

**SPECIAL MEETING OF COUNCIL  
11 MAY 2009**

<b>ITEM 1</b>	<b>DRAFT 2009/2010 BUDGET</b>
<b>LOCATION/ADDRESS:</b>	
<b>RESPONSIBLE EXECUTIVE:</b>	<b>DAVID FILMALTER, CHIEF FINANCIAL OFFICER</b>
<b>PREPARED BY:</b>	<b>DAVID FILMALTER</b>
<b>FILE NO.:</b>	
<b>ATTACHMENTS:</b>	<b>NO 1. DRAFT 2009/2010 BUDGET NO 2. PUBLIC NOTICE (ADVERTISEMENT OF DRAFT BUDGET) NO 3. BUDGET TIMETABLE</b>

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**1. EXECUTIVE SUMMARY**

Council needs to approve the release of its draft Budget to the community and provide interested persons with an opportunity to make submissions prior to the Budget being formally adopted on 29 June 2009. The key features of the draft Budget include a rate rise of 2.9% (rate in the dollar), a balanced budget, a significant increase in community capital works expenditure and a proposal to reduce the impact of higher rates through an increased pensioner rate rebate. The next step in the process will be a Special Council Meeting on Thursday 11 June 2009 at which public submissions to the Draft Budget will be heard and considered.

**2. RECOMMENDATION**

2.1. Council:

- 2.1.1 Adopts the draft 2009/2010 Budget (Attachment 1) for the purpose of advertising;
- 2.1.2 Endorse the increase of the Council sponsored pensioner rate rebate for 2009/2010, from \$97.00 to \$100.00;
- 2.1.3 Pursuant to Section 129 of the Local Government Act 1989 authorise the public notice (Attachment 2) to advertise the Draft Budget and call for submissions from the public;
- 2.1.4 Resolves that a Special Meeting of Council be conducted on Thursday 11 June 2009 at 5.30 pm in the Council Chamber of the St Kilda Town Hall to hear the public submissions on the Draft Budget and 2009-2013 Council Plan.
- 2.1.5 Adopts the Budget Timetable (Attachment 3).

**3. DISCUSSION**

3.1. Statutory Requirements

3.1.1 Council is required under Section 127 (1) of the Local Government Act 1989 to prepare a budget for each financial year.

3.1.2 Under Section 127 (2) of the LGA the budget must contain as a minimum:

- Standard statements (income statement, balance sheet, cash flow and capital works) in the form required by the regulations.
- A description of the activities and initiatives to be funded in the budget.
- A statement as to how the activities and initiatives will contribute to achieving the strategic objectives specified in the Council Plan.
- Separately identified Key Strategic Activities to be undertaken during the financial year and performance targets and measures in relation to each Key Strategic Activity.
- The Local Government (Finance and Reporting) Regulations 2004 also require the budget to include additional information including any new borrowings proposed, the amount of debt redemption, the proposed rate in the dollar for each rate type, the estimated amount to be raised for each rate type, the number of assessments, the basis of valuation used and the estimated total value of land on which the rate will be applied.

3.1.3 Section 129 of the LGA requires Council to give public notice of the proposed budget, which will include key budget information and details of the process for making submissions including the proposed dates for hearing the submissions, adopting the budget and striking the rate.

3.2. Financial Strategy

Council has applied the following financial principles in developing the draft 2009/2010 Budget.

3.2.1 Ensuring that Council's financial resources are applied towards achieving the desired outcomes, strategies and initiatives articulated in the 2009-2013 Council Plan.

3.2.2 Ensuring that Council balances its expenditure on services and capital works with the revenue it earns.

3.2.3 Maintaining reserves at levels that are adequate to provide a buffer for large or unexpected short term cash flow fluctuations.

3.2.4 Achieving long term cash flow neutrality while restricting the price component of rates growth to the headline inflation rate as measured by the changes in the Consumer Price Index.

3.2.5 No borrowings for routine capital works.

3.3. Council Plan

3.3.1. In addition to these financial principles, Council has developed a new four year draft Council Plan 2009-2013 which is based on four strategic objectives:

- Engaging and governing the City
- Taking action on climate change
- Strengthening our diverse and inclusive community
- Enhancing liveability

3.3.2 The budget has been developed with these objectives in mind with the majority of new initiatives being closely aligned to these objectives.

3.3.3 Council is also required to prepare a Strategic Resource Plan (SRP) as part of its Council Plan. This includes a summary of Council's key financial and non financial resource allocation objectives which are aligned to Council's four year financial plan. These are detailed in the Council Plan which is a separate report to Council on 11 May 2009.

3.4. Budget Summary

3.4.1 The 2009/2010 Budget projects a deficit of \$6.943M for the year. When combined with the projected 2008/2009 Surplus of \$6.943M which includes \$6.3M that is being set aside for the expected capital works carry over, this represents a balanced budget for 2009/2010.

3.4.2 Revenue

- The main component of the increase in revenue will be derived from an increase in rates revenue of 6.26%. The drivers behind the change in rates revenue are a 2.9% increase in the rate in the dollar, an increase of 2.5% in the property base and the inclusion of a \$600K (0.8%) budgetary allocation for supplementary rates (additional revenue on properties that are expected to be created during 2009/2010).
- Capital grants are expected to increase by \$5.29M to \$5.92M. This extraordinary increase is due to the external funding that has been obtained from the Commonwealth and State government for the two integrated family and children centres in St Kilda and Liardet Street, Port Melbourne.
- Operating grants are expected to increase by 9.5% to \$8.768M. This increase is mainly attributable to the 2006 census figures reflecting that population growth within the municipality was higher than expected.

- Interest revenue is expected to decline markedly to \$1.0M. This decline is due to the unprecedented easing of monetary policy by the RBA which has resulted in the cash rate declining from a peak of 7.25% to 3.0%.
- Parking revenue is expected to reduce by 1.8% to \$21.54M. This reduction is due to declining demand for paid parking especially in the industrial and commercial areas.

#### 3.4.3 Expenditure

- Employee benefits are expected to increase by 9.6% to \$50.55M. This abnormal increase in labour costs is due to the following:

The impact of the Enterprise Agreement which provides for a 4.0% increase in salaries in July 2009.

The impact of 36.8 new positions which equates to a 5.9% increase in staffing numbers compared to the previous year. This has been partially offset by a reduction in external labour and contract costs and additional grant revenue.

- Council has contained the cost of contractors and professional services as well as materials and other expenditure at levels that are in line with the previous year (1.8% increase).

#### 3.4.4 Capital Expenditure

- Council has affirmed its commitment to maintaining and improving its community assets and infrastructure with an expanded capital works program of \$28.61M which represents an increase of 11.3% on the previous year.

### 3.5. Council Sponsored Pensioner Rate Rebate Scheme

3.5.1 In 1998/99 Council introduced a Council sponsored pensioner rate rebate scheme as part of a rate assistance package to assist low income property owners in the municipality. The scheme has been reviewed annually by Council and retained on an ongoing basis since its inception.

3.5.2 The Council rebate is given in addition to the rebate provided by the State Government via its Pensioner Rate Remission Scheme. Recipients of the State rebate automatically receive the Council rebate.

3.5.3 The Council rebate is calculated on the amount of rates payable after the State Government rebate has been deducted. It is a 50% rebate up to a maximum of \$100.00, (2008/2009 - \$97.00), however no recipient is to pay less than 50% of the rates levied on their property.

3.5.4 The current cost of the Council sponsored scheme is \$307,000.

3.5.5 The Council sponsored pensioner rate rebate scheme was adopted in June 1998 on the basis that it be reviewed annually during the budget process.

3.5.6 The draft Budget for 2009/2010 has made provision for an increase of \$3.00 in this rebate which will be increased from \$97.00 to \$100.00 at an additional cost of \$9,500 to Council, making the total cost \$316,500.

3.6. Consultation

3.6.1 Stage 1 (non-statutory consultation) was held from 21 February to 7 March 2009 and included community conversations on Council's proposed strategic directions. This consisted of six public meetings, three conversation tents (held at the South Melbourne, Gasworks and St Kilda Veg Out markets), and an online survey. Council received over 1,000 comments on the proposed strategic directions. This feedback has informed Council in the preparation of the draft Council Plan 2009-13 (including Strategic Resource Plan) and the draft 2009/10 Budget.

3.6.2 Stage 2 (28 day statutory consultation requirement) is to be conducted from Wednesday 13 May to Tuesday 9 June 2009 for consultation on the draft Council Plan 2009-13 (including Strategic Resource Plan) and draft 2009/10 Budget:

- notice of the draft Council Plan 2009-13 (including Strategic Resource Plan) and draft Budget and invitation for public submissions published in The Age, Emerald Hill Weekly and Port Phillip Leader (refer to Attachment 2);
- copies of the draft Council Plan 2009-13 (including Strategic Resource Plan) and draft Budget made available at Council offices and libraries;
- summary information sheets on the draft Council Plan 2009-13 (including Strategic Resource Plan) and draft Budget made available in English, Russian, Polish, Chinese and Greek;
- two public 'expo' style consultation sessions held on Wednesday 27 May 2009 (11.00 am – 7.00 pm) and Sunday 31 May 2009 (11.00 am – 4.00 pm). Details of the expo sessions to be promoted in the Emerald Hill Weekly and Port Phillip Leader;
- information and feedback on the draft Council Plan 2009-13 (including Strategic Resource Plan) and draft Budget made available online at the City of Port Phillip website and a pilot Twitter site.

3.6.3 Once the draft Budget is adopted by Council, the public will be invited to view the draft Budget and make submissions to the Council. It is proposed to conduct a Special Council Meeting on Thursday 11 June 2009 at 5.30 pm to consider and hear submissions from the public.

3.7. Implementation

Before Council can adopt the 2009/2010 Budget and declare the rate, it must:

- 3.7.1 Adopt the draft Budget and pass a resolution to advertise the draft Budget and provide other information as required by the Local Government (Finance and Reporting) Regulations 2004 (See Attachment 2 – Public Notice);
- 3.7.2 Make available to the public copies of the draft Budget documentation, the content of which is prescribed by the Local Government (Finance and Reporting) Regulations 2004;
- 3.7.3 Invite submissions from the public as required by Section 129(2) of the Local Government Act 1989;
- 3.7.4 Receive, hear and review public submissions, and advise all submitters of the outcome of the hearing, in accordance with Section 223 of the Local Government Act 1989;
- 3.7.5 Adopt the Budget, set the rate in the dollar and advertise the outcome.

3.8. Communication

Public notices advising the community of the adoption of the draft Budget and inviting submissions from the public will be placed in the Age and the local press.