



SPECIAL COUNCIL

AGENDA

17 JUNE 2002

PORT PHILLIP CITY COUNCIL

SPECIAL COUNCIL

To Councillors

Notice is hereby given that a Meeting of the **Special Council** of the **Port Phillip City Council** will be held in the **Council Chamber, St Kilda Town Hall** on **Monday, 17 June 2002, commencing at 6.00pm.**

AGENDA

- 1. APOLOGIES**
- 2. DECLARATIONS OF PECUNIARY INTEREST**
- 3. CONFIDENTIAL ITEMS**
- 4. PRESENTATION OF REPORTS**

(See Report Index)

David Spokes
Chief Executive Officer
12 JUNE 2002

SPECIAL COUNCIL REPORT INDEX

3 CONFIDENTIAL ITEMS - FOR CONSIDERATION BY COUNCILLORS AND SENIOR OFFICERS

2 **Parks And Open Space Contract Variations**

Responsible Manager: David Yeouart – Director Environment and Infrastructure

(Note: This is classified as a Confidential Item in accordance with Section 89 (d) of the Local Government Act 1989).

4. PRESENTATION OF REPORTS

1 **2002/2003 Draft Budget**

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Responsible Manager: David Graham - Director Governance & Council Services

Purpose: Council To Receive, Review & Adopt The 2002/2003 Draft Budget, Authorise The Calling For Submissions To The Draft Budget And Review The Council Sponsored Pensioner Rate Rebate Scheme.

Recommendation: Council Adopt The 2002/2003 Draft Budget, Call For Public Submissions To The Draft Budget, Endorse The Retention Of The Council Sponsored Pensioner Rate Rebate Scheme And Endorse The Budget Timetable.

SPECIAL COUNCIL
17 JUNE 2002

1	2002/2003 DRAFT BUDGET
KEY RESULT AREA:	ENSURING A SUSTAINABLE ORGANISATION
LOCATION/ADDRESS:	N/A
RESPONSIBLE MANAGER:	DAVID GRAHAM - DIRECTOR GOVERNANCE & COUNCIL SERVICES
AUTHOR:	DAVID FILMALTER - MANAGER, FINANCE & INVESTMENTS & NORM MCCLELLAND - GOVERNANCE ADMINISTRATOR
FILE NO.:	34/02/15
ATTACHMENTS:	NO. 1 BUDGET TIMETABLE NO. 2 DRAFT BUDGET ADVERTISEMENT

1. KEY ISSUES

- 1.1. Council to:
 - 1.1.1. receive, review and adopt the 2002/2003 Draft Budget;
 - 1.1.2. authorise the public notice to advertise the Draft Budget and call for submissions from the public;
 - 1.1.3. review the Council sponsored pensioner rate rebate scheme; and
 - 1.1.4. note the Budget Timetable (Attachment 1) which encompasses the hearing of submissions, the adoption of the Budget and the declaration of the rate by 22nd July 2002.

2. BACKGROUND

- 2.1. The Draft Budget has evolved through the following process:
 - 2.1.1. the Finance Department produced a document, 'Annual Budget Guidelines', containing budget policies and assumptions;
 - 2.1.2. all managers and team leaders prepared their estimates of operating and capital expenditure, and income, which was reviewed by respective Directors;
 - 2.1.3. the forecasts of the managers and team leaders were considered by the Chief Executive Officer, the Director of Governance & Council Services and the Manager Finance & Investments;
 - 2.1.4. the General Management Team considered the consolidated budget figures; and

- 2.1.5. a preliminary review of the divisional budgets and the capital works program was conducted by Councillors and the General Management Team.

3. COUNCIL'S FINANCIAL STRATEGY

- 3.1. Council has applied the following financial principles in developing the 2002/2003 Draft Budget:
 - 3.1.1. pursuit of revenue generating activities;
 - 3.1.2. management of parking income and traffic fines not to adversely affect residents and commerce;
 - 3.1.3. downward pressure on operating expenditure;
 - 3.1.4. maintenance of the capital works program;
 - 3.1.5. maintenance of reserves;
 - 3.1.6. minimal asset sales;
 - 3.1.7. borrowings only where programs can fund the debt repayments out of future income streams or expenditure savings.
- 3.2. As well as applying financial principles, Council has developed four broad goals as its Corporate Plan Framework to guide/determine the activities of the Council over the coming years. These are:
 - 3.2.1. promote economic viability;
 - 3.2.2. nurture environmental responsibility;
 - 3.2.3. promote cultural vitality;
 - 3.2.4. strengthen social equity.

4. GENERAL RATES REVALUATION

- 4.1. Section 13DC(5) of the Valuation of Land Act 1960 requires all councils to revalue all property within the municipality every two years. Prior to 1st January 2000 there was a requirement to revalue every four years, however, Port Phillip introduced two yearly valuations in 1998.
- 4.2. A revaluation of property was undertaken as at 1st January 2002, that is, all property within Port Phillip was revalued at a common date (1st January 2002).
- 4.3. The new valuations will be used to calculate rates for the 2002/2003 financial year. With the value of residential properties continuing to increase at a greater rate than the value of commercial and industrial properties, there has been a further shift in the rate mix to residential property owners. This will mean that from 2001/2002 to 2002/2003 some residential property owners will experience a percentage increase in rates greater than the percentage increase in total rate revenue for the same period.

- 4.4. The move from four yearly intervals for revaluations to two yearly intervals should 'smooth out' rate increases where residential property values are continually increasing. Some pockets of residential property within Port Phillip are in high demand and are at the forefront of property values in the Melbourne metropolitan area. The system of rating, a requirement of the Local Government Act, assumes that the owners of highly valued properties are able to pay the rates apportioned to such properties. This is not always the case, especially for pensioners – see 'Council Sponsored Pensioner Rate Rebate Scheme'.

5. BUDGET SUMMARY

- 5.1. The 2002/2003 Budget forecasts a small operating surplus. It is also estimated that a small surplus will be made in the 2001/2002 financial year.
- 5.2. **Revenue:**
- 5.2.1. The main component of the increase in revenue is to be derived from rates – the increase in total rates and charges revenue from 2001/2002 to 2002/2003 is estimated to be 6.5%.
- 5.2.2. It is proposed that the Municipal Charge, which has previously been set at \$23 per rateable property, be abolished.
- 5.2.3. The rate of growth in parking revenue has slowed considerably.
- 5.2.4. Even though councils are being required by the State and Commonwealth Governments to provide more services, Government Grants have remained relatively static.
- 5.3. **Current Expenditure:**
- 5.3.1. Salary costs have been increased by the return of a number of positions which were previously supplied by external providers, however, this cost is offset by a decrease in contract payments.
- 5.3.2. Contract payments and material costs have also been impacted by the increase in CPI.
- 5.4. **Capital Expenditure:**
- 5.4.1. Council has affirmed its commitment to maintaining capital expenditure by allocating \$14.8 million to the capital works program. A proportion of this expenditure is earmarked to ensure infrastructure is renewed at an appropriate rate.
- 5.4.2. Also included in the works program budget is approximately \$2.0 million for the Port Melbourne Library project.
- 5.5. The Chief Executive Officer's Budget Overview contains more detail on a number of budget issues, as well as, proposals and strategies for coming years.

6. COUNCIL SPONSORED PENSIONER RATE REBATE SCHEME

- 6.1. 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.
- 6.2. 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.
- 6.3. 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 \$75.00, however, no recipient is to pay less than 50% of the rates levied on their property.
- 6.4. The cost of the Council sponsored scheme is approximately \$300,000.
- 6.5. The Council sponsored pensioner rate rebate scheme was adopted in June 1998 on the basis that it be reviewed annually during the budget process.
- 6.6. The Draft Budget documentation for 2002/2003 contains costings for the scheme, however, Council should determine whether the scheme is to be retained.

7. OPTIONS

- 7.1. Council may:
 - 7.1.1. adopt the Draft Budget without alteration; or
 - 7.1.2. amend the Draft Budget to incorporate any changes deemed necessary.

8. POLICY CONTEXT

- 8.1. The 2002/2003 Draft Budget has been developed to align with Council's Corporate Plan and agreed strategic direction.
- 8.2. The Corporate Plan sets out the framework for the Council 3 year Budget program. The Budget documents also contain a 3 year Budget Outlook from the Mayor.
- 8.3. The Chief Executive Officer's Budget Overview contains strategies and proposals that align with the Corporate Plan Framework.

9. QUADRUPLE BOTTOM LINE ASSESSMENT

- 9.1. This report does not have any direct quadruple bottom line assessment implications, however, the budget does contain projects that have a positive social, economic, environmental and cultural impact. The draft Corporate Plan is structured around these four pillars (social, economic, environmental and cultural).

10. RESOURCE IMPLICATIONS

- 10.1. To fund the services and programs, including infrastructure maintenance and renewal, encompassed in the 2002/2003 Draft Budget, the rates and charges income raised from 2001/2002 to 2002/2003 is estimated to increase by 6.5%. It is estimated that a net \$49.20 million will be raised through rates and charges.
- 10.2. The increase in rates and charges in excess of CPI will be used to fund:
 - 10.2.1. increased infrastructure renewal
 - 10.2.2. expanded on-line service delivery
 - 10.2.3. the impact of the Enterprise Agreement
 - 10.2.4. increased governance and risk management
 - 10.2.5. insurance and asset inspection

11. INTERNAL CONSULTATION

- 11.1. Councillors, management and staff have been involved in the budget process.

12. EXTERNAL CONSULTATION

- 12.1. 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 Monday 15th July 2002 to consider and hear submissions from the public.

13. IMPLEMENTATION

- 13.1. Before Council can adopt the 2002/2003 Budget and declare the rate, it must:
 - 13.1.1. adopt the Draft Budget and pass a resolution to advertise the Draft Budget and provide other information as required by the *Local Government Regulations 2001* (see Attachment 2 – Public Notice);
 - 13.1.2. make available to the public copies of the Draft Budget documentation, the content of which is prescribed by the *Local Government Regulations 2001*;
 - 13.1.3. invite submissions from the public as required by section 146(2) of the *Local Government Act 1989*;
 - 13.1.4. receive, hear and review public submissions, and advise all submitters of the outcome of the hearing; and
 - 13.1.5. adopt the Budget, set the rate in the dollar and advertise the outcome.

14. CONCLUSION

- 14.1. To enable the budget process to proceed and be completed within the statutory time allowed, Council should review and adopt the Draft Budget.

15. COMMUNICATION

- 15.1. Advertisements will be placed in the local press alerting the community to the adoption of the Draft Budget and calling for submissions from the public.

16. RECOMMENDATION

- 16.1. Council:
- 16.1.1. receive and adopt the 2002/2003 Draft Budget and endorse the strategies and proposals outlined in the Chief Executive Officer's Budget Overview;
 - 16.1.2. endorse the abolition of the municipal charge;
 - 16.1.3. endorse the retention of the Council sponsored pensioner rate rebate scheme for 2002/2003, at the current level;
 - 16.1.4. authorise the public notice (Attachment 2) to advertise the Draft Budget and call for submissions from the public; and
 - 16.1.5. endorse the Budget Timetable (Attachment 1).