

DECISION REPORT

REPORT TITLE:	2014-15 DRAFT ANNUAL BUSINESS PLAN AND BUDGET FOR CONSULTATION
ITEM NUMBER:	1118
DATE OF MEETING:	28 APRIL 2014
AUTHOR:	MICHAEL CAREY
JOB TITLE:	MANAGER FINANCE AND ICT
RESPONSIBLE OFFICER:	STEPHEN FAULKNER
JOB TITLE:	GENERAL MANAGER PEOPLE AND GOVERNANCE
COMMUNITY GOAL:	O5.5 A FINANCIALLY SUSTAINABLE APPROACH TO BUSINESS AND PLANNING ACTIVITY
ATTACHMENTS:	<ol style="list-style-type: none">1. PROVISIONS OF THE LOCAL GOVERNMENT ACT2. DRAFT ANNUAL BUSINESS PLAN 2014 -15

PURPOSE

This report provides information regarding the Draft Annual Business Plan 2014-15 and proposed community consultation process in relation to:

- projects to be undertaken,
- services provided by Council to the community, and
- the resources required by the City of Unley to deliver the services and projects.

Details of services and projects are contained within the Draft Annual Business Plan 2014-15.

RECOMMENDATION

MOVED:
SECONDED:

That:

1. The report be received.
2. The Draft Annual Business Plan and Budget 2014-15 (Attachment 2 to Item 1118/14), be endorsed for the purpose of Community Consultation to be conducted between 7 May and 29 May 2014.

3. The Chief Executive Officer be authorised to make any necessary changes to the Annual Business Plan and Budget 2014-15, if required, from this meeting together with any minor edits required for consistency or clarity.
 4. The community consultation process outlined in Item 1118/14, be endorsed.
-

BACKGROUND

Section 123(3) of the Local Government Act 1999 requires councils to prepare a Draft Annual Business Plan and Budget for community consultation prior to formal adoption (Attachment 1 to Item 1118/14).

Attachment 1

The Annual Business Plan and Budget must be adopted after 31 May and prior to 31 August each year.

COMMUNITY ENGAGEMENT

Section 123(4) of the Local Government Act 1999 prescribes the minimum level of consultation that a council must undertake in conjunction with the Draft Annual Business Plan. It requires the publication of a notice in a newspaper circulating within the area of the Council inviting interested parties to attend a public meeting, or a meeting of Council where members of the public may ask questions. Council is also required to invite interested parties to make a written submission outlining any concerns they have, or comments that they wish to make, about what is being proposed.

Community consultation of the Draft Annual Business Plan will occur between 7 May and 29 May 2014.

The proposed level of engagement, listed below, meets the requirements of the Local Government Act (LGA).

- an advertisement will be placed in the Eastern Courier Messenger advising of the consultation period and public meeting date and time
- a public meeting will be held in the Goodwood Community Centre on the 28 May 2014 at 5.30pm, and
- submissions will be received in writing or via *Your say Unley*.

DISCUSSION

The Draft Annual Business Plan 2014-15 meets all legislative requirements of the Local Government Act 1999.

The information contains:

- project priorities
- a summary of the services provided by Council
- information regarding Council's Long Term Financial Plan
- funding requirements
- consideration of the rating structure and impact.

Three Elected Member workshops have been held as part of the Annual Business Plan development process. The first of these workshops was held in December 2013 with the second and third workshops held on 1 April and 7 April 2014 respectively. A further workshop is proposed, following community consultation, to be held 2 June 2014.

The Draft Annual Business Plan 2014-15 has been developed using the Long Term Financial Plan as a guide with the aim to achieve the adopted financial targets.

Financial Indicator	Council Adopted Target	Draft Budget 2014-15
Operating Surplus Ratio	3.0%	3.0%
Net Financial Liabilities Ratio	<= 80% of Total Operating Revenue less NRM Levy	50%
Asset Sustainability Ratio	>= 100% average over the 10 year period	102%

The following items are proposed as the basis for consultation with the community:

- an estimated rates increase for existing ratepayers of 4.95%
- proposed net Operating Projects of \$1.296m
- proposed net Capital Replacement of \$6.936m
- proposed net Capital New of \$2.871m
- additional funding for proposed new capital will come from borrowings estimated at \$2.914m.

If Council decides to reduce the estimated 4.95% rate increase, this will require a reduction in the proposed operating initiatives to meet Councils agreed Operating Surplus target of 3%.

Specific cost pressures for the City of Unley in developing the 2014-15 Annual Business Plan include:

- servicing the cost (principal and interest) of a Council endorsed open space land acquisition which will result in an annual cash flow requirement in the order of \$300k, representing 1% of General Rates
- the requirement to renew Council's waste management contract in 2014-15 noting that Council's current contract is considered to be in the order of 25% below market rates. This is likely to increase costs by \$800k from the current contract price
- utility rises for water (41% increase over last 3 years) and electricity (30% increase over last 3 years) well above CPI (in the order of 8% over the same 3 year period)
- Council election in November 2014 with anticipated one off costs of \$172k
- increase in legislated requirement for governance including associated requirements for the Independent Commissioner Against Corruption (ICAC), internal controls and auditing
- backlog of building maintenance requirements (estimated at \$100k per annum)
- increases in maintenance on new assets and new levels of service to maintain Managed Aquifer Recharge (MAR) systems and Water Sensitive Urban Design (estimated at over \$200k per annum).

In response to the cost imposts on Council and to minimise the burden on ratepayers, the draft Business Plan and Budget has been prepared within the following targeted reductions in expenditure.

Specific cuts have included:

- reduction in casual staff of \$225k
- reduction in overtime of \$38k
- reduction in temporary contractors of \$143k,
- reduction in sundry other expenses of \$120k and
- reduction in training expenses of \$30k

At this stage in the budget development process, Council has identified proposed new operating initiatives that amount to \$1.367m (Net \$1.296m). Further review of these proposals will occur between now and June and will include consideration of the community consultation feedback before the Budget is finalised for adoption.

Significant items include:

- Council contribution to the undergrounding of the power lines for Goodwood Road between the tram crossing and Mitchell Street \$300k
- completion of Year 3 actions of the Unley Digital Economy Strategy \$150k
- completion of planning for the Unley Central Precinct \$80k

- Local Government Elections 2014 (including induction) \$172k
- development and commencement of implementation of the Customer Service Framework \$77k
- place activation and showcasing of the City of Unley through events including Unley Gourmet Gala (\$213k net), Tour Down Under (\$25k) and community events program and related activities (\$100k).

The proposed capital replacement program of \$7.491m (net \$6.936m) has been based on current asset information, resulting in a 10 year rolling average for the Asset Sustainability Ratio of 102%. Major items include:

- \$1.195m for a footways replacement program of
- \$1.450m for the proposed road reseal program, and
- \$490k for reserves, recreation and open space projects.

Proposed major new capital projects total \$3.066m (net \$2.871m) and include:

- Stage 2 of the Randolph Avenue streetscape \$250k with \$125k of grant funding
- contribution to Unley Oval upgrade relating to lighting and fencing \$95k (and subject to grant funding, Sturt Football Club contribution and community consultation)
- Brownhill Keswick Creek project contribution \$1.643m, and
- implementation of Council's Asset Management System \$450k.

New capital projects will be funded by borrowings.

A copy of the Draft Annual Business Plan is provided as Attachment 2 to Item 1118/14.

Attachment 2

The impact of this draft plan does not compromise Council's long term financial sustainability. It will however need to continually monitor the impact of its decisions on the long term Net Financial Liabilities and Equity.

ANALYSIS OF OPTIONS

Option 1 – Conduct community consultation to meet the requirements of the legislation

Due to the community engagement strategy undertaken for the development of the Community Plan 2033, it is recommended that Council consider the legislated level of consultation for the Draft Annual Business Plan and Budget as described above. The requirements of the legislation satisfies Council's own Consultation Policy.

Consultation will occur between 7 May 2014 and 29 May 2014. A public meeting will occur on 28 May 2014 at 5.30pm in the Goodwood Community Centre.

Option 2 – Conduct community consultation in a modified manner

Changes to the recommended process may be suggested by Elected Members to assist in achieving the outcomes outlined above, provided the basic legislative requirements of the Act are met.

RECOMMENDED OPTION

Option 1 is the recommended option.

POLICY IMPLICATIONS

The proposed community engagement process is consistent with both the provision of the Local Government Act and with Council's adopted Community Consultation policy COU 11.

The proposed Draft Annual Business Plan and Budget for 2014-15 meets the legislative requirements and financial targets adopted as part of the Long Term Financial Plan.

CONCLUSION

The Local Government Act 1999 (The Act) requires Council to consult with the community prior to adopting the annual budget. Specifically the Act requires Council to develop a Draft Annual Business Plan and follow a process of community consultation.

It is proposed that community consultation will occur between 7 May and 29 May 2014. A public meeting will be held on 28 May 2014 at 5.30pm in the Goodwood Community Centre and written submissions will be accepted up until the close of business on the 29 May 2014.

Part 2—Annual business plans and budgets

123—Annual business plans and budgets

- (1) A council must have, for each financial year—
 - (a) an annual business plan; and
 - (b) a budget.
- (2) Each annual business plan of a council must—
 - (a) include a summary of the council's long-term objectives (as set out in its strategic management plans); and
 - (b) include an outline of—
 - (i) the council's objectives for the financial year; and
 - (ii) the activities that the council intends to undertake to achieve those objectives; and
 - (iii) the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives over the financial year; and
 - (c) assess the financial requirements of the council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; and
 - (d) set out the rates structure and policies for the financial year; and
 - (e) assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the council; and
 - (f) take into account the council's long-term financial plan and relevant issues relating to the management and development of infrastructure and major assets by the council; and
 - (g) address or include any other matter prescribed by the regulations.
- (3) Before a council adopts an annual business plan, the council must—
 - (a) prepare a draft annual business plan; and
 - (b) follow the relevant steps set out in its public consultation policy, taking into account the requirements of subsection (4).
- (4) For the purposes of subsection (3)(b), a public consultation policy must at least provide for the following:
 - (a) the publication in a newspaper circulating within the area of the council of a notice informing the public of the preparation of the draft annual business plan and inviting interested persons—
 - (i) to attend—

- (A) a public meeting in relation to the matter to be held on a date (which must be at least 21 days after the publication of the notice) stated in the notice; or
 - (B) a meeting of the council to be held on a date stated in the notice at which members of the public may ask questions, and make submissions, in relation to the matter for a period of at least 1 hour,
 - (on the basis that the council determines which kind of meeting is to be held under this subparagraph); or
 - (ii) to make written submissions in relation to the matter within a period (which must be at least 21 days) stated in the notice; and
 - (b) the council to make arrangements for a meeting contemplated by paragraph (a)(i) and the consideration by the council of any submissions made at that meeting or in response to the invitation under paragraph (a)(ii).
- (5) The council must ensure that copies of the draft annual business plan are available at the meeting under subsection (4)(a)(i), and for inspection (without charge) and purchase (on payment of a fee fixed by the council) at the principal office of the council at least 21 days before the date of that meeting.
- (5a) The council must ensure that provision is made for—
- (a) a facility for asking and answering questions; and
 - (b) the receipt of submissions,
- on its website during the public consultation period.
- (6) A council may then, after considering—
- (a) any submission made to the council during the public consultation period; and
 - (b) any new or revised information in the possession of the council that is relevant to the material contained in the draft annual business plan; and
 - (c) such other materials or information as the council thinks fit,
- adopt its annual business plan (with or without amendment).
- (7) Each budget of a council must—
- (a) be considered in conjunction with the council's annual business plan (and must be consistent with that plan, as adopted); and
 - (b) be adopted by the council after the council has adopted its annual business plan.

- (8) An annual business plan and a budget must be adopted by a council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.
- (9) A council must, after adopting an annual business plan and a budget—
 - (a) ensure—
 - (i) that a summary of the annual business plan is prepared so as to assist in promoting public awareness of the nature of its services and its rating and financial management policies, taking into account its objectives and activities for the ensuing financial year; and
 - (ii) that a copy of the summary of the annual business plan accompanies the first rates notice sent to ratepayers after the declaration of its rates for the financial year; and
 - (b) ensure—
 - (i) that copies of the annual business plan and the budget (as adopted) are available for inspection (without charge) or purchase (on payment of a fee fixed by the council); and
 - (ii) that copies of the summary of the annual business plan are available for inspection and to take (without charge),
at the principal office of the council.
- (10) The regulations may prescribe requirements with respect to the preparation, form and contents of—
 - (a) an annual business plan (including a draft for the purposes of public consultation), and the summary required under subsection (9); and
 - (b) a budget.
- (11) However, in any event, the summary of the annual business plan must include an assessment of the extent to which the council's objectives for the previous financial year have been attained (taking into account the provisions of the annual business plan for that financial year).
- (12) Subject to complying with a preceding subsection, any relevant document under this section will be in a form determined by the council.
- (13) A council must, as required by the regulations, and may at any time, reconsider its annual business plan or its budget during the course of a financial year and, if necessary or appropriate, make any revisions.
- (14) A rate cannot be challenged on a ground based on non-compliance with this section, or on a ground based on the contents of a document prepared or adopted by a council for the purposes of this section.