



## 2016-17 Annual Business Plan & Budget



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## Background

Under Section 123 of the Local Government Act 1999 Council is required to have a budget for each financial year. This budget must be considered as part of the Council's Annual Business Plan.

Before a council adopts its Annual Business Plan it must prepare a draft Annual Business Plan and undertake a public consultation process. The consultation for this plan was undertaken between 4 May and 27 May 2016 and a public meeting was held on 25 May 2016 at the Unley Civic Centre.

A Long Term Financial Plan (LTFP) has been developed to assist Council with developing a budget within a prudent, longer-term financial framework. The key objective has been to ensure financial sustainability in the medium to long term, while still achieving Council's goals as detailed in the Community Plan and Annual Plan objectives.

Council seeks to achieve a reasonable degree of rate stability over time while ensuring ratepayers are paying for those services and infrastructure maintenance.

## How Council measures its performance

Council measures its achievements and financial performance through the following processes:

- Regular financial reporting to Executive and Council
- Quarterly corporate performance report to Executive and Council
- Budget Reviews in accordance with legislation
- Annual review of the Long Term Financial Plan
- Review and input from Council's Audit and Governance Committee, and
- Production of an Annual Report including audited financial statements.

## Executive Summary

The Annual Business Plan for 2016-17 has been prepared in accordance with the priorities of Unley's Community Plan 2033 and 4 Year Plan 2013-2016, and the financial targets adopted by Council at its Council Meeting in February 2016.

Key financial information for 2016-17 is summarised below:

General Rate Increase 2.2%

Estimated Rates Growth (new rateable properties and improvements) 0.6%

<b>Budget Summary</b>	<b>\$'000</b>
General Rates Income	37 121
All Other Operating Income	8 578
<b>Total Operating Income</b>	<b>45 699</b>
Operating Expenses	41 807
New Operating Project Initiatives	1 097
Deferred Existing Operating Project (\$300k for Stage 2 Undergrounding of power lines Goodwood Road)	300
<b>Operating Surplus excluding Centennial Park</b>	<b>2 495</b>
Net Replacement Capital Expenditure	7 790
Net New Capital Expenditure	5 042
<b>Total Net Capital Expenditure</b>	<b>12 832</b>
<b>Estimated New Borrowings</b>	<b>4 500</b>
<b>Repayment of Borrowings</b>	<b>1 202</b>

**Council will raise sufficient income to cover its operating expenses and undertake repayment of its debt.**

### Key Financial Targets

<b>Indicator</b>	<b>Adopted Target</b>	<b>Proposed Outcome</b>
Operating Surplus Ratio (excluding Centennial Park)	> 3.0%	5.5%
Net Financial Liabilities Ratio	<= 80%	48%
Asset Sustainability Ratio (rolling 10 years)	>= 100%	112%
Asset Sustainability Ratio (current year compared to depreciation)		113%

## Major Projects

The key Council Projects over the next 4 Years and incorporated in Council's Long Term Financial Plan (LTFP) include:

- Goodwood Road covering undergrounding of power lines, streetscape upgrade and way finding strategy deliverables
- King William Road Master Plan outcomes;
- Brown Hill Keswick Creek; and
- Property redevelopment opportunities within the Unley Central Precinct

At the time of adoption of Council's LTFP in October 2015, it was highlighted that due to Council's commitment to the above strategic capital projects Council was unlikely to have funds for the implementation of Unley Oval and Goodwood and Millswood Oval in the short term without a change in priorities or seeking alternative funding sources.

It was therefore agreed for Council to only complete planning and high level design for Unley Oval, Goodwood Oval and Millswood Sporting Complex Upgrades. This will allow Council to be "spade ready" and to avail itself of future grant and other funding opportunities as they arise.

Subsequently at Council's Meeting in March 2016, as a result of a Future Grandstand Upgrades at Unley Oval – Results of Community Engagement and Future Directions Report, Council:

- gave in principle endorsement for the upgrade of the grandstands;
- requested Council to work with the Sturt Football Club to explore the feasibility of their preferred upgrade of the grandstands option including finalisation of concept plans and cost estimates;,
- requested Council to commence discussions with Federal and State Governments and other bodies, seeking grant funding opportunities for 2 options
- requested that a further progress report be presented back to Council in July 2016

At this stage, no costs have been included in the 2016-17 Budget and this may change if external funding becomes available.

No capital costs have been included for the Millswood Sporting Complex project as this project still requires more consideration.

In addition, Council, as part of the Library Service Review in 2015 endorsed a review of the floor plan to maximise flexible spaces. At this stage, Council has not finalised costings and continues to consider the viability of the project. As such, at this stage no costs have been included in the 2016-17 Budget.

Council also is currently undertaking a tender together with a number of Eastern Region Councils for respondents to provide solutions in relation to the provision of public lighting supply, installation, maintenance and management. As the cost benefit of these proposals have not been finalised or considered by Council, no costs have been included in the 2016-17 Budget.

## **Impact on ratepayers**

It is proposed that the overall amount existing ratepayers will pay in general rates will increase on average by 2.2%. For a residential property of average value, this equates to an increase in general rates of approximately \$37 for the 2016-17 year. Rate increases may vary from the average where there has been new development, capital improvements or other significant change to the value of the property.

For more information on the rating structure context please refer to **Funding the Business Plan** on page 19.

## **Centennial Park**

Council has included in its revised 2016-17 Budget, the City of Unley's equity share of Centennial Park's estimated operating loss for 2016-17 of \$246k. This does not negatively impact on Council's proposed rate increase or the estimated amount of borrowings.

Council also receives a quarterly liability guarantee fee from Centennial Park which is budgeted at \$208k for 2016-17.

## **Strategies behind the Draft Annual Business Plan**

The purpose of Annual Business Plan is to impart an understanding of:

- Annual objectives for the year in the context of Council's long-term objectives
- The activities and services provided by Council
- Key financial information relating to revenue and expenditure
- Proposed new initiatives and projects
- Rating context and impact of rates for 2016-17, and
- Council's Long Term Financial Plan and Asset Management Plans

The Annual Business Plan sets out the Council's proposed services, programs and projects for 2016-17. It outlines the Council's specific objectives for the year in the context of its forecast long term financial position to ensure that a sustainable financial position is maintained.

The City of Unley Draft Annual Business Plan and Budget has been developed in the context of the Council's suite of strategic management plans which include the following:

- Community Plan 2033
- 4 Year Plan 2013-2016
- Long Term Financial Plan including Council's Strategic Asset Management Plans.

The links between these key planning documents is shown below.



The Community Plan 2033 provides the vision, strategies and framework for the future of the City of Unley.

The Four Year Plan outlines the priorities and strategies of the City of Unley until the end of 2016. It sets out strategies that are part of a long term vision, described in the Community Plan 2033, to promote growth that is economically, socially and environmentally sustainable. It also details key projects and services that Council will deliver over the four year period.

The diagram below displays the Council's Strategic Planning Framework:



## Strategies and Plans

It is proposed that an updated Strategic Framework will be prepared in the later part of 2016 as part of consideration of the next 4 year plan horizon for subsequent endorsement by Council.

As part of this process, consideration of how Council's Community Plan goals link to lead strategies, support strategies, programs and projects will be addressed and worked through.



In addition, Council's Long Term Financial Plan and future budgets may need to be revised to take into account the cost of implementation of the following strategies and plans proposed to be finalised and endorsed in 2016 and 2017 including:

- Draft Tree Strategy
- Draft Environmental Sustainability Strategy
- Draft Cycling and Walking Plan
- Business and Economic Development Strategy
- Unley Integrated Transport Strategy
- ICT Digital Strategy.

## **Significant Influences for the 2016-17 Budget**

A number of factors have influenced the preparation of the Council's draft 2016-17 Annual Business Plan and Budget. These include:

- Local Government Price Index increases on relevant goods and services, which in the past has tracked above the CPI
- Provision for Enterprise Bargaining Agreements for most staff which determines conditions of employment and provide for annual salary and wages increases.
- maintaining asset management (replacement) expenditure at a sufficient level to ensure long term maintenance of Council infrastructure, property and IT assets
- increased maintenance requirements due to an increase in capital works and construction of new assets over recent years
- State Government budget decisions including Emergency Service Levy increases
- commitments to long term major projects including Unley Central, Goodwood Road Streetscape and Brown Hill Keswick Creek, and
- Grant funding including an increase of \$356k in Council's Roads to Recovery grant income for 2016-17 as a result of a Commonwealth Government decision to index fuel excise. This additional funding has been allocated to Stage One Leader Street road project in Forestville. A further amount of \$270k will be received in 2017-18 over and above the specified annual Roads to Recovery funding

In response to the cost imposts on Council and to minimise the burden on ratepayers, Council has continued its work and review of service sustainability.

This has included developing a service improvement model and framework to review services and the level at which they are offered.



Savings identified as part of 2016-17 Budget Preparation include:

- A reduction in Employee costs due to a number of vacant positions that will not be filled and a reduction in required staff that were identified as part of the Street Cleansing Review
- Reduction in Council's contribution to Brown Hill Keswick Creek Administration \$28k
- a reduction in operating costs for Community Centres as a result of implementing the service review of \$128k
- Reduction in power costs \$71k, hard rubbish \$20k, legal \$12k, printing and stationery and insurance \$11k

## Services provided to the Community

The Local Government Act 1999 (the Act) prescribes a system of local government to enable councils to govern and manage areas at a local level.

All councils have basic responsibilities under the Act and other relevant legislation. These include:

- Regulatory activities, including voters' roll maintenance and Elected Members' support
- Determining longer term strategic management and management plans, financial plans, infrastructure and asset management plans and policies and procedures
- Setting rates, preparing an Annual Business Plan and Budget
- Management of basic infrastructure including roads, footpaths, parks, public open space, street lighting and stormwater drainage
- Street cleaning and rubbish collection
- Development planning and control, including building safety assessment, and
- Provision of various environmental health services.

In response to community needs, Council also provides the following services and programs, over and above those listed above:

- |                               |                                      |
|-------------------------------|--------------------------------------|
| • Aged and Social Care        | • Economic Development               |
| • Animal Management           | • Environmental Management           |
| • Arts & Cultural Development | • Library Services                   |
| • Community Centres           | • Museum                             |
| • Community Development       | • Recreation & Open Space Management |
| • Community Engagement        | • Parking Control                    |
| • Community Event Programs    | • Sport and Recreation               |
| • Community Services          | • Sustainable Landscapes             |
| • Community Transport         | • Volunteers                         |
| • Community Grants            | • Urban Policy and Planning          |
| • Corporate Services          | • Youth Development                  |

The Council also maintains a number of facilities and services on a fee for service basis, some of which are subsidised and include:

- |  |                         |
|--|-------------------------|
| • Unley Swimming Centre  | • Community Bus Service |
| • Commonwealth Home Support Program (CHSP) - formerly HACC Program | • Halls for hire        |
| • Ovals, courts, parks and reserves for hire.                      |                         |

Council anticipates that all existing services will be maintained during 2016-17.

## Council's Long Term Objectives and Key Projects

The key projects that Council will deliver in the 2016-17 financial year have been grouped under the five goals identified in the City of Unley Community Plan 2033.

<b>Emerging</b> <b>Our path to a future city</b> New activities and technologies that support our business and residential communities 	
<b>Long Term Strategic Objectives</b> <ul style="list-style-type: none"> <li>• A thriving and prosperous business community</li> <li>• Emerging technology is embraced</li> <li>• A dynamic mix of uses and activities in selected precincts</li> </ul>	<b>Key Projects 2016-17</b> <ul style="list-style-type: none"> <li>• Continuation of Goodwood Road streetscape</li> <li>• Continuation of undergrounding of the power lines along Goodwood Road from the tram crossing to Victoria Street</li> <li>• Facilitation of property redevelopment opportunities for the Unley Central Precinct</li> </ul>
<b>Living</b> <b>Our path to a thriving city</b> Reflecting issues of culture, diversity and lifestyle 	
<b>Long Term Strategic Objectives</b> <ul style="list-style-type: none"> <li>• An enviable and diverse lifestyle</li> <li>• Activated places</li> <li>• A City of cultural and artistic diversity</li> <li>• Healthy and active community</li> <li>• Collaborative and engaged community</li> </ul>	<b>Key Projects 2016-17</b> <ul style="list-style-type: none"> <li>• Continuing the implementation of King William Road Master Plan through kerb build outs</li> <li>• Place activation and showcasing of the our City through major events including Unley Gourmet Gala, Tour Down Under and a community events program</li> </ul>
<b>Moving</b> <b>Our path to an accessible city</b> Concerning accessibility and transport 	
<b>Long Term Strategic Objectives</b> <ul style="list-style-type: none"> <li>• Equitable parking throughout the City</li> <li>• An integrated, accessible and pedestrian friendly City</li> <li>• Alternative travel options</li> </ul>	<b>Key Projects 2016-17</b> <ul style="list-style-type: none"> <li>• Implementation of the local area traffic management study for Wayville/Unley /Goodwood</li> <li>• Implementation of Council's Cycling and Walking Plan</li> </ul>

## Greening

### Our path to a sustainable city Covering concerns about environmental initiatives and sustainability



#### Long Term Strategic Objectives

- Renowned for lifestyle and environmental balance
- Leaders in waste reduction
- Functional open green space throughout the City

#### Key Projects 2016-17

- Second Generation Street Tree Implementation
- Council's contribution to the Brown Hill Keswick Creek Stormwater Management Plan 2016-17 works

## Operational Excellence Our path to a robust and sustainable organisation

#### Long Term Strategic Objectives

- A constructive culture for all employees and volunteers
- A customer-centric approach
- Good governance and legislative framework
- An environment of continuous improvement and innovation
- A financially sustainable approach to business and planning activity
- Enabling information systems and robust reporting
- Uphold City of Unley's reputation

#### Key Projects 2016-17

- Records Management Compliance Project
- Review of organisational functions including Customer Service and ICT
- Pursuit of shared service opportunities with ERA Councils
- Continuation of service reviews and introduction of a continuous improvement programme

## **Project Priorities proposed for the Year**

Council's proposed project priorities for 2016-17 stem from the long term objectives and strategies of Council as outlined in Council's Community and 4 Year Plans.

Council has undertaken a methodical and considered approach to determine its priorities for the upcoming financial year. These are the steps that were taken to determine the proposed projects for consultation:

- Elected Members submitted projects based on perceived community need
- The Capital Works Program was guided by Council's Asset Management Plans
- Council proposed projects that aim to assist in achieving the Strategic Themes in Council's Community Plan 2033 and 4 Year Plan
- Projects were divided into three broad categories: Operating Projects (including change to service), New Capital and Capital Replacement
- Budget workshops were held to prioritise, refine and discuss the proposed project list for community consultation.

## **Operating Projects**

These types of projects are either one-off, short term projects or a request to change the level of service. The request to change the level of service will also impact future budgets. These projects are to be funded by Council's rates income and therefore affect the level of rates increase being considered.

The Budget proposes to fund an amount of \$1.097m gross (\$1.031m net) of operating projects excluding a \$300k deferred project from 2015-16. This includes \$866k to deliver endorsed council strategies.

Key items include:

- Further development of opportunities within the Unley Central Precinct \$80k
- Continuation of Second Generation Street Tree Implementation for \$75k
- Activities for place activation and showcasing of the City of Unley including Unley Gourmet Gala, Tour Down Under (proposed but stage start is yet to be confirmed), King William, Goodwood and Unley Road events and annual community events program and related activities in the order of \$435k.

The proposed projects are detailed in Appendix 4 and 5.

## Capital Projects

The City of Unley is responsible for a large number of assets with a current depreciable value of approximately \$560m including land. It is important that Council engage in practices that optimise the assets “useful lives” for the benefit of the whole community.

Like many other councils, the City of Unley faces an increasing demand to provide services in an environment of ageing assets, increased liability and continual constraints on funding.

The proposed capital replacement program of \$7.790m net has been based on current asset information and asset management plans. Major items include:

- \$1.348m for the proposed road reseal program (including Leader Street, Forestville)
- \$1.263m for the footways replacement program
- \$1.724m for the Property Program
- \$378k for reserves, recreation and open space projects and
- \$500k for drains and storm water.

New capital projects will largely be funded by borrowings. The proposed new capital projects total \$5.042m net and include:

- Goodwood Road Streetscape and Wayfinding Strategy Delivery \$3.3m
- Implementation of King William Road Master Plan kerb build outs \$200k
- Implementation of Local Area Traffic Management Plan for Goodwood/Wayville/Unley \$250k
- Implementation of the City of Unley Cycling and Walking Plan net \$200k and
- Brown Hill Keswick Creek project contribution \$250k

New capital expenditure may not significantly impact on Council rates in the year of creation but will affect the rates income in the future by way of increased depreciation, maintenance and interest expenses. New capital will largely be funded through borrowings; however Council commits to investigate, where possible, grants to help fund these new assets.

Details of the proposed Capital Works Program are provided in Appendices 6 and 7.

## Borrowings for the 2016-17 Year

Borrowing is an important funding source, especially for expenditure relating to the New Capital and is undertaken in accordance with Council's Treasury Management Policy. The key objective of the policy is to manage the finances of the Council holistically in accordance with the overall financial sustainability strategies and targets.

An independent local government report on financial sustainability encourages the increased use of borrowings to promote intergenerational equity. This involves spreading costs in relation to significant capital expenditure based on the pattern of benefits over time so that one generation is not excessively subsidising another.

Where there is a persuasive argument relating to intergenerational equity, Council will consider the appropriate use of borrowings. This will be managed within financial targets with the intention that future cash flows are sufficient to recoup borrowings with minimal impact on general operations over the medium term.

As part of finalising the 2016-17 Budget, Council considered those Capital Projects with short term benefits as to whether they should be funded by rates or borrowing.

	\$000s
Budgeted Opening Balance of Borrowings July 2016	13,453
Estimated Borrowing for 2016-17	4,500
Repayment of principal repayments for 2016-17	<u>(1,202)</u>
Forecast Closing Balance of Borrowings June 2017	<b><u>\$16,751</u></b>

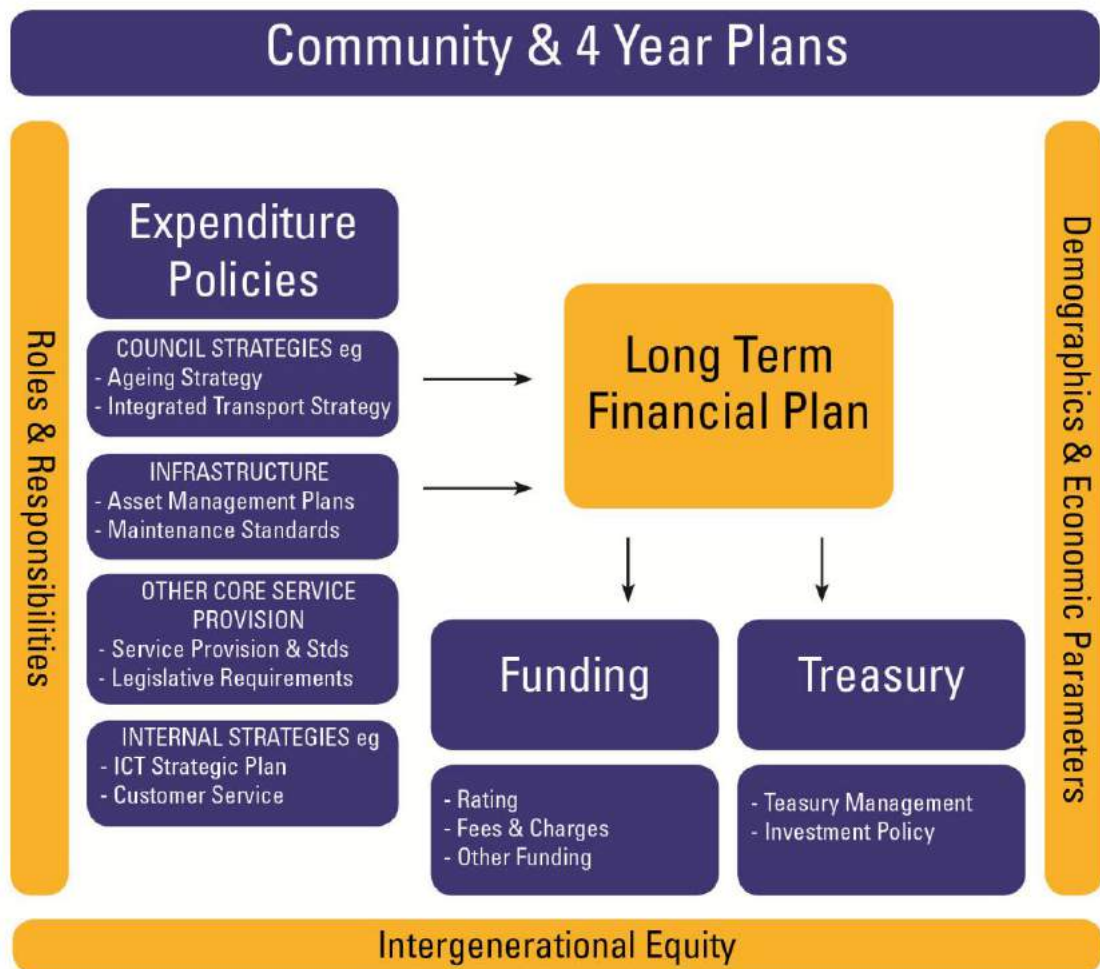


## Financial Framework

### Long Term Financial Plan (LTFP)

Council has developed a LTFP to guide its financial decisions and to ensure it is prudent in its financial management and considers a longer term view. The LTFP has been reviewed and updated to reflect the most current information available.

This 10 year LTFP has been developed as part of Council's ongoing financial planning to assist Council to plan within a longer term strategic framework.



The key components of the plan are:

- Assessment of Council's current financial position and achieving longer term financial sustainability
- Ensuring Financial Targets are met
- Consideration of Council's appropriate role and responsibilities
- Ensuring alignment with the Community and 4 Year Plans and maintenance of high priority strategies
- Ensuring all proposed strategies are costed before adoption
- Ensuring alignment with agreed service provision and delivery standards

- Ensuring alignment with Asset Management Plans and Maintenance Standards
- Ensuring alignment with internal support strategies
- Ensuring alignment with Funding and Treasury principles as well as intergenerational equity (rating stability, Treasury Policy, fees and charges, external funding and investments)

## **Infrastructure and Asset Management Plans**

The City of Unley owns and is responsible for the management, operation and maintenance of a diverse asset portfolio that provides services and facilities for City users. Infrastructure and Asset Management Plans have been developed for all infrastructure assets to ensure Council continues to provide effective and comprehensive management of its asset portfolios. To manage this process, Council assets have been grouped into categories and Infrastructure and Asset Management Plans developed for each category.

The development of these Infrastructure and Asset Management Plans indicate Council's ongoing commitment to operate and maintain its asset portfolio efficiently to both meet strategic and legislative requirements, and to deliver the required levels of service for the community. The plans make assumptions on the continued utilisation of the assets and specify rolling condition audits required to provide up to date information for the ongoing improvement and review of the plans.

A new approach to asset management driven from a service perspective is currently being introduced to Council. Over the next few years the management of assets will be based more directly on the declared levels of service for each specific asset and this will determine the long term costs.

The Infrastructure and Asset Management Plans provide the basis for the Replacement Capital Program included in Council's LTFP and is refined as part of the Annual Business Plan and Budget process. This program details those individual asset replacement projects flowing from the Infrastructure and Asset Management Plans which require completion to ensure the assets meet the required levels of service. In 2016-17 the Replacement Capital Program has a projected net expenditure of \$7.790m.

For footpaths forming part of the footways asset category, Council has endorsed an asset management plan schedule to replace all asphalt to pavers based on current service standards. Based on the LTFP it is anticipated that the City of Unley will be fully paved by 2019-20.

Council allocates a significant amount of funds for the operation and maintenance of its asset portfolio within its Assets and Environment Division. For 2016-17 this amounts to \$19.233m in addition to capital replacement as detailed in Appendix 7 2016-17 Replacement Capital Summary.

Details are as follows:

<b>Program and Asset Category</b>	<b>2016-17 Budget Expenditure \$000s</b>	<b>Depreciation</b>	<b>Total Expenses</b>
<b>Transportation Program</b>			
Bridges	14	130	144
Bus Shelters	9	-	9
Car Parks	56	76	132
Footpaths	474	1,221	1,695
Kerb & Watertable	225	390	615
Linemarking	71	-	71
Roadworks	239	870	1,109
Signs	255	-	255
Street Cleaning	490	-	490
Street Lighting	586	27	613
	<b>2,419</b>	<b>2,714</b>	<b>5,133</b>
<b>Property Program</b>			
Buildings	<b>1,892</b>	<b>1,300</b>	<b>3,192</b>
<b>Open Space Program</b>			
Reserves	2,072	490	2,562
Street Trees	1,088	-	1,088
	<b>3,160</b>	<b>490</b>	<b>3,650</b>
<b>Drains &amp; Stormwater Program</b>	<b>134</b>	<b>1,100</b>	<b>1,234</b>
<b>Waste Management Program</b>	<b>3,662</b>	<b>-</b>	<b>3,662</b>
<b>Environmental Initiatives</b>	<b>117</b>	<b>-</b>	<b>117</b>
<b>Strategic Asset Management</b>	<b>334</b>	<b>-</b>	<b>334</b>
<b>Depot (including Plant)</b>	<b>850</b>	<b>647</b>	<b>1,497</b>
<b>Assets &amp; Environment Management</b>	<b>413</b>	<b>-</b>	<b>413</b>
<b>Total Assets &amp; Environment</b>	<b>12,982</b>	<b>6,251</b>	<b>19,233</b>

Further, Council captures information in relation to changes in maintenance requirements on New Capital and Operating Projects as detailed in Appendix 4 Operating Projects and Appendix 6 New Capital. This assists Council to consider the impact on future costs as part of long term financial planning and make allowance for these costs in future budgets.

## Funding the Business Plan

Excluding borrowings for New Capital, over 80% of Council's funding is generated from rates with the balance largely relating to fees and charges set by Council or statutory fees gazetted by the State Government on an annual basis.

### Rates Context

In setting the rates for 2016-17 Council proposes to continue with its current method of rating, which is three differential rates with a minimum rate, applied against the capital value of properties. Council considers this to be the most fair and equitable method of rating for the City of Unley.

Council acknowledges that rates are the main source of income to deliver the services and maintain the infrastructure required by its community. Rates are a form of property taxation, and property values determine how much each property contributes. This system of taxation means that the rates paid may not directly relate to the services used by each ratepayer.

It is proposed that the overall amount existing ratepayers will pay in general rates will increase in the order of 2.2% with a further estimated increase of 0.6% from growth. Growth represents new development, capital improvements to existing properties and changes to value as a result of land divisions.

Refer to Appendix 8 for details on Rates Assistance Available.

### Rate Statistics

Council has around 18 700 assessments with just under 16 900 residential, just under 900 assessments within non-residential Category 2 (including commercial shops, industrial, and vacant) and 900 non-residential Category 3 (commercial offices and commercial – other)

Assessments on the minimum rate total just under 2 200, with residential comprising over 2 000 of these assessments.

### Rates Modelling

The valuation for the Council area has been completed by Valuer-General and reflects an increase of 4.5% in valuation for **existing properties**.

Analysis indicates that:

- residential properties, representing over 85% of the overall valuation, had the average valuation increase of 5.2%.
- non-residential properties, including commercial, had an average valuation increase of less than 1%.

The Budget has been formulated on the basis of retaining differential rates for residential and non-residential property at the appropriate rate in the dollar to provide an overall increase in rates of 2.2% excluding growth.

## Valuation Method

The Council has adopted the **capital value** method of valuing properties. This method values the land and all improvements on the land. It is the most widely used method across South Australian councils.

Council considers this valuation method the most equitable method to spread the rates burden across the measure of wealth within the City. It equates to the taxation principle that people should contribute to community, social and physical infrastructure in accordance with their capacity to pay as measured by property wealth.

In determining how rates are applied, and in determining the rate in the dollar, Council uses the following options.

## Minimum Rate

In accordance with S158 of the Act, Council has decided that there will be a minimum rate on every rateable property. Council, in adopting a minimum rate, considers it appropriate that all rateable properties make a contribution to the cost of administering the Council's activities and creating and maintaining the physical infrastructure that supports each property.

It is proposed that the minimum rate will increase in line with the overall rate increase excluding growth of 2.2%. This results in a minimum rate of \$758.

## Differential Rates

In accordance with S153 of the Local Government Act 1999, Council will declare three differential General Rates according to the land use category. The land use categories are as follows:

<b>Group 1</b>	<b>Non-residential Category 2</b>	<b>Non-residential Category 3</b>
Residential	Commercial Shop Industry Light Industry Other Primary Production Vacant Land Other	Commercial Office Commercial Other

Council has considered the principle of rate stability when assessing the rates burden across the above categories. Other considerations were given to the change in capital value across the land use categories and the rates income provided by each.

The application of a Differential General Rate is generally intended to alter the amount payable by particular land uses. In the City of Unley area the differentiation between non-residential category 2 and residential is in the order of 1.97 times and the differentiation between non-residential category 3 and residential is in the order of 2.34 times.

It is estimated that the Residential Differential General Rate will raise net rate revenue in the order of \$29m in 2016-17.

It is estimated that the Non-Residential Differential General Rates will raise net rate revenue in the order of \$8m in 2016-17.

## **Separate Rate for Main Street Trader Associations**

Council proposes to continue to raise a separate rate for the purposes of promotion of the businesses and traders along major shopping strips. Council collects the separate rate and passes the funds collected onto the individual Trader Associations for marketing and promotion purposes.

For the 2016-17 Budget, the amounts indicated in the table below will form part of the proposed Budget. These have been developed in consultation with the five associations and their members and were presented to the Unley Business and Economic Development Committee (UBED) in March 2016.

### **2016-17 Separate Rate for Trader Associations**

<b>Main Street Trader Associations</b>	<b>Separate Rate raised 2015-16</b>	<b>Separate Rate raised 2016-17</b>	<b>Increase (Decrease)</b>
Unley Road	\$ 105 600	\$ 107 700	2 100
King William Road	\$ 144 000	\$ 141 000	(3 000)
Goodwood Road	\$ 55 000	\$ 51 500	(3 500)
Glen Osmond Road	\$ 18 355	\$ 14 300	(4 055)
Fullarton Road	\$ 13 250	\$ 13 250	Nil

Council has endorsed the UBED recommendation to cap the amount that any separate rate payer pays at \$2,000. This has affected the amount to be collected in 2016-17 for King William Road, Goodwood Road and Glen Osmond Road.

#### **Unley Road**

Currently 452 ratepayers pay the separate rate.

Based on current year rates information, the imposition of a \$2000 cap will result in an increase to other separate rate payers of a further 2.4% on top of the proposed 2% increase in the separate raised for 2016-17.

#### **King William Road**

Currently 132 ratepayers pay the separate rate. The imposition of the cap of \$2,000 will reduce the amount collected to \$141,000.

#### **Goodwood Road**

Currently 96 ratepayers pay the separate rate. The imposition of the cap of \$2,000 will reduce the amount collected to \$51,500.

#### **Glen Osmond Road**

Currently 33 ratepayers pay the separate rate. The imposition of the cap of \$2,000 will reduce the amount collected to \$14,300.

## Fullarton Road

As Fullarton Road Traders pay a fixed amount of \$250, the imposition of a cap does not impact on any of these traders.

## Natural Resource Management Levy

The City of Unley falls within the Central Group of the Adelaide and Mount Lofty Ranges Natural Resource Management (NRM) Board. Council is required, under the Natural Resources Management Act, to contribute towards the funding of the NRM Board and operates as a revenue collector for the Board by imposing a levy against properties.

Council has recently been advised by the NRM Board that the indicative amount to be paid to the NRM Board in 2016-17 is \$1.176m compared to \$1.134m in 2015-16. This represents an increase of 3.7%.

Council does not retain this revenue, or determine how the revenue is spent.

## Expected impact on Ratepayers

To deliver the outcomes of the Annual Business Plan for 2016-17, the total General Rates Income required is \$37.121m. This equates to an average rate increase of 2.2% plus 0.6% rates growth. Rate growth is defined as added value for new development including improvements to existing properties and change in value as a result of land divisions.

Council will apply the following rates in the dollar to determine the total rate levied against an individual property:

	Residential	Commercial Shop et al	Commercial Office/ Other
	Category One	Category Two	Category Three
2014-15	0.0026205	0.004831	0.005897
2015-16	0.0026610	0.005023	0.005988
2016-17	0.0025860	0.005101	0.006043

Council has chosen to apply a 2.2% increase in rates as evenly as possible across the three categories.



## **Fees and Charges Context**

Section 188 of the Local Government Act 1999 provides the legal context:

- fees and charges are determined by resolution of council either as a direct resolution or by by-law or via delegation
- a council is unable to fix or vary fees or charges prescribed under other Acts
- in respect of fees for the use of facilities, services or works requests a council need not fix fees or charges by reference to the cost of the council
- council is required to keep the list of fees and charges on public display and provide updates where fees and charges are varied during the year.

Council reviews its fees and charges each year, in conjunction with the development of the annual budget. As in previous years, a comprehensive review has been undertaken to ensure that the fees proposed:

- reflect (or move progressively toward) the cost of the services given
- are comparable with market rates, where appropriate
- take into account benefit derived by users of community facilities
- are consistent with Council directions articulated through existing policy or plans
- are consistent with Council's Long Term Financial Plan assumptions

Generally, this has resulted in proposed fee increases that are in line with CPI or the Local Government Price Index, insofar as this is practicable.

It is also noted that in applying the proposed increases, fees have been rounded to an appropriate amount for ease of application.

## **Conclusion**

The Annual Business Plan and Budget 2016-17 is presented in the context of strategic directions for the City that has been endorsed by Council. The Plan and Budget reflects Council's continuing focus on ensuring that the physical infrastructure of the City is fit for use and maintained in a cost effective fashion.

With implementation of this year's Annual Business Plan and Budget, Council aims to deliver a well-managed, sustainable environment for current and future generations of residents, businesses and other ratepayers.

## **Appendix 1 – Budgeted 2016-17 General Purpose Financial Statements**

**Budgeted Statement of Comprehensive Income**

**Budgeted Statement of Financial Position**

**Budgeted Statement of Cash Flows**

**Budgeted Statement of Changes in Equity**

**Budgeted Uniform Presentation of Finances**

**Budgeted Financial Indicators**

**Proposed Budgeted Statement of Comprehensive Income**  
**For the year ended 30 June 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>INCOME</b>		
Rates	37,450	36,450
NRM Levy	1,176	1,134
Statutory charges	1,389	1,370
User charges	1,608	1,618
Grants, subsidies and contributions	3,442	3,044
Investment income	12	12
Reimbursements	141	157
Other income	415	711
Operating Projects	66	164
Net gain - joint ventures & associates	-	242
<b>Total Income</b>	<b>45,699</b>	<b>44,903</b>
<b>EXPENSES</b>		
Employee Costs	17,011	16,783
Materials, contracts & other expenses	17,169	16,885
Depreciation, amortisation & impairment	6,912	6,682
Finance costs	716	620
Net loss - joint ventures & associates	246	-
Operating Projects	1,397	2,055
<b>Total Expenses</b>	<b>43,451</b>	<b>43,024</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>2,248</b>	<b>1,879</b>
Asset disposal & fair value adjustments	(26)	(132)
Amounts received specifically for new or upgraded assets	125	380
<b>NET SURPLUS / (DEFICIT)</b>	<b>2,347</b>	<b>2,127</b>
Other Comprehensive Income	-	-
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,347</b>	<b>2,127</b>