANAGER: General Manager, Governance & Civic Affairs
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA83737
ATTACHMENTS: A – D

PURPOSE OF REPORT

The purpose of this report is to present and obtain “in principle” endorsement of the Draft 2023-2024 Budget.

BACKGROUND

Section 123(8) of the *Local Government Act 1999*, requires the Council to adopt an Annual Business Plan and a Budget for the ensuing financial year after 31 May and except in a case involving extraordinary administrative difficulty, before 15 August.

The Draft Budget comprises the Recurrent Budget, which incorporates the revenue and expenditure which is required to provide the “Business as Usual” services. The second component incorporates the Capital and Operating Project Budget. The Operating Projects Budget encompasses services, programs and activities that are outside the “Business as Usual” services and are considered discretionary in nature, (i.e. the Council is under no obligation to provide the services, activities or programs or if required to undertake the activity, for example the Representation Reviews are irregular in nature). Operating Projects generally include one off activities or programs, an expansion of an existing service or program or proposals to introduce a new service or program. Operating Projects are funded from Rate Revenue or a fee for service charge.

The Capital Works Budget encompasses projects which renew, upgrade or create new infrastructure assets. Examples of some projects are the Civil Infrastructure Whole-of-Life Program (renewal), Playground/Reserve Redevelopment (upgrade). Renewal Capital Projects are funded through Rate Revenue, via the depreciation charge, with new or upgrade works funded through borrowings or cash reserves.

The Draft 2023-2024 Annual Business Plan, will be considered at the Council Meeting scheduled on 1 May 2023.

The Draft 2023-2024 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 its Strategic Management Plan in *City Plan 2030: Shaping our Future*. The Draft 2023-2024 Annual Business Plan and supporting Draft 2023-2024 Budget, set out the proposed services and programs and explains how the Council intends to finance its continuing and new 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 severe 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 financing new services and major capital investments.

The Draft 2023-2024 Budget has been developed on the basis of ensuring that it will assist in delivering on the Council's Long Term Strategic direction and financial objectives set out in the LTFP.

FINANCIAL AND BUDGET IMPLICATIONS

For the 2023-2024 Financial Year, the LTFP estimates an Operating Surplus of \$1.355 million, based on a Rate Revenue increase of 4.55%.

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 has been prepared with reference to the budget parameters which were adopted by the Council at its meeting held on 16 January 2023.

The Draft Budget, as presented in this report, is based on the 4.55% Rate Revenue increase as set out in the Long-Term Financial Plan, will deliver an Operating deficit of \$341,624.

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.

At the time of writing this report, the Rate increase for the average residential ratepayer is not available.

EXTERNAL ECONOMIC IMPLICATIONS

The South Australian economy has continued to perform solidly across a number of economic indicators, although the pace of growth appears to be moderating. Following growth of 4.7% in 2020-21, Gross State Product (GSP) remained strong in 2021-2022, growing by 5.1 per cent. State Final Demand (SFD) was also strong, increasing by 5.6% in 2021-2022 following an increase of a 5.3% in 2020-2021. Growth in both GSP and SFD, however, is expected to moderate in 2022-23 and 2023-24 as higher interest rates and inflation flow through to moderate spending and investment decisions.

The outlook for inflation has been revised upwards, reflecting the high rates of inflation being experienced in many (mainly advanced) nations, including Australia. The Adelaide Consumer Price Index (CPI) is now forecast to grow by 7.25% in 2022-2023, reflecting dwelling construction price pressures, the recent strong fuel price growth and the high prices for fruit and vegetables due to recent flooding events. The Adelaide CPI is forecast to moderate to 4 per cent growth in 2023-2024 partly due to the effectiveness of monetary tightening in dampening demand, and to fall back within the RBA's target range from 2024-2025.

SOCIAL ISSUES

No Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

The Draft 2023-2024 Budget will be impacted upon by the decisions 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 of four (4) quarterly installments. 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**
An overview of the Draft 2023-2024 Recurrent Budget, Capital Works program and Operating Projects was provided to Elected Members at an Information Briefing held on 14 March 2023.
- **Audit Committee**
The Audit Committee considered a report on the 2023-2024 Annual Business Plan and Budget Objectives and Parameters at its Meeting held on 27 March 2023. (This report was also considered by the Council at its meeting held on 16 January 2023).
- **Community**
The citizens will be provided the opportunity have input into the Draft 2023-2024 Budget through public consultation on the Draft Annual Business Plan, which is scheduled to be undertaken from 5 May 2023 through to 29 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 that the Council can maintain the service standards for its existing services to support the delivery of the Strategic Objectives outlined in *CityPlan 2030: Shaping our Future* and that those services receive appropriate funding.

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.

Budget Parameters/Assumptions

In developing the Draft 2023-2024 Budget, the following principles and assumptions have been applied:

- the Recurrent 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 8.0%;
- Wages and Salaries increases are based on the Council's Enterprise Agreements;

Budget Overview

Table 1 below sets out the Draft Budget, based on the LTFP recommended Rate Revenue increase of 4.55% which will deliver an Operating Deficit of \$341,624.

The Recurrent Budget and programs, which incorporates the revenues and expenditure required to provide the "Business as Usual" services, provides a surplus of \$1.348 million, which will be used to fund the delivery of the proposed Operating Projects, which are set out **Attachment A**, and additional interest costs to cover the additional finance costs associated with borrowings required to fund the delivery of the proposed Capital Works Program, which is contained in **Attachment A**.

The total Operating Expenditure is \$51.13 million, with \$38.2 million (75%) being more readily influenced by the decisions made as part of the budget process. The remaining \$12.9 million (25%) of expenditure relates to Ownership Costs, which are a result of past investment decisions in respect to the upgrading of existing assets or building new assets. While the ownership expenditure associated with the Council's past Capital Works program cannot be influenced or changed in the current year, the annual increase in future ownership costs is influenced by the decisions made in respect to the amount of expenditure incurred in 2023-2024 on the investment in the renewed, new and upgraded assets. As such decisions regarding the current year projects need to be made in the context of the future impact on operating expenditures and Rate increases.

It should be noted that while the cost to finalise or undertake the 2022-2023 Operating Projects to be carried forward into the 2023-2024 Draft Budget are included to determine the Draft 2023-2024 Operating Surplus, the funding to undertake these projects will be sourced from cash reserves.

In addition, the draft budgets from Regional Subsidiaries have not at this stage been incorporated into the Draft Operating result. 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.

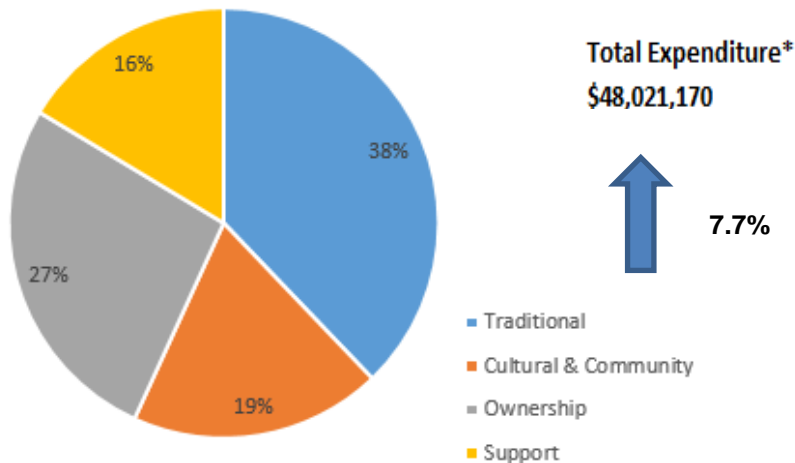
TABLE 1: 2023-2024 PROPOSED STATEMENT OF COMPREHENSIVE INCOME

	Recurrent Budget 2023-2024	Carry Forwards 2023-2024	Operating Projects 2023-2024	Capital Projects 2023-2024	Proposed 2023-2024
	\$	\$	\$	\$	\$
INCOME					
Rates	41,792,412	-	-	-	41,792,412
Statutory charges	1,900,000	-	-	-	1,900,000
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	50,752,536	0	42,446	0	50,794,982
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)	1,348,013	0	-1,398,736	-290,901	-341,624
Net gain (loss) on disposal or revaluation of assets	-	-	-	25,000	25,000
Amounts specifically for new or upgraded assets	-	-	-	10,147,474	10,147,474
NET SURPLUS (DEFICIT)	1,348,013	0	-1,398,736	9,881,573	9,830,850

As set out in Figure 1 below, services, programs and activities delivered through the Recurrent Budget (excludes operating projects), 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 expectations and/or needs. Together, these services represent 57% (\$27.3 million) of the draft Recurrent Budget. These services, programs and activities are supported by the Council’s *Governance and Administration* structure. These support services represent 16% (\$7.9m) of the draft Recurrent Budget.

The final component of the Recurrent Budget is Ownership Costs (\$12.9m). As previously mentioned, these costs are being now incurred as a result of past investment decisions in long term assets and as such, the Council has little control over the value of these costs for the current year. These future costs can however, be influenced by the decisions that are made regarding the level of capital investment in new and upgraded assets when considering the 2023-2024 Projects Budget.

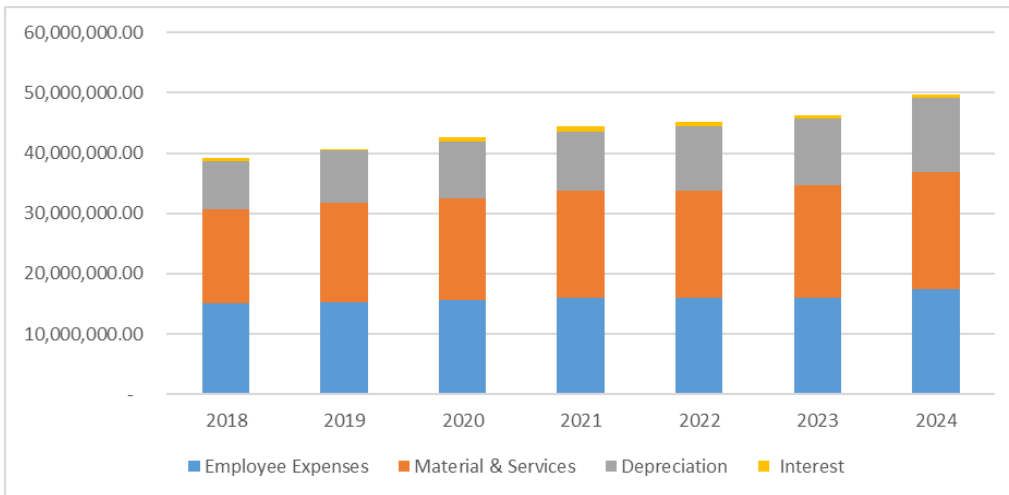
FIGURE 1: COMPONENTS OF THE DRAFT 2023-2024 RECURRENT BUDGET



The services, programs and activities which make up each element of draft Recurrent Budget is contained in Table 3 below and **Attachment B**.

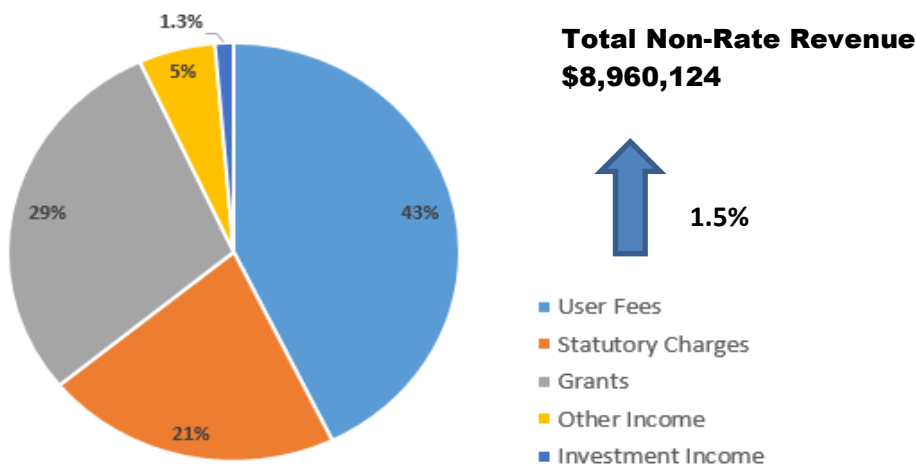
The cost elements of the Recurrent Budget as set out in Figure 2 below, are Employee Expenses, which represent 35%, Material, Contracts & Other Expenses, which represent 39%, Depreciation which represents 25% and Finance Costs (excluding any new borrowings) which represent 1% of the total draft Recurrent Budget. Over the past five (5) 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 37% of the total budget to 35%. The overall Recurrent Budget increase for 2023-2024 is 4.87%, 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 **82%** of the Council's Operating expenditure. The balance is funded from non-rate revenue which is predominately made up of User Charges (43%) which incorporate Child Care Centre fees, Swimming Centre charges, Hire and Lease fees associated with Council facilities, HACC Services; Grant Income (29%) 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 18% of the Council's total revenue, with \$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. It must be noted that 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 that are payable for the use of the Council's discretionary services and facilities, with 87% of the Council's User Charges income being generated from the St Peters Child Care Centre & Pre-school, the Swimming Centres and the Norwood Concert Hall.

Statutory Charges includes fees and charges that are set by State Government legislation. In some circumstances, such as Parking Infringements, the fees charged are set at a fixed rate as set out in the legislation, whereas 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 that is earned from Parking Expiration Notices is the main source (45%) of Statutory Charges Income.

Table 3 below sets out additional information on the Recurrent Operating Budget by functional area.

TABLE 3 – DRAFT 2023-2024 RECURRENT BUDGET BY FUNCTION

Function	Expenditure	Income	Net Operating Surplus / (Deficit)
Rates	1,657,033	41,677,412	40,020,379
Traditional	18,248,445	2,976,588	-15,271,857
Infrastructure Management	5,155,105	545,000	-4,610,105
Waste & Recycling Services	4,853,253	25,000	-4,828,253
Trees, Parks, Sports & Recreation	4,314,623	345,088	-3,969,535
Economic Development, Regulatory Services, Environment & Planning	3,925,464	2,061,500	-1,863,964
Cultural & Community	9,149,654	4,846,036	-4,303,618
Community Services Health Aged & Youth Services	5,091,072	3,951,626	-1,139,446
Libraries & Community Facilities	3,191,621	868,010	-2,323,611
Community Events, Arts & Heritage	866,961	26,400	-840,561
Governance, Communications & Administration	7,722,790	1,132,500	-6,590,290
Governance	2,631,303	342,500	-2,288,803
Administration	4,558,449	790,000	-3,768,449
Communications	533,038	0	-533,038
Ownership	12,626,601	120,000	-12,506,601
Total	49,404,523	50,752,536	1,348,013

2023-2024 Proposed Operating Projects

The Draft Budget as set out in Table 1, incorporates funding allocation for new Operating Projects to the value of \$1.4 million. Operating Project expenditure is offset by income of \$42,466, which is the final payment of the Roads-to-Recovery Funding for the 5 year cycle. As Elected Members are aware, Roads-to-Recovery Grant Funding is utilised to deliver the Civil Infrastructure Renewal Program.

The proposed Operating Projects for 2023-2024 have been broken down into a number of categories as detailed in Table 4 below:

TABLE 4: OPERATING PROJECT CATEGORIES

Operating Project Category	2023-2024 Proposed Operating Projects	2022-2023 Carry Forward Operating Projects
	\$	
Proposed New Projects arising from		
• Events & Awards	173,000	-
• Traffic Management Initiatives	140,000	-
• Environmental Initiatives	14,500	75,000
• Council Operational Plans <ul style="list-style-type: none"> ○ <i>Community Survey, CityPlan 2030, Dog & Cat Management Plan etc.</i> 	125,000	90,000
• Corporate & Governance	200,000	10,000
• Other	543,682	70,000
Total Operating Projects Expenditure	1,196,182	245,000

In addition to the new Operating Projects, there are a number of Operating Projects that were adopted as part of the 2022-2023 Budget, that are not anticipated to be completed by 30 June 2023. A review of the current year's Operating Projects has been undertaken and based on a review of year-to-date expenditure, the Draft Budget, as detailed above, includes funding allocation for 2022-2023 Operating Projects to be carried forward of \$245,000. Operating Projects carried forward will be funded by cash reserves.

A copy of the Funding Submissions for Capital and Operating Projects are contained in **Attachment C**.

Budgeted Capital Projects

The Draft 2023-2024 Budget, as presented, incorporates Capital Projects to the value of \$ 53.8 million inclusive of 2022-2023 Carry Forwards and staff costs of \$1.279 million which are capitalised (i.e. staff involved in the delivery of the projects involving physical assets) and included in the final asset cost.

The proposed Capital Expenditure is offset by Capital funding which incorporates grants and other revenues to the value of \$10.1 million, which results in a net cost to the Council of \$43.6 million. The proposed Capital Projects for 2023-2024, have been broken down into a number of categories as set out Table 5 below.

TABLE 5: 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)	27,800,000
Quadrennial Art Project (inc. carry forward budgets)	148,488
Non-Infrastructure Renewal	525,700
Minor projects	257,500
Capitalisation of Salaries (existing staff)	1,279,257
Total Capital Projects Expenditure	53,810,395
Capital Funding	10,147,474
Net Cost	43,662,921

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 (Quadrennial Public Artwork Art Project), the *Public Art Policy* also states that the funding allocation is subject to the Council's annual budget deliberations. Based on the proposed Capital Works Program (excluding carry forwards), the 2023-2024 funding allocation to the Quadrennial Public Artwork Art Project is \$148,488. The funding allocation for the Quadrennial Public Artwork Art Project will be updated following the Council's review of the *Public Art Policy*.

A review of the Capital Projects for the current year (2022-2023) has been undertaken and based on a review of year to date spend and project timelines, the Draft Budget, as detailed above, includes a funding allocation for 2022-2023 Capital projects to be carried forward of \$21.6 million. This comprises of the Trinity Valley Stormwater Drainage Project, the Payneham Memorial Swimming Centre Project, Cruickshank Reserve Upgrade Project, implementation of The Parade Masterplan Project, River Torrens Linear Park Path Upgrade Project and Burchell Reserve Upgrade.

Borrowings

Capital expenditure of \$53.8 million, as set out in **Attachment A**, 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	\$10,147,474
Borrowings and cash reserves	\$31,158,874

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.

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

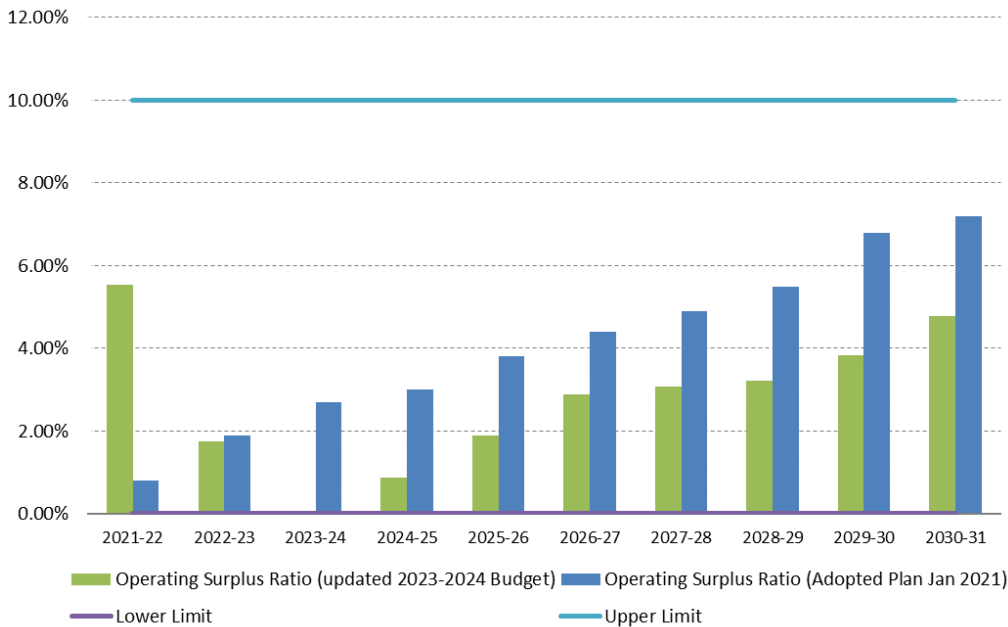
Long Term Financial Plan

Pursuant to Section 122 4 a(1) of the *Local Government Act 1999*, the Council must undertake a review of its Long-Term Financial Plan (LTFP) on an annual basis. To meet this legislative requirement, a review of the LTFP financial targets, which takes into account of the Draft 2023-2024 Budget, as presented in this report and its impact on the financial projections set out in the Long-Term Financial Plan, has been undertaken.

Outcome 1: A Balanced Budget

Council's services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.

The Council's long-term sustainability is dependent upon ensuring that on average overtime, the operating expenses are less than the associated revenues. The Council's performance is measured by the Operating Ratio which measures the Council's Operating result, whether that be a surplus or deficit as a percentage of operating revenues. Ideally, at a minimum, the Operating surplus should be equal to the annual principal loan repayments.

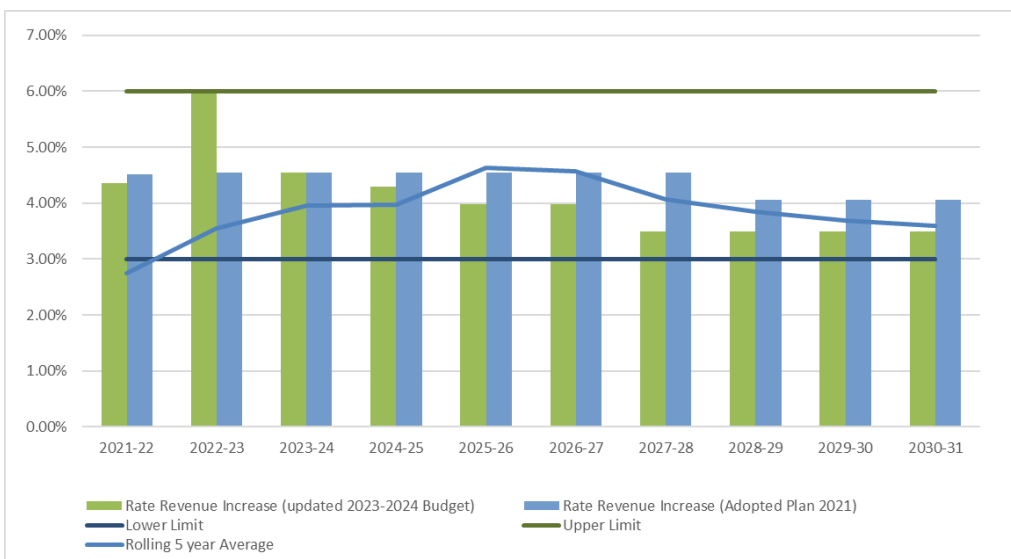


For 2023-2024, the Draft Budget has been prepared on the basis of a rate revenue increase of 4.55%, which is in line with the LTFP increase of 4.55% and will result in an Operating Deficit. The 2023-2024 Operating Deficit is \$341,624 compared to the LTFP surplus target of \$1.355 million.

Outcome 2: Rate Stability

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

Rate revenue is a major component of Council’s revenue base. The Council’s objective is to have a Long Term Financial Plan based on consistent rate revenue increases which meet the increased cost of the base level services and programs but also reflect new assessment growth and increased service levels. The benchmark target is between 3% and 6%.

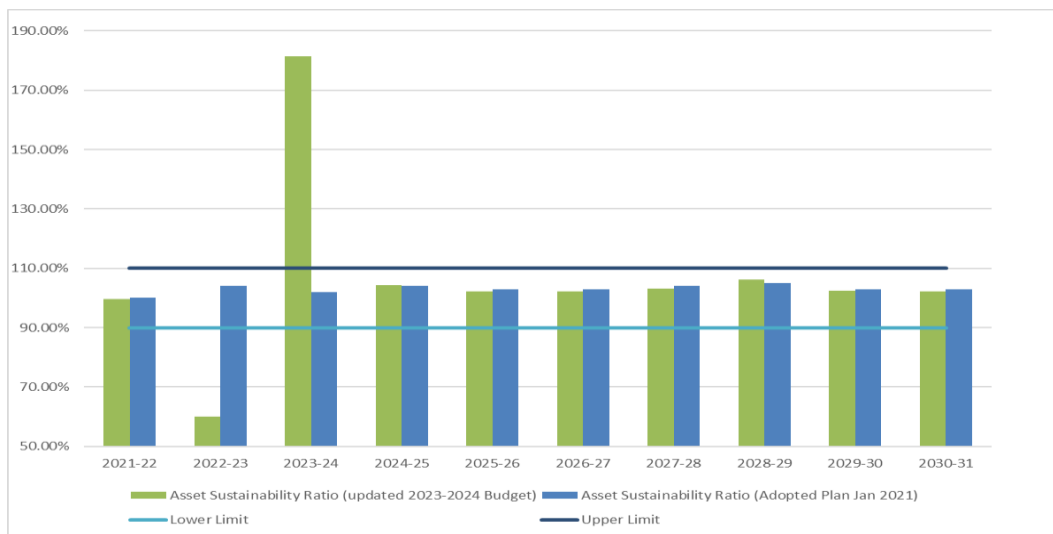


The Draft Budget is based on a Rate Revenue increase of 4.55%, which is an increase in Rate revenue of \$1,871,430 compared to the increased contained in the LTFP \$1,803,000. At the time of writing this report, the initial rate modelling of the impact of the rate revenue on the rate increase for the average residential ratepayer was not available.

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in City Plan 2030

The Council will measure its performance in achieving this outcome through the Asset Sustainability Ratio. The Asset Sustainability Ratio measures how well the Council is performing with respect to the renewal or replacement of existing physical assets, such as roads, footpaths, kerbing, buildings, council plant etc. The ratio is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the planned spend outlined in the Council’s Asset Management Plans. Ideally, physical assets should be renewed or replaced at the same rate the stock of assets is wearing out, however it is recognised that there may be some instances that require the Council to either accelerate decelerate the renewal or replacement of its existing asset base.



The asset sustainability ratio for 2023-2024 is reflective of the carry forward renewal spend associated with the major projects to be completed during 2022-2023 financial year and the increase in the proposed Drainage Program.

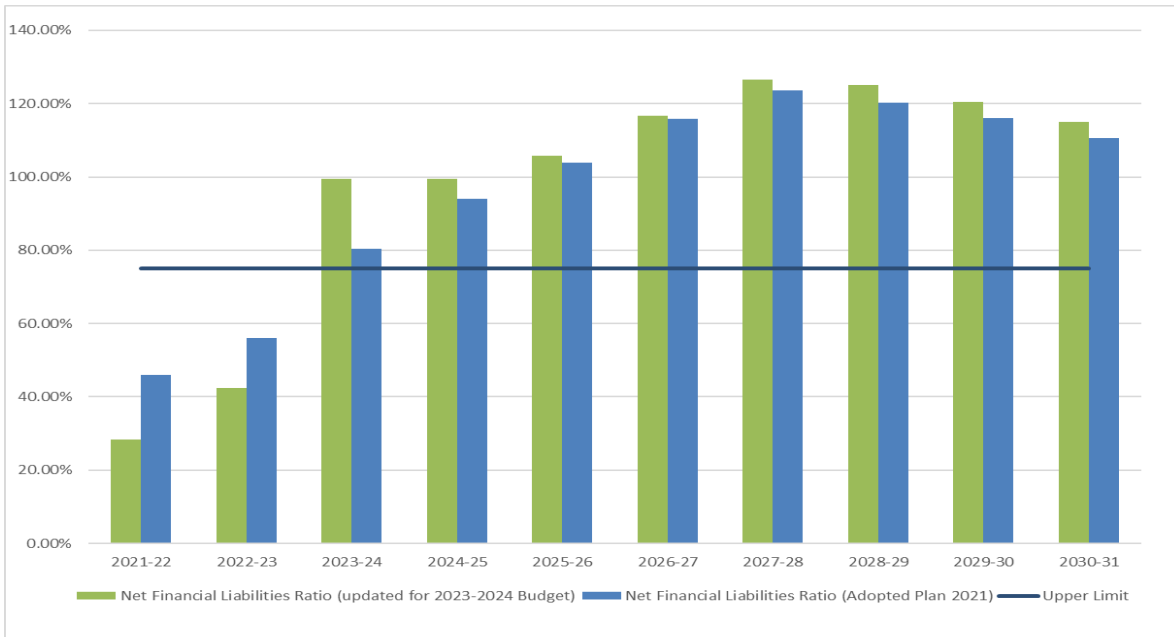
Outcome 4: Debt Management

Prudent use of debt to invest in new long-term assets to ensure intergenerational equity between current and future users

Prudent debt management is the process of establishing and executing a strategy for managing a Council debt in order to raise the required amount of funding to achieve its capital investment objectives. It is important that the use of debt is balanced with other funding sources, such as grants and cash reserves, to ensure that the members of the community that receive the benefits from the investment, share the cost. In addition, the Council must ensure that it has the capacity to service its debt.

Net Financial Liabilities

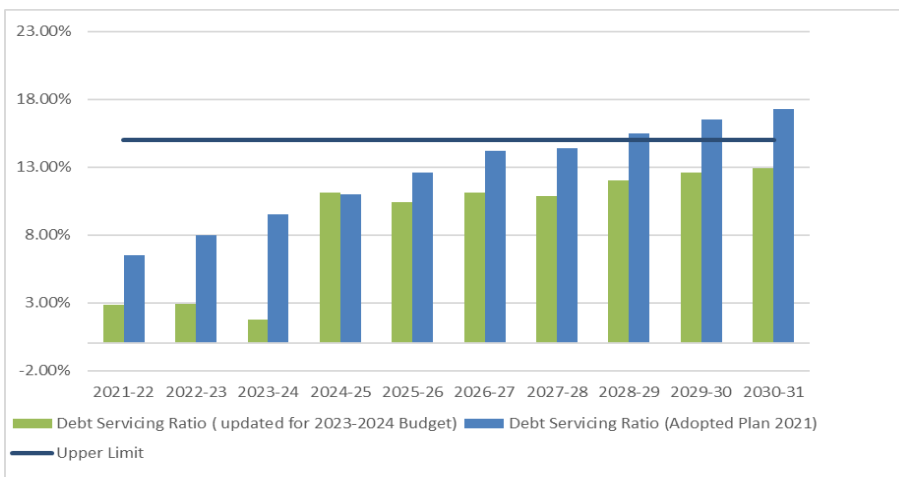
The Net Financial Liabilities measures the extent of indebtedness of the Council as a percentage of operating revenue. If the ratio falls over time this indicates that the Council's capacity to meet its financial obligations from operating income is strengthening.



As a result of an increase in the cash balance, resulting from the additional Rate Revenue increase and the slight reduction in the Operating Project Spent, the Net Financial Liabilities has fallen below 100% in years 2021-2025. As there is no proposed reduction in the Capital Works Program, there is no movement in the forecast level in Long-term Borrowings. The improvement in the Net Financial Liabilities is driven entirely from increased cash balances.

Debt Servicing Ratio

The Debt Servicing Ratio measures the extent of rate revenue that is used to meet interest and principal loan repayments.



OPTIONS

The Council has the following options in respect to this matter:

- endorse 'in principle' the Draft 2023-2024 Budget, set out in the Financial Statements contained in **Attachment D**, which incorporates the proposed Operating and Capital Projects contained in **Attachment A**; or
- vary the Draft 2023-2024 Budget, set out in the Financial Statements contained in **Attachment D**, which incorporates the proposed Operating and Capital Projects contained in **Attachment A** by either:
 - reducing Operating and Capital Projects; and/or
 - increasing or decreasing non-rate revenue; or
 - increasing or decreasing the proposed Rate Revenue increase; or
 - increasing or decreasing recurrent expenditure.

CONCLUSION

The Draft 2023-2024 Budget as presented in this report is based on the Council continuing to deliver its existing services, programs 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 2023-2024 Recurrent Budget has been delivered with reference to these guidelines and where the parameters have not been achieved, the reasons have been provided.

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.

Decisions regarding the Draft 2023-2024, need to take into account the impact on the Council's ability to continue to meet its operational and financial outcomes in the future.

With reference to the financial targets set out in the Long-Term Financial Plan, Table 6 sets out the performance of the Draft 2023-2024 Budget, as set out in this report, against the LTFP Financial Outcomes.

TABLE 6: LONG TERM FINANCIAL PLAN TARGETS

<i>Outcome</i>	<i>Measure</i>	<i>Target</i>	<i>Draft Budget</i>	
A Balanced budget	Operating Ratio <i>Measures the Councils Operating result, whether that be a surplus or deficit as a percentage of operating revenues</i>	Between 0% and 10%	-0.67%	✘
Rate Stability	Rate Revenue Increase <i>The annual increase in revenue generated from general rates</i>	Between 3% and 6%	4.55%	✓
Infrastructure and Asset Management	Asset Sustainability Ratio <i>Measures the rate at which the Councils assets are being renewed or replaced against the Infrastructure & Asset Management Plan</i>	Between 90% and 110% <i>on a rolling three (3) year average</i>	157%	✘
Debt Management	Net Financial Liabilities Ratio <i>Measures the percentage operating revenues that would be required to settle the net amount owed by the Council.</i> Debt Servicing Ratio <i>Measures the Council's commitment to interest costs and debt repayments are met by general rate revenue</i>	Less than 75%	104.1%	✘
		less than 15%	3.6%	✓

COMMENTS

If Elected Members have any questions in relation to specific budget items or proposed allocations, please contact the Manager, Finance on 8366 4548, prior to the meeting as these discussions may assist in resolving any enquiry.

RECOMMENDATION

1. That the proposed Operating and Capital Projects as set out in **Attachment A** be endorsed "in principle".
2. That the Draft 2023-2024 Budget, set out in the Financial Statements contained in **Attachment D**, which incorporates the proposed Operating and Capital Projects contained in **Attachment A**, be endorsed "in principle".
3. The Council notes that a report on the adoption of the Draft 2023-2024 Annual Business Plan and Budget, which includes the 2023-2024 Rating Strategy, will be prepared for the Council's consideration.

Short Term Suspension of Proceedings

At 7.54pm, 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 30 minutes to enable informal discussion regarding the Draft 2023-2024 Budget.

Cr Mex moved:

That the meeting proceedings be suspended for a period of 30 minutes.

Seconded by Cr Duke and carried unanimously.

Cr Sims left the meeting at 8.17pm.

Cr Sims returned to the meeting at 8.18pm.

Further Suspension of Proceedings

At 8.25pm, 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 a further 15 minutes to enable further informal discussion regarding the Draft 2023-2024 Budget.

Cr Mex moved:

That the meeting proceedings be further suspended for a period of 15 minutes.

Seconded by Cr Sims and carried unanimously.

Resumption of Proceedings

The meeting resumed at 8.42pm.

Cr Piggott moved:

1. *That the proposed Operating and Capital Projects as set out in Attachment A be endorsed "in principle".*
2. *That the Council endorses "in principle", the Draft 2023 -2024 Budget set out in the Financial Statements contained in Attachment D, which incorporates the proposed Operating and Capital Projects;*
3. *The Council requests that the following information be provided to the Council at its meeting to be held on 1 May 2023 as part of the Council's consideration of the Draft 2023-2024 Annual Business Plan and Budget:*
 - a. *review of projected income from Statutory Charges, User Charges & Other Income, noting their overall decline and to include any income gains achievable from planned resource increase noting that statutory charges for 2023-2024 will not be known until the State Budget has been handed down;*
 - b. *review of Employee Expenses noting the anticipated increase in costs since 2021-2022; and*
 - c. *schedule for all new capital projects over \$250,000 (inclusive of carry forwards) detailing best estimate planned cash requirements by month across the next two years and final anticipated Council funds requirement net of confirmed external funding.*
4. *The Council requests that a meeting of the Audit & Risk Committee be convened to enable the Committee to provide comment on the Draft 2023-2024 Budget prior to the Council Meeting to be held on 1 May 2023.*

Cr Robinson left the meeting at 8.50pm.
Cr Robinson returned to the meeting at 8.52pm.
Cr Granozio left the meeting at 8.53pm.
Cr Granozio returned to the meeting at 8.54pm.

*Seconded by Cr McFarlane and the vote was tied.
The Mayor used his casting vote to vote against the motion and declared the motion lost.*

Division

Cr Piggott called for a division and the decision was set aside.

Those in favour: Cr Piggott, Cr Holfeld, Cr Sims, Cr McFarlane, Cr Mex and Cr Moorhouse.

Those against: Cr Whittington, Cr Knoblauch, Cr Duke, Cr Robinson, Cr Granozio and Cr Clutterham.

Upon using his casting vote against the motion, the Mayor declared the motion lost.

Cr Duke moved:

- 1. That the proposed Operating and Capital Projects as set out in Attachment A be endorsed "in principle".*
- 2. That the Council endorses "in principle", the Draft 2023 -2024 Budget set out in the Financial Statements contained in Attachment D, which incorporates the proposed Operating and Capital Projects;*
- 3. The Council requests that the following information be provided to the Council at its meeting to be held on 1 May 2023 as part of the Council's consideration of the Draft 2023-2024 Annual Business Plan and Budget:*
 - a. review of projected income from Statutory Charges, User Charges & Other Income, noting their overall decline and to include any income gains achievable from planned resource increase noting that statutory charges for 2023-2024 will not be known until the State Budget has been handed down;*
- 4. The Council requests that a meeting of the Audit & Risk Committee be convened to enable the Committee to provide comment on the Draft 2023-2024 Budget prior to the Council Meeting to be held on 1 May 2023.*

Seconded by Cr Granozio and carried.

3. CLOSURE

There being no further business, the Mayor declared the meeting closed at 9.33pm.

Mayor Robert Bria

Minutes Confirmed on _____
(date)