



## **City of Prospect Annual Business Plan 2010-11**

### **Summary**

City of Prospect has adopted its Annual Business Plan 2010-11 which includes the Budget and Rating Policy for 2010-11. This document outlines the services Council will provide to the community and how it will pay for these services. It also provides a summary of how your rates may change for 2010-11.

The **Annual Business Plan Summary 2010-11** outlines the following:

- A. Strategic Directions and Council Services
- B. 2010-11 Key Financial Indicators & Long Term Financial Plan
- C. Budget Highlights
- D. Infrastructure-Asset Management Plan
- E. Rating Strategies (Rates Revenue, Rating Policy and Valuation)
- F. Glossary

#### **A Strategic Directions and Council Services**

Council's Budget 2010-11 has been prepared in a strategic context and is based upon the publication "Strategic Plan 2008-2011". This document outlines the long-term objectives and priorities for the community.

Councils are required to provide certain services under various Acts of Parliament (including the Local Government Act). City of Prospect also provides other services to meet the needs of the community. These services have been determined based on previous community feedback and consultation.

Council's **six Strategic Directions** and the associated services included in the Budget 2010-11 include:

## Strategic Direction 1 - Service Delivery

### Core Activities for 2010-11 include:

- Customer services
- Financial management
- Governance
- Human resources management
- Information technology
- Occupational health and safety
- Rates administration
- Records management
- Risk management

### Budget Summary

	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Operating</b>	4,954,265	(14,496,433)	(9,542,168)
<b>Operating Projects</b>	166,188	-	166,188
<b>Capital Projects</b>	33,000	-	33,000
<b>Total</b>	5,153,453	(14,496,433)	(9,342,980)
<b>% of Total Budget</b>	21.14%	72.25%	

### 2010-11 Operating Projects

- November 2010 Local Government Election \$60,000
- Governance Initiatives \$40,000
- On-line Community Panel \$20,000
- Corporate Services Staffing – Records \$16,188
- Network Switch Equipment Replacement \$15,000
- Eastern Region Alliance \$15,000

### 2010-11 Capital Projects

- Civica Authority System V6 Upgrade \$33,000

## Strategic Direction 2 - Community Wellbeing

### Core Activities for 2010-11 include:

- Aged and youth services
- Citizenship ceremonies
- Community events (eg twilight concerts)
- Community facilities and land management
- Community grants
- Community recreation and sports development
- Community safety (e.g. dog and parking control and by-laws)
- Community transport
- Community information
- Council website
- City of Prospect newsletter
- Crime prevention
- Cultural development
- Emergency (risk management)
- Library services
- Neighbourhood and community development
- Prospect Fair
- Public art and art gallery
- Public health (including immunisation, health inspections etc)

### Budget Summary

	<b>Expenditure</b> \$	<b>Income</b> \$	<b>Net</b> \$
<b>Operating</b>	4,047,419	(1,406,177)	2,641,242
<b>Operating Projects</b>	52,710	(1,000)	51,710
<b>Capital Projects</b>	169,762	-	169,762
<b>Total</b>	4,269,890	(1,407,177)	2,862,713
<b>% of Total Budget</b>	17.51%	7.01%	

### 2010-11 Operating Projects

- Website Redevelopment \$7,000
- Nailsworth Hall Upgrade – Tables \$8,000
- Prospect Community Hall Upgrade - Tables \$4,000
- Eastern Region Alliance Ageing Strategy \$10,000
- Local History Officer \$6,210
- Graffiti Removal \$10,000
- Volunteer Recognition Event \$2,500
- Community Garden – Establishment \$5,000

### 2010-11 Capital Projects

- Nailsworth Hall Upgrade \$45,000
- Prospect Community Garden \$30,000
- Tennis Court Upgrades \$15,000
- Library Books \$79,762

## Strategic Direction 3 - Economic Vibrancy

### Core Activities for 2010-11 include:

- Employment support and business development services
- Further develop active partnerships with retail and trader representative groups, investors and other key stakeholders
- External Funding procurement initiatives
- Support to Traders Associations

### Budget Summary

	Expenditure \$	Income \$	Net \$
<b>Operating</b>	3,943	(1,979)	1,964
<b>Operating Projects</b>	338,000	-	338,000
<b>Capital Projects</b>	-	-	-
<b>Total</b>	341,943	(1,979)	339,964
<b>% of Total Budget</b>	1.40%	0.01%	

### 2010-11 Operating Projects

- Economic Development Project \$270,000, including:-
  - Roll out of e-Prospect wide area network and digital strategy
  - Investment attraction advertising, PR and marketing
  - Events for local businesses
  - Lobbying
  - Training and development
  - Media
  - Business focus Web portals development and maintenance
  - Updating of economic analysis
  - Environmental management program for SMEs
  - INDAILY
  - Business newsletter
  - Street banners
- e-Prospect Optical Fibre \$68,000

## Strategic Direction 4 - Environmental Sustainability

### Core Activities for 2010-11 include:

- Environment Sustainability (Building) Initiatives
- Implementation of Council's Environmental Action Plan – primary guide for Council's activities in the area of environmental sustainability which includes:
  - ⇒ Best practice research
  - ⇒ Carbon Credits
  - ⇒ Community transport
  - ⇒ Education / volunteering
  - ⇒ Embodied Energy
  - ⇒ Native flora and fauna (Biodiversity)
  - ⇒ Survey regarding the Water Storage Capacity across City of Prospect
  - ⇒ Street trees
- Statutory Compliance (EPA/ZeroWaste/Wastecare SA)
- Waste Collection and Disposal

### Budget Summary

	<b>Expenditure</b> \$	<b>Income</b> \$	<b>Net</b> \$
<b>Operating</b>	2,360,770	(16,886)	2,343,883
<b>Operating Projects</b>	70,500	-	70,500
<b>Capital Projects</b>	-	-	-
<b>Total</b>	2,431,269	(16,886)	2,414,383
<b>% of Total Budget</b>	9.97%	0.08%	

### 2010-11 Operating Projects

- Resource Efficiency Assessment Program (REAP) - Implementation \$22,500
- Community Waste Education \$8,000
- White Cedar Tree Replacement \$30,000
- Community Environmental Grants \$5,000
- Eastern Regional Alliance Environment Initiatives \$5,000

## Strategic Direction 5 - Heritage and Character

### Core Activities for 2010-11 include:

- City Precinct (Beautification and Safety) Maintenance program
- Development Assessment
- Street sweeping and sanitation
- Street tree and parks and gardens maintenance and development

### Budget Summary

	Expenditure \$	Income \$	Net \$
<b>Operating</b>	901,028	(199,446)	701,582
<b>Operating Projects</b>	85,000	-	85,000
<b>Capital Projects</b>	-	-	-
<b>Total</b>	986,028	(199,446)	786,582
<b>% of Total Budget</b>	4.04%	0.99%	

### 2010-11 Operating Projects

- Development Plan Amendments \$85,000 for following:-
  - Churchill Road
  - Either Prospect Road or Main North Road
  - Better Development Plan
  - Heritage Community Surveying



*Fashion Food and Wine Affair 2009*

## Strategic Direction 6 - Asset Management

### Core Activities for 2010-11 include:

- Capital Works Program including:
  - Building maintenance and Council facilities
  - Drainage maintenance and replacement
  - Footpath maintenance and replacement
  - Kerb and gutter maintenance and replacement
  - Road maintenance, reconstruction and road resurfacing
- City Precinct (Beautification and Safety) Maintenance Program
- Fleet management

### Budget Summary

	<b>Expenditure</b> \$	<b>Income</b> \$	<b>Net</b> \$
<b>Operating</b>	1,114,082	(555,914)	558,169
<b>Operating Projects</b>	372,653		372,653
<b>Capital Projects</b>	9,709,605	(3,386,625)	6,322,980
<b>Total</b>	11,196,340	(3,942,539)	7,253,802
<b>% of Total Budget</b>	45.93%	19.65%	

### 2010-11 Operating Projects

- Greening Australia – Jobs Fund \$10,000
- Emergency Works – After Hours Callouts \$20,000
- Increase in operating budget to maintain additional traffic control devices \$14,000
- Asset Management System \$43,000
- Increase in Tree Trimming Budget \$18,000
- Asset Condition Reassessment \$25,000
- Irrigation Management Audit \$5,000
- Churchill Road Masterplan Landscaping \$237,653

### 2010-11 Capital Projects

- Prospect Road Masterplan \$1,556,000
- Churchill Road Masterplan \$4,000,000
- Prospect Oval Masterplan \$3,676,625 (external funding contribution \$3.4m)
- Fleet Management \$454,500 (offset by \$155,500 trade-in income)
- General Traffic Projects/Traffic Calming \$10,000
- Council Buildings & Structures \$12,480

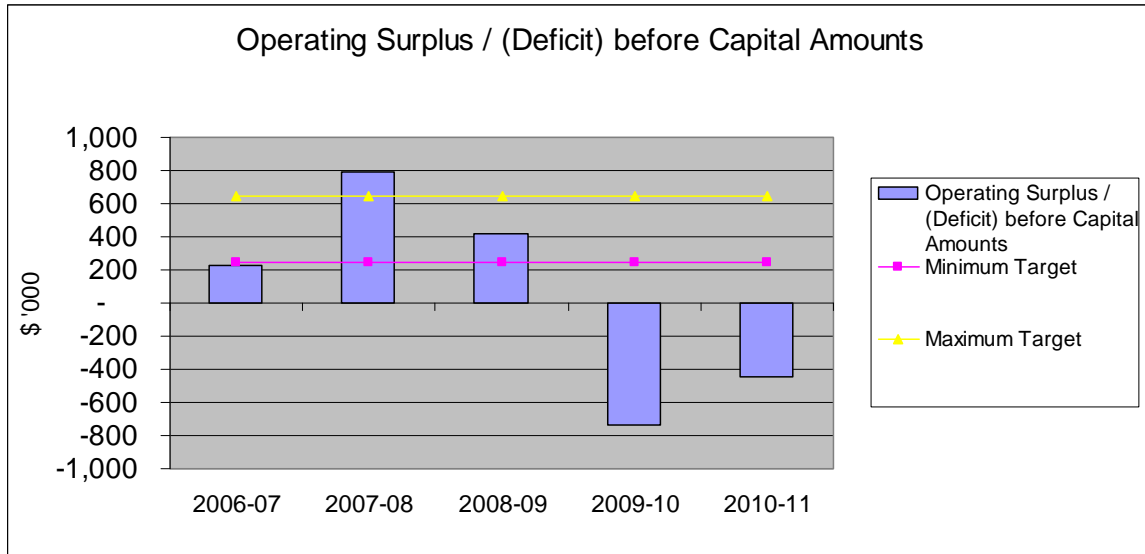
The Annual Business Plan 2010-11 is presented in the context of the strategic directions for the City. The document reflects Council's continuing focus on ensuring that the physical infrastructure of the City is fit for use and maintained in a cost effective way. Through implementation of the Annual Business Plan, we aim to deliver to residents and ratepayers a well managed, sustainable City environment for current, as well as future generations.

## **B 2010-11 Key Financial Indicators**

The following graphs provide information about 7 key indicators of the Council's financial performance and financial position:

### **1 Operating Surplus / (Deficit)**

*An operating surplus indicates the extent to which operating revenue is sufficient to meet all operating expenses including depreciation.*



An operating deficit before capital amounts of \$446,426 is projected in 2010-11. This represents an improvement of \$292,327 on the estimated operating result for 2009-10 as per the projected third budget review.

The operating deficit result for 2010-11 is below the minimum target of a \$250,000 surplus. This is attributed to the following budget pressures on the operating result:-

- additional waste management cost \$244,000
- one off kitchen organics basket cost \$120,000
- additional interest on loan borrowing approximately \$171,000

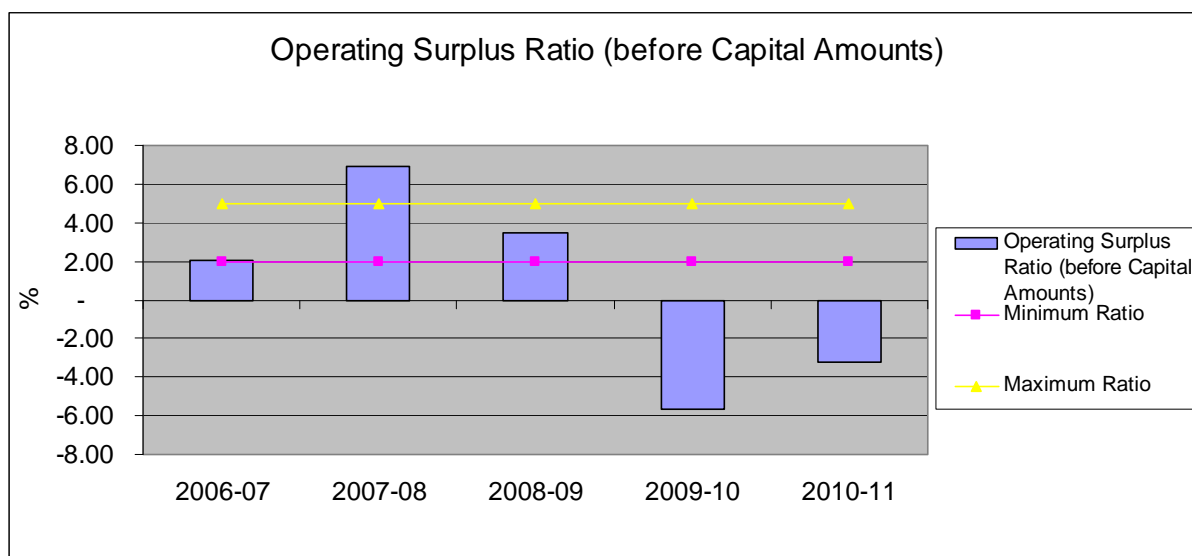


*Go for 2 & 5 Program 2009*



## 2 Operating Surplus/ (Deficit) Ratio

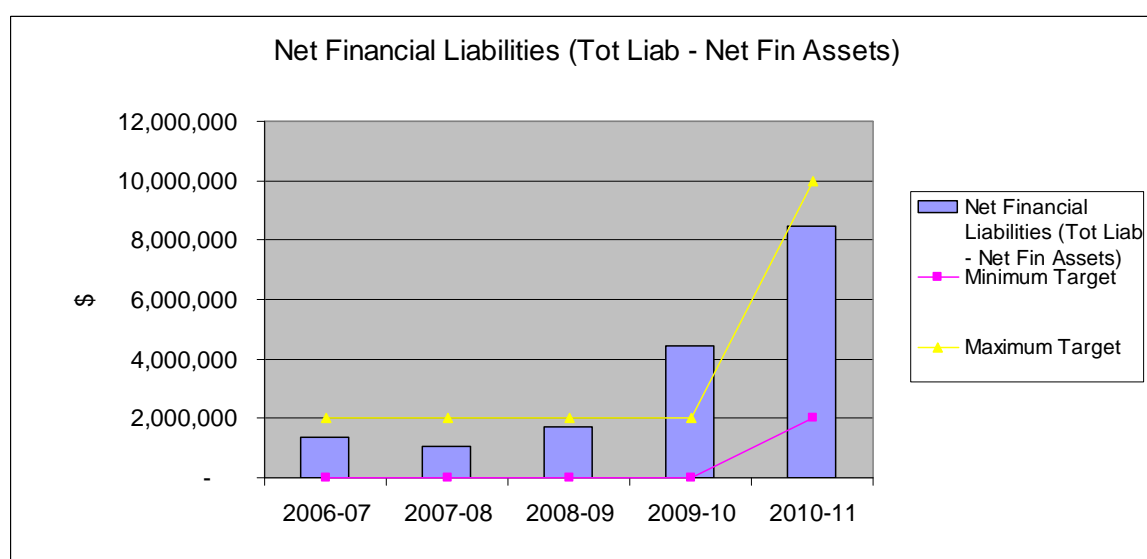
*This ratio expresses the operating surplus (deficit) as a percentage of general and other rates, net of rebates. A positive ratio indicates the percentage of total rates available to fund capital expenditure over and above the level of depreciation or the ability to reduce the level of net financial liabilities.*



The estimated operating deficit before capital amounts in 2010-11 expressed as a percentage of general and other rates. The operating deficit ratio for 2010-11 is (3.2%).

## 3 Net Financial Liabilities

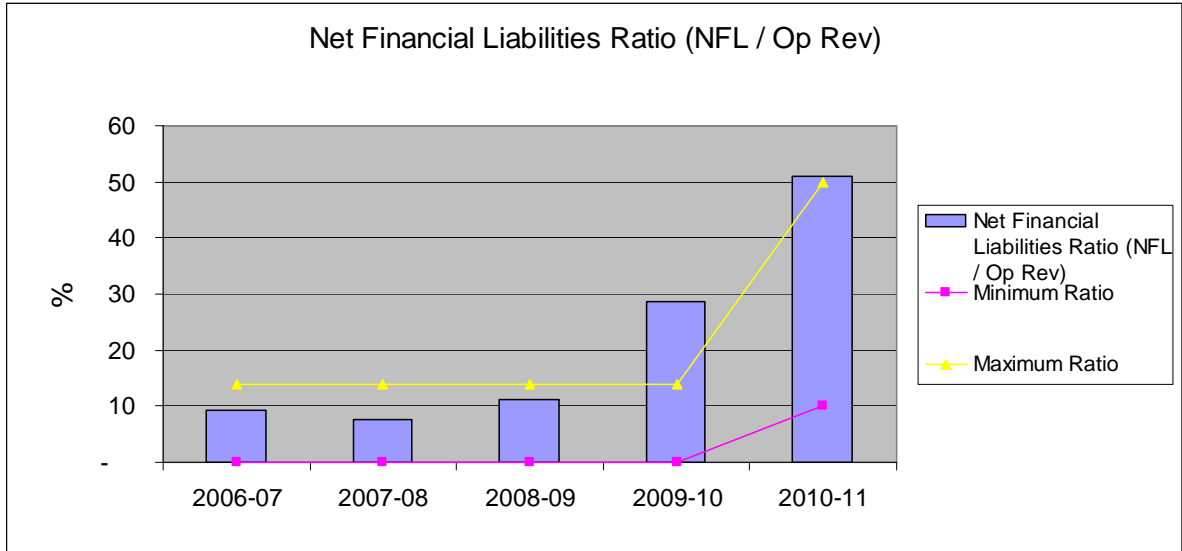
*The net financial liabilities measures Council's indebtedness.*



Council's stock of net financial liabilities is expected to be \$8,446,930 at 30 June 2011. This represents an increase of \$4,019,005 on the estimated level of net financial liabilities at 30 June 2010 as per the projected third budget review.

#### 4 Net Financial Liabilities Ratio

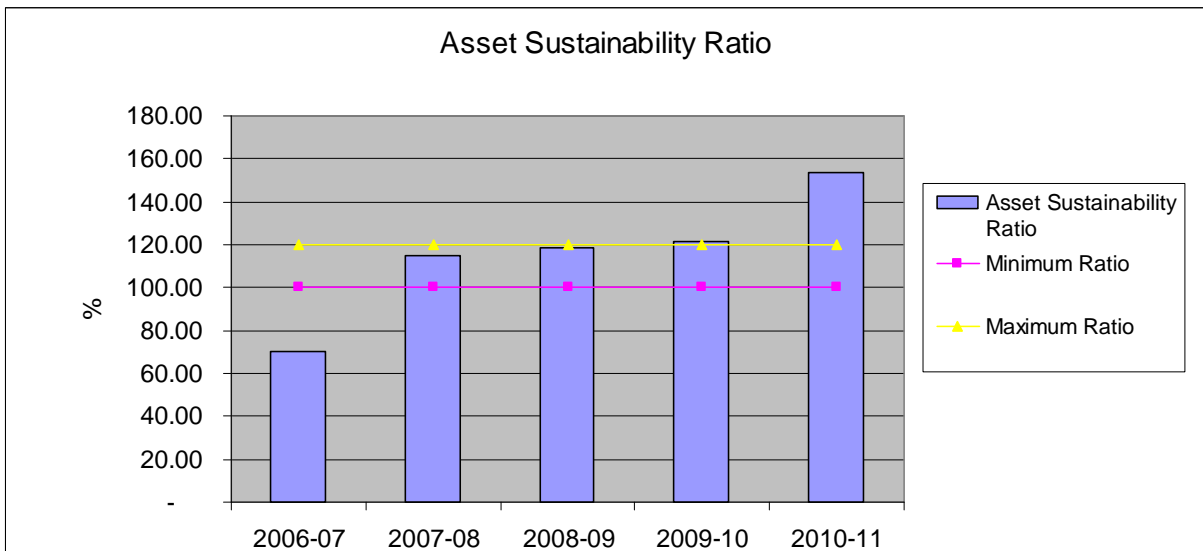
The ratio indicates the extent to which net financial liabilities can be met by Council's total operating revenue.



Council's net financial liabilities at 30 June 2011 expressed as a percentage of estimated operating revenue (the net financial liabilities ratio) is expected to be 52%.

#### 5 Asset Sustainability Ratio

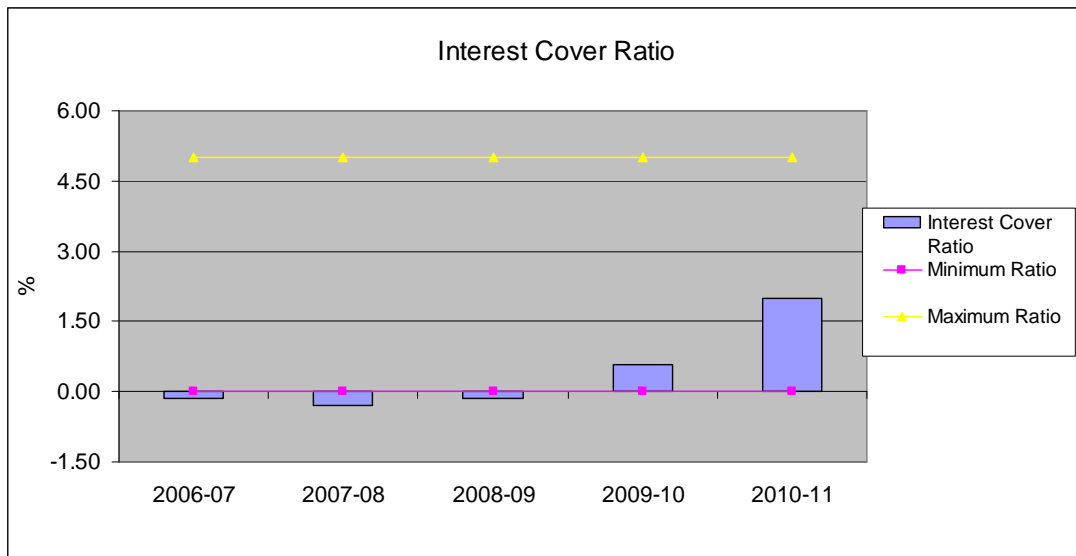
This ratio indicates whether Council is renewing or replacing existing non-financial assets at the rate of consumption (capital expenditure on renewal/depreciation).



Council's asset sustainability ratio in 2010-11 is expected to be 154% calculated by comparing planned capital project expenditure on renewal and replacement of assets less capital revenue on trade-in against total depreciation expense in 2010-11.

## 6 Interest Cover Ratio

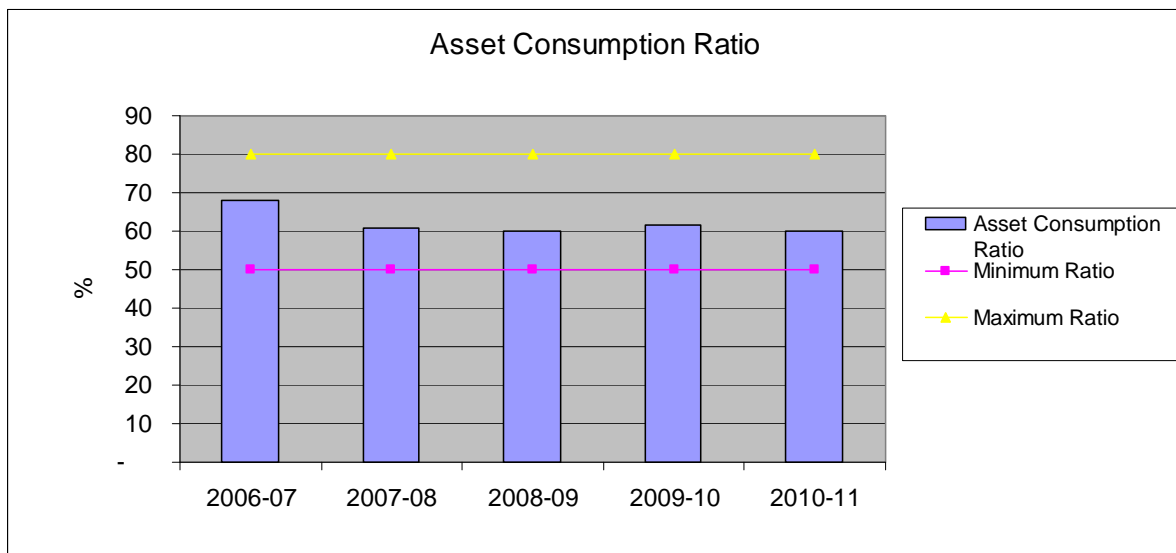
*This ratio indicates the extent to which Council's commitment to interest expenses are met by total operating revenues (net interest expenses/total operating revenue).*



Council's interest cover ratio in 2010-11 is expected to be 2%, which is within Council's target of net interest being greater than 0% and less than 5% of operating revenue.

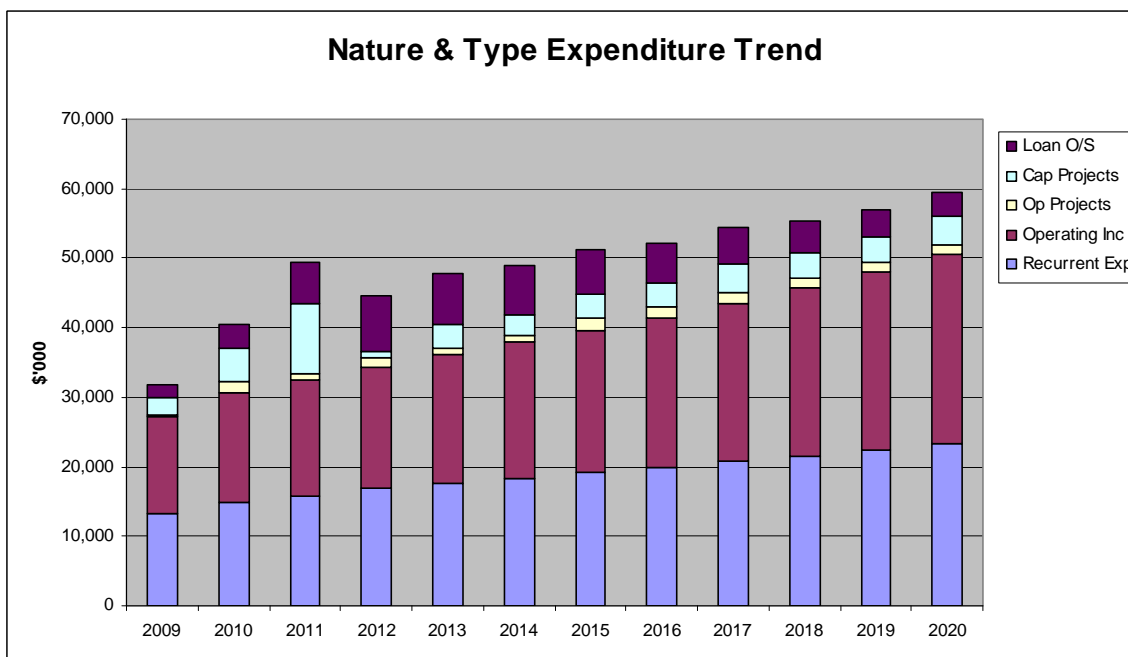
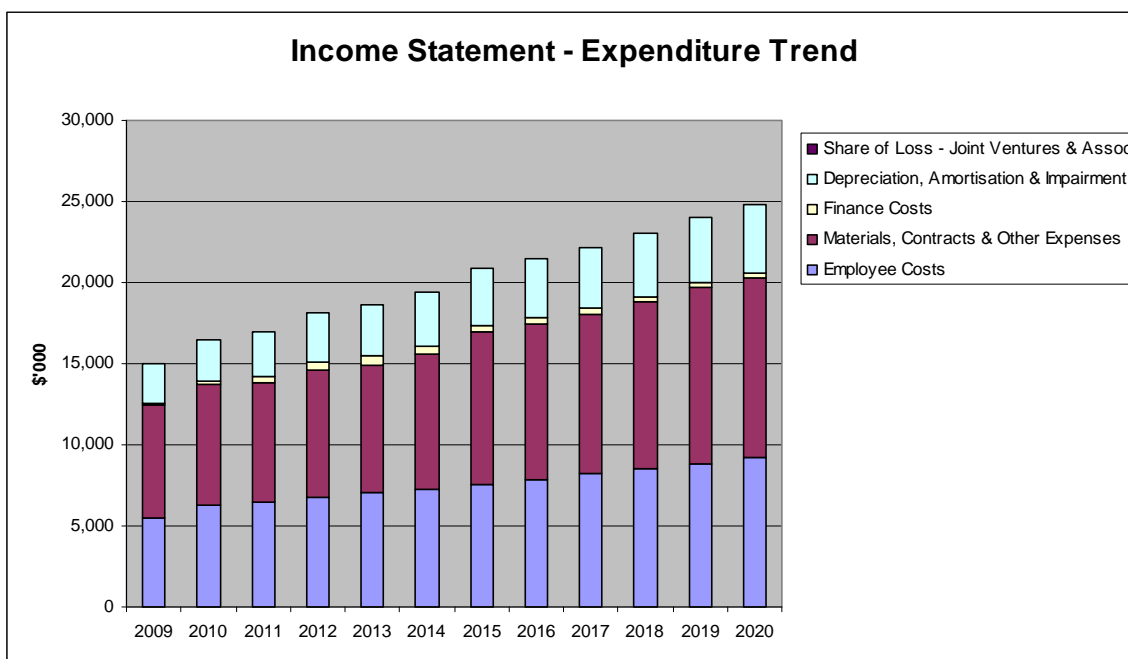
## 7 Asset Consumption Ratio

*This ratio indicates the consumption of the asset stock at a point in time (total written down value of depreciable assets/total reported value of depreciable assets before accumulated depreciation).*



Council's asset consumption ratio in 2010-11 is expected to be 62% calculated by comparing the total carrying value of depreciable assets (written down value) divided by the total reported value of depreciable assets before accumulated depreciation (written down value plus accumulated depreciation). This is a measure of the ageing of Council's assets stock. A higher ratio indicates that Council asset stock is relatively new and would require lower rates of maintenance.

## 10 Year Income and Expenditure Trend



## 10 Year Key Financial Indicators

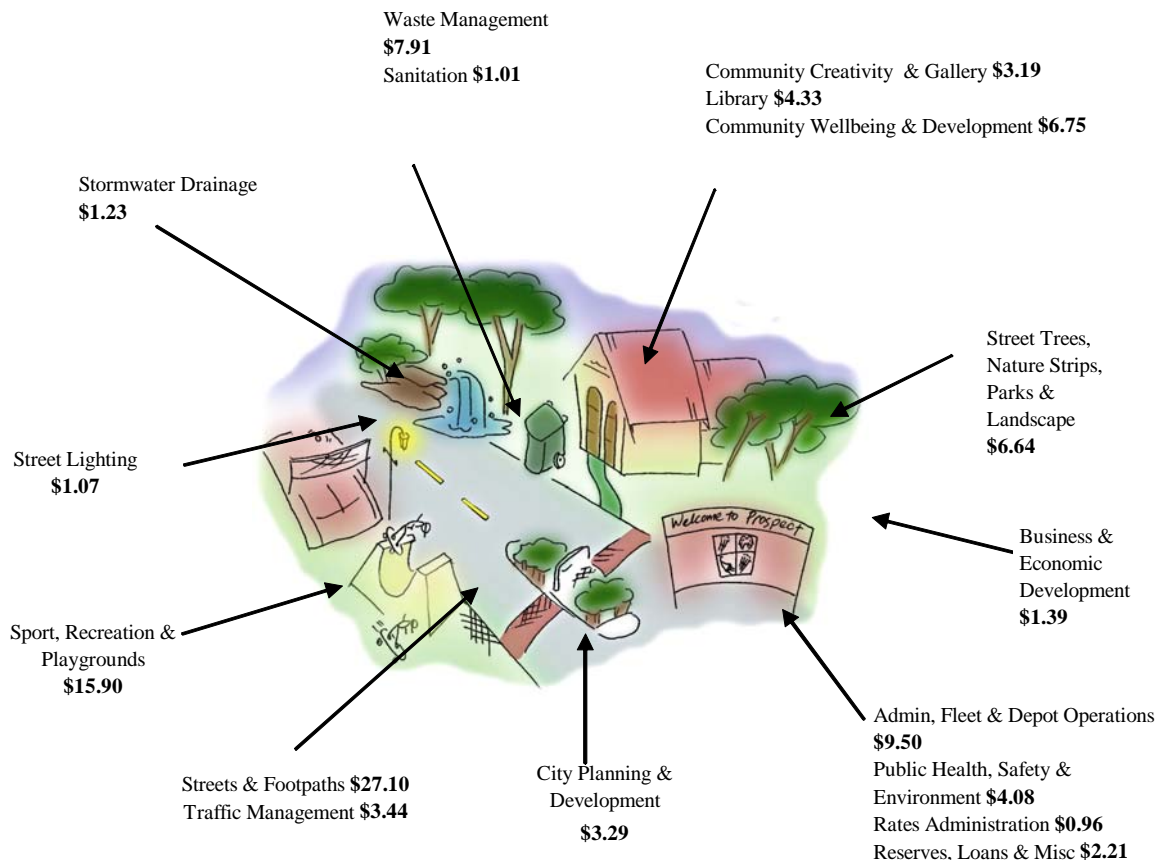
Year Ended 30 June:	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financial Indicator Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Indicator 1 - Operating Surplus / (Deficit) - \$'000	(739)	(447)	(764)	(141)	104	(425)	54	567	1,008	1,487	2,302
Indicator 2 - Operating Surplus Ratio - %	(6%)	(3%)	(5%)	(1%)	1%	(2%)	0%	3%	5%	7%	10%
Indicator 3 - Net Financial Liabilities - \$'000	4,428	8,447	7,261	7,446	7,029	7,527	7,203	7,200	5,882	3,838	1,495
Indicator 4 - Net Financial Liabilities Ratio - %	28.8%	52.2%	42.5%	41.0%	36.7%	37.4%	34.0%	32.1%	24.8%	15.3%	5.6%
Indicator 5 - Interest Cover Ratio - %	0.6%	2.0%	3.1%	2.3%	2.2%	1.9%	1.9%	1.7%	1.5%	1.1%	0.6%
Indicator 6 - Asset Sustainability Ratio - %	122%	154%	28%	82%	72%	76%	65%	85%	84%	78%	86%
Indicator 7 - Asset Consumption Ratio - %	60%	62%	61%	61%	60%	60%	60%	60%	59%	59%	59%

Dashboard Parameters		
Financial Indicator	Minimum	Maximum
(Outside this Green/Red)		
Indicator 1 - Operating Surplus / (Deficit) - \$'000	250	650
Indicator 2 - Operating Surplus Ratio - %	2%	5%
Indicator 3 - Net Financial Liabilities - \$'000	2,000	10,000
Indicator 4 - Net Financial Liabilities Ratio - %	10.0%	50.0%
Indicator 5 - Interest Cover Ratio - %	0.0%	5.0%
Indicator 6 - Asset Sustainability Ratio - %	100%	120%
Indicator 7 - Asset Consumption Ratio - %	50%	80%

## **C Budget Highlights**

### **Where will your money be spent in 2010-11?**

Every \$100 spent by Council is spent on:



### **What is planned for 2010-11?**

Council will continue to deliver a wide range of services at a standard that the community expects and keep its total rate revenue rise by 6.5%. This demonstrates an ongoing commitment to providing value for money services.

At the same time, Council is investing in the Churchill Road Corridor (\$4 million) and Prospect Road "Village Heart" Precinct (\$1.5 million) in line with the Masterplans developed for these corridors (see below). After receiving strong community support for the Masterplans, Council commissioned detailed designs work in 2009-10 and has now scheduled the first stage of construction works for these two corridors in 2010-11. This investment will necessitate borrowing money (\$5.25 million over two years), the deferral of Council's annual asset renewal program for two years and the reduction in operating projects by \$500,000 for four years. 2010-11 will also see the first stage of construction of the Prospect Oval redevelopment totalling \$3.6million. This project is funded largely from external sources with Council's contribution towards the Prospect Oval redevelopment being \$250,000.

The vision for **Churchill Road** is to create a contemporary transit boulevard and foster increased residential and commercial development along the western wing of Prospect. The long overdue redevelopment of the Churchill Road corridor will significantly improve the landscape, streetscape,

lifestyle and health of local residents, and dramatically improve the desirability of the area for current and future residents. The first stage of the upgrade of Churchill Road (\$4 million) will include:-

- upgraded footpaths, kerbs and gutters, verge and indented parking,
- landscaping and street trees to beautify and lessen pollution impacts ,
- more trees and screening to separate transport activities from houses and parks
- public art and street furniture
- resurfacing of the road to dampen transport noise
- improvements to the social facilities at existing parks and gardens, and
- improved pedestrian and cycling facilities and safety.

Critical to the rejuvenation of Churchill Road is the tie into Council's Section 30 Review and development plan amendments to allow higher quality, higher density residential and office accommodation to lift the western corridor. Importantly, Council's strategy is linked to the State Government's 30 Year Plan for Greater Adelaide and the identification of the Churchill Road corridor as a transit corridor. The redevelopment of 250 and 252 Churchill Road sites south and north of Regency Road and the anticipated electrification of the Adelaide – Gawler rail line (in 2013) and the upgrade of the Islington railway station, will also increase the value and desirability of property along this road and rail corridor.

The vision for **Prospect Road** is for it to be *“A people friendly road corridor that is framed by attractive medium to high density housing in some areas and local character houses in others, all within a short distance of cafes, interesting and eclectic boutique shops, daily shopping needs, offices, green open spaces, entertainment and cultural experiences”*.

This *Vision* for Prospect Road has been developed within the context of:

- increasing local employment opportunities
- economic vibrancy in Prospect's "High Street"
- keeping local disposable income within our region
- a strong and vibrant culture of arts and heritage
- increasing population growth in our State
- improving the liveability and sustainability of our communities and public spaces
- requirements by State Government for more medium density housing and mixed use employment areas in appropriate locations along our main roads
- intensifying development along public transport corridors to promote sustainable transport
- learning from other main streets and recreational hubs such as Goodwood Road, Unley Road, Unley Oval, Norwood Parade, and King William Street

Prospect Road is an important retail precinct which serves the local community that also acts as a key access point to the northern part of the Adelaide central business district. Prospect Road has seen the beginnings of a change process with residential and commercial property values increasing; tenancy competition and retail rent rates increasing, very low vacancy rates and the level of investment and the quality of shop premises development also improving.

Several new businesses established over the past two to three years have highlighted Prospect Road's potential as being the next precinct most able to move towards a cosmopolitan / boutique / urban chic / café culture style of environment and recent market forces have reaffirmed that this transformation is being very much led by community and commercial demand.

Council needs to position itself to plan, manage and encourage this change from a more sedate and perhaps low key shopping area into a dynamic and vibrant new destination point in Adelaide.

It is anticipated that the upgrade of Churchill Road and Prospect Road will lead to increased value of existing property along these corridors and both new residential and commercial development. The new commercial development will lead to increased rate revenue from the commercial sector, with this additional revenue stream funding the upgrade of the corridors and/or a reduction of residential rates across the city over time.

In keeping with sound long term financial planning, the Budget 2010-11 was prepared in line with our underlying assumptions, including:

- To achieve an operating surplus – whilst this has not been achieved in 2010-11, Council returns to an operating surplus in six out of ten years over the 10 year planning period.
- To fund asset depreciation
- Total rate revenue increasing in the order of 6.5% per annum
- Operating Expenditure increasing by the Local Government Price Index unless as a result of other external cost pressures such as :
  - Asset Management – ageing infrastructure
  - State and Commonwealth Government Pressures, eg Environmental Management, Environmental Health etc
  - Increasing cost of waste disposal
  - Increasing cost of utilities
  - Loan Borrowing of \$3M

**Council's Expenditure and Income of the Budget 2010-11 is presented as follows:**

	<b>Budget Funding Statement</b>	<b>\$ '000</b>
	Operating Revenue (including rates)	16,522
<i>Less</i>	Operating Expenditure (including depreciation)	16,968
<i>Equals</i>	<b>Operating Deficit before Capital Amounts</b>	<b>(446)</b>
<i>Add</i>	Net Gain on disposal or revaluation of assets	105
<i>Add</i>	Capital Grants, Subsidies and Monetary Contributions	3,387
<i>Equals</i>	<b>Operating Surplus from Operations</b>	<b>3,046</b>
<i>Add</i>	Depreciation Expenditure	2,783
<i>Equals</i>	<b>Funds available for Capital Expenditure</b>	<b>5,829</b>
<i>Less</i>	Capital Expenditure	9,912
<i>Add</i>	New Borrowing	3,000
<i>Less</i>	Loan Principal Repayment	281
<i>Add</i>	Net Transfer from Reserve Funds	0
<i>Less</i>	Net Gain on disposal or revaluation of assets	106
<i>Add</i>	Proceeds from sale of Non-current Assets	156
<i>Add</i>	Provision for Long Service Leave	100
<i>Equals</i>	<b>Deficit Cash Budget</b>	<b>(1,214)</b>



## How does Council pay for all these services?

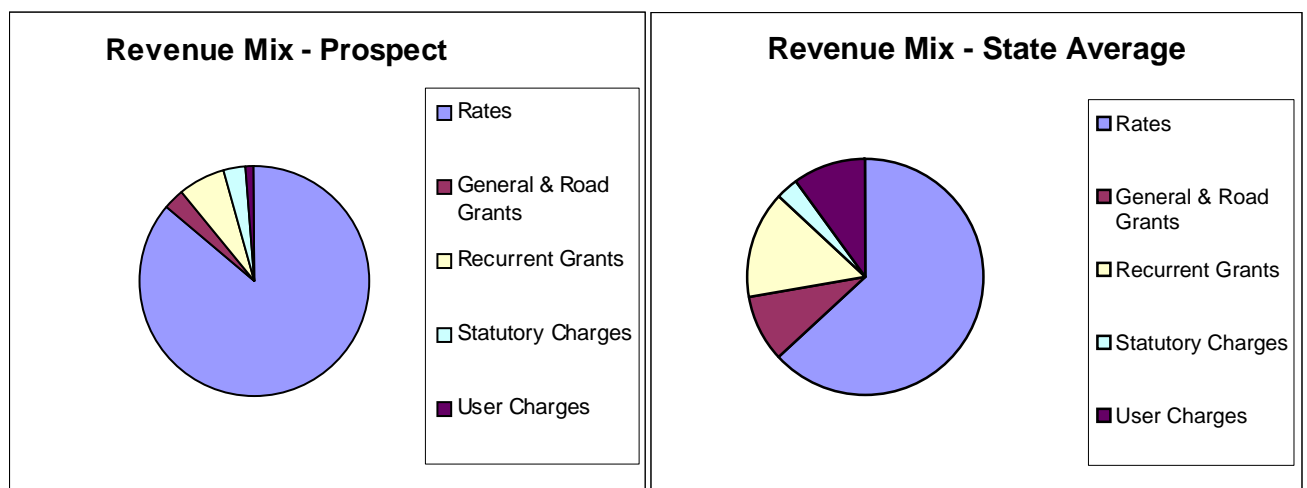
Council has limited options to pay for these services. It receives some State and Federal government grants and subsidies; it can raise income from some fee paying activities (eg hire of community facilities); fines and expiations etc. However, the primary source of income for Council is a property based tax – “council rates”.

## Council’s Operating Revenue

- Council rates revenue makes up 83% of Council’s annual operating income.
- Other sources of operating income include – government grants (9%) and fines, expiations and other statutory charges (4%).

City of Prospect is much more reliant on rates revenue (particularly residential rate revenue) than most other councils, as depicted in the following table. The main reasons for this reliance on rates is the nature, size and location of the Council area.

Revenue Sources:



## Debt Management

City of Prospect has kept its debt levels relatively low for many years and has considerable capacity to borrow money. There is considerable merit in using loan funds to spread the cost of infrastructure replacement over a number of years. In 2010-11 Council will borrow \$3,000,000 (and another \$2.25m in 2011-12) to part fund the Prospect Road and Churchill Road Masterplans.

## **E Infrastructure-Asset Management Plan (IAMP)**

The major element of the Capital Project Expenditure Program is the upgrade of infrastructure assets.

An Infrastructure-Asset Management Plan addressing the long term needs of Council's infrastructure assets has been developed.

The IAMP has the following objectives:

- To identify the average amount needed per year for the long-term maintenance and renewal/upgrade of the assets;
- To establish a twenty-year program for each asset with annual costs;
- To establish programs which, in total, amount to the total average amount needed per year for the long-term maintenance and renewal of all assets;
- To compare the average amount needed per year for the long-term maintenance and renewal of the assets with the current depreciation expense for the assets, as a check for both amounts;
- To record the actual amounts spent on each asset over a long period so that Council can have certainty that each asset is being funded at a satisfactory level;
- To be able to inform the community about the long-term asset management requirements.

The IAMP is based on the assumption<sup>1</sup> that the community is generally happy with the present condition and performance of the assets, except for footpaths. Council is addressing the footpath issues via an accelerated footpath reconstruction program.

The useful life of each asset has been considered and an estimate prepared for required expenditure each year to ensure the asset continues to provide 'fit for purpose' service to the community.

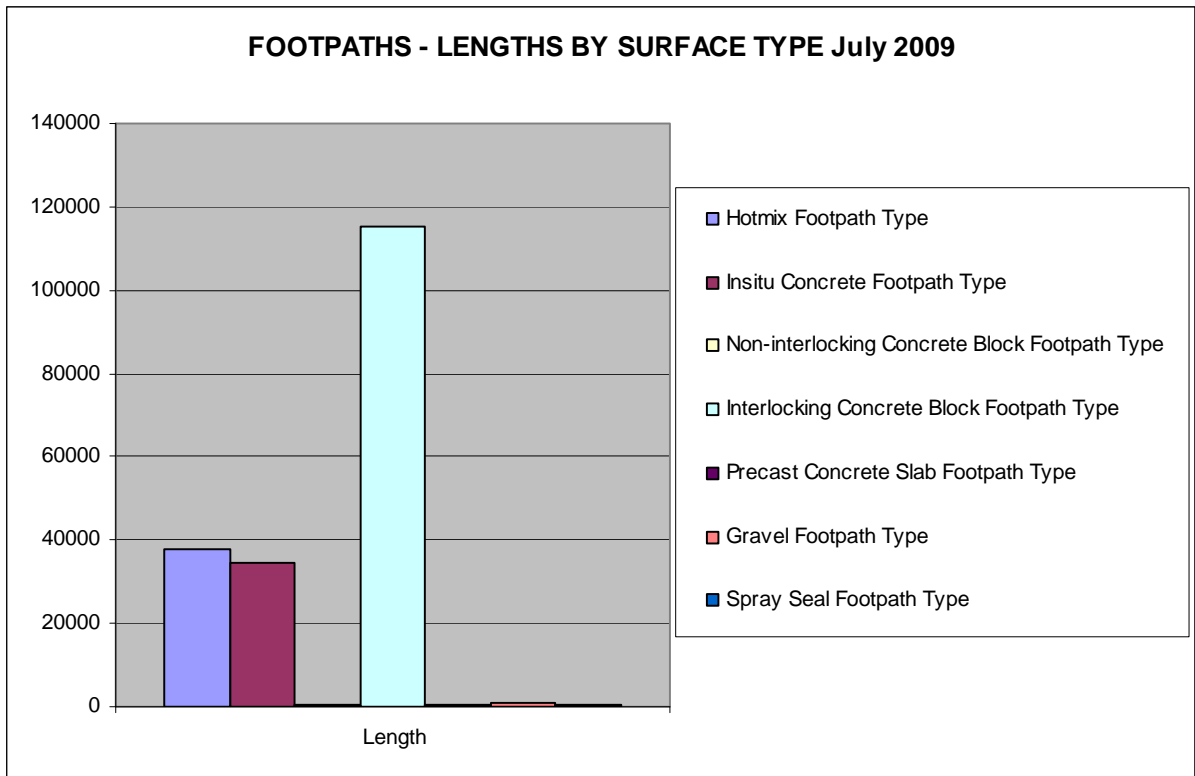
**Road Pavements and Surfacing** – \$694,110 is recommended as the required expenditure each year to both maintain and upgrade the road asset (i.e. the road surfacing and underlying pavement). This is the minimum allocation required to maintain the City's sealed road network. i.e. "to keep the good roads in good condition" using an early intervention rejuvenation program.

In 2010-11 Council will spend \$21,200 on road maintenance. Council has elected to defer the road reconstruction program in 2010-11 and 2011-12 to focus on works related to the Prospect Road and Churchill Road Masterplans. Reconstruction of roads will recommence in 2012-13 with a total of \$903,519 budgeted for both reconstruction and maintenance. This is inclusive of reconstruction of Newark Street and Kintore Avenue and surface renewal projects for Jacaranda Avenue, Muriel Street and Watkins Street.

**Footpaths** – To maintain current condition, it is estimated that total average expenditure levels over next 20 years, of approximately \$761,400 per annum (2011 \$) will be required. The amount to be spent on maintenance of brick paved footpaths from 2013 to 2019 has been increased to (average) \$310,400 per year over the next 7 years. This is in order to reduce tripping points which will make the paths safer.

---

<sup>1</sup> Periodically checked via biennial Resident Satisfaction Survey and Public Budget/Rating Forums.



Approximately \$116,400 per annum has been allocated to reactive path maintenance until 2016-17. This funds the removal of tripping hazards on bitumen, concrete and brick paved footpaths across the city when reported by residents. Proactive inspection and repair will commence in 2013 and will facilitate a reduction in reactive maintenance costs from 2017-18. From 2021 onwards, the average total maintenance cost including both reactive and planned maintenance will be approximately \$170,000 per annum.

**Kerbs and Gutters** – Council has approximately 195km of kerbs and gutters for which it is responsible. The sections of kerb and gutter in the twenty-year kerb and gutter replacement program have been chosen because of at least two of the following:

- They are in poor condition;
- They can be replaced in conjunction with planned road reconstruction or road resurfacing work (this considerably reduces the cost);
- The gutters are too deep and vehicle access to adjacent properties is difficult (where this is the case, the footpaths have usually been built with far too much cross-fall at the driveways).

The Department for Transport Energy and Infrastructure (DTEI) needs to re-surface Prospect Road from Fitzroy Terrace to Regency Road in the next few years. The kerbs and gutters are, in most parts, extremely poor. Rather than have Transport SA simply place another layer of hotmix over the gutters and reduce the kerb height even further, Council, in conjunction with DTEI, will be replacing the kerbs and gutters in sections before the road is resurfaced. This will give an outcome that will be good for the community.

\$782,635 has been allocated to Churchill Road kerb and gutter works in 2010-11, whilst \$1,103,072 has been allocated to Prospect Road kerb and gutter works.

In addition, Council has allocated approximately \$58,000 per annum for the routine maintenance of kerbs and gutters. This allocation is used to treat localised drainage and access problems.

**Stormwater Drainage Assets** - Council has 41.4km of drains within the Council area. The condition of the network can only be assessed by inspecting it internally using remote cameras. The aim of these inspections are to establish the extent of deterioration within the network; to provide an indication of which sections of the network may be prone to possible dramatic failure; to assist with developing priorities for drain replacement works; and to provide input to the development of long term financial plans for the maintenance of an effective city drainage network.

\$102,656 has been included in the 2010-11 budget to cover general reactive maintenance, HEP annual maintenance and the network condition survey. More significant reconstruction plans are scheduled within the twenty year drainage plan. \$1,133,208 will be spent in 2020-21 on design of drains for Prospect and Main North Roads and full replacement of Beatrice Street drainage.

**Council Owned Buildings** - \$120,000 has been allocated in the Budget 2010-11 for reactive maintenance purposes. The planned capital maintenance program has been deferred until 2012-13. A detailed assessment of the condition of each building asset owned by Council has been undertaken. This assessment looks at building components such as roofs, gutters, fittings and internal and external painting. A proactive planned approach will ensure that works are undertaken at the correct time.

The planned level of spending on some assets is below that required in the long-term. However, the overall level of spending on assets has been increased to meet the identified long term needs.

## **F Rating Strategies (Rates Revenue, Rating Policy and Valuation)**

Council has identified that for 2010-11 it will need to raise \$16.5 million in revenue. Of this, \$13.9 million will need to be raised from Council rates.

- The Budget 2010-11 was prepared in line with Council's underlying assumption to increase total rate revenue by 6.5%.
- Average Residential Rate will increase by approximately 6% or \$75 (or \$1.45 per week) to \$1,321.
- Rate increase for a median residential property (\$445,000) is 4.15% or \$49 (or \$0.95 per week) to \$1,281.
- Council has evaluated options in seeking the fairest and most equitable distribution of rates across the community.
- Council has a rating structure that includes use of Capital Valuations, Differential rating by land use and a Minimum Rate. The capital value is the value of the land including improvements.
- City of Prospect currently levies differential general rates which vary according to the use of the land. Classification 1 is levied at the residential rate in the dollar, while the remaining classifications are all levied at the non-residential rate in the dollar. The following table shows the land use classes and their respective proportion of the City's total assessments.

<b>Class</b>	<b>Description</b>	<b>Examples</b>	<b>No Properties</b>	<b>%</b>
1	Residential	House, maisonette, townhouse, flat	8,723	92%
2	Commercial Shop	Supermarket, hairdresser, takeaway food	335	3.5%
3	Commercial Office	Accountant, administrative	88	0.9%
4	Commercial Other	Showroom, warehouse	147	1.5%
5	Industry Light	Vehicle service, service station	32	0.3%
6	Industry Other	Clothing, manufacture, taxi fit-out	8	0.1%
7	Primary Production	Rural farm land, vineyard, horticulture	nil	0.0%
8	Vacant Land	Unoccupied land, footings only	101	1.1%
9	Other	School, hall, health centre, kindergarten	59	0.6%
			9,493	100%

- The Local Government Act enables Councils to impose either a "minimum rate" or "fixed charge". Historically, City of Prospect has imposed a minimum rate because it has been considered appropriate that all ratepayers contribute to the cost of administering Council's activities and the cost of creating and maintaining the physical infrastructure that supports each property. Those ratepayers whose property valuation is below the threshold and hence would result in a rate below the minimum amount payable, thereby contribute by way of a minimum general rate to the basic services provided for all ratepayers.



*St Helens Park*

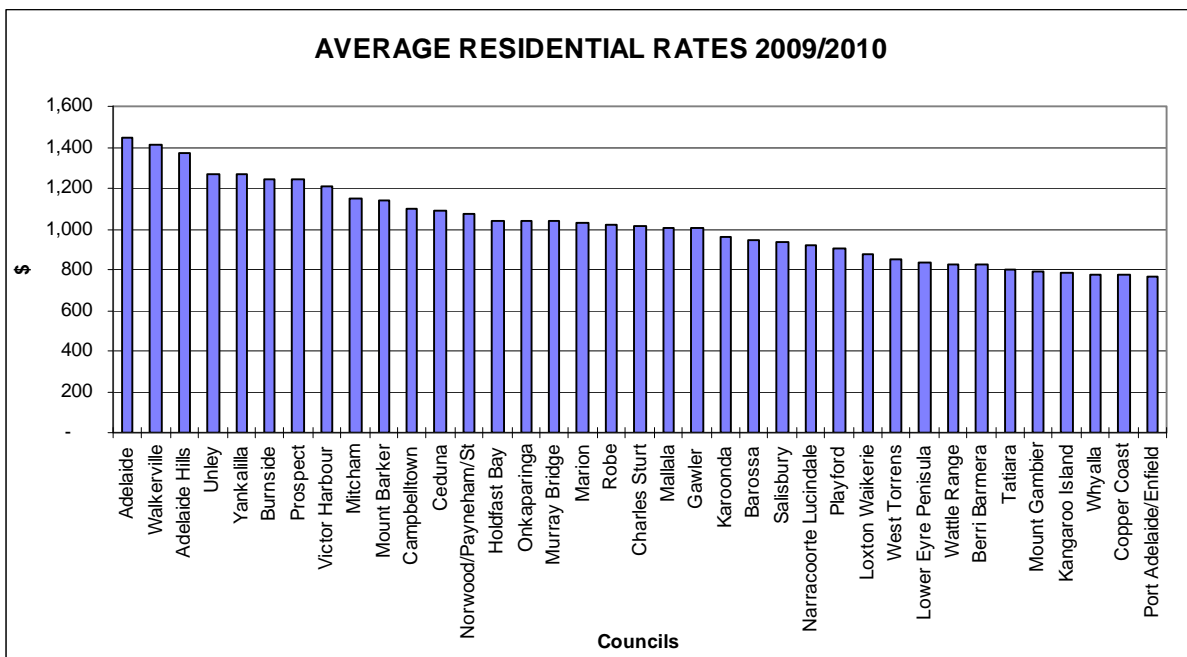
- Residential capital valuations have remained stable and consistent from suburb to suburb over the last couple of years. The following table indicates the change in valuation for the residential properties by suburb for 2010-11 as provided by the Valuer-General.

### Residential Capital Valuations – 2010-11

Suburb	No. of Assessments	Increase in Capital Value	Average Residential Rate Increase
Broadview	858	8%	7.00%
Collinswood	672	9%	6.85%
Fitzroy	292	10%	7.13%
Medindie Gardens	119	11%	7.55%
Nailsworth	913	7%	5.85%
Ovingham	102	7%	5.95%
Prospect	5,516	7%	5.30%
Sefton Park	184	7%	5.44%
Thorngate	67	11%	7.76%
Total all suburbs	8,723	8.56%	6.54%

- 83% of our residents will have a rate increase of less than \$1.35 per week
- These property valuations will increase/decrease if the land use of property has changed (eg residential to commercial), or if there has been any development on the property (including significant renovations). The change in valuation associated with these revisits is what is defined as “growth”.

To provide the community with a level of services similar to other councils (who have a lower dependency on rates) City of Prospect will continue to depend on rates to fund these services. That is, the average rate in Prospect will be higher than many other councils. This is a similar story for many inner city councils (eg Walkerville and Burnside), as shown in following chart.



## Assistance for Ratepayers

- Rate Relief Options are available including Concessions, Postponement of Rates, Informal Arrangements, Remissions and Rebates (Mandatory and Discretionary).
- No allowance has been made in the budget for the introduction of a Maximum Rate or Rate Capping as both of these measures have not been considered warranted at this stage given Council focus on keeping rate rises at “modest” levels and reasonably consistent property valuation increases over recent years.
- Ratepayers who are having trouble paying their rates should contact Council (Chris Arthur telephone 8342 8052). Information provided will be treated in confidence.

## Further Information

- You can view the full version of the Annual Business Plan 2010-11 from:
  - Council's website  
[www.prospect.sa.gov.au](http://www.prospect.sa.gov.au)
  - Or in person at
    - Civic Centre, 128 Prospect Road, Prospect
    - Thomas Street Centre, 1 Thomas Street, Nailsworth
- Enquires in relation to this document can be made to:

Ginny Moon, Financial & Customer Services Manager  
(8269 5355 or [ginny@prospect.sa.gov.au](mailto:ginny@prospect.sa.gov.au))

Justin Commons, Director Corporate Services  
(8269 5355 or [justin@prospect.sa.gov.au](mailto:justin@prospect.sa.gov.au))

Mayor David O'Loughlin  
(8269 5355 or [david.oloughlin@prospect.sa.gov.au](mailto:david.oloughlin@prospect.sa.gov.au))

## **Part F Glossary**

### **Asset Sustainability Ratio**

Asset Sustainability Ratio indicates whether Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of assets is wearing out. The ratio is calculated by measuring capital project expenditure on renewal and replacement of assets relative to the level of depreciation.

### **Financial Assets**

Financial Assets include cash, investments, loans to community groups, receivables and prepayments, but excludes equity held in Council businesses. Also, inventories and land held for resale are not regarded as financial assets.

### **Financial Sustainability**

Financial Sustainability is where planned long-term service and infrastructure levels and standards are met without unplanned and disruptive increases in rates or cuts to services.

### **Interest Cover Ratio**

The interest cover ratio expresses the annual net interest expense (interest expense less interest revenue) to total operating revenue (excluding profit on disposal of assets).

### **Net Financial Liabilities**

Net Financial Liabilities equals total liabilities less financial assets, where financial assets for this purpose includes cash, investments, loans to community groups, receivables and prepayments, but excludes equity held in Council businesses, inventories and land held for resale.

### **Net Financial Liabilities Ratio**

Net Financial Liabilities Ratio expresses Net Financial Liabilities as a percentage of total operating revenue. The ratio allows interested parties to readily equate the outstanding level of Council's accumulated financial obligations against the level of one-year's operating revenue. Where the ratio is falling over time, it generally indicates that the Council's capacity to meet its financial obligations is strengthening.

### **Net Lending/ (Borrowing)**

Net Lending/ (Borrowing) equals Operating Surplus / (Deficit), less net outlays on non-financial assets. The Net Lending / (Borrowing) result is a measure of Council's overall (ie. Operating and Capital) budget on an accrual basis. Achieving a zero result on the Net Lending / (Borrowing) measure in any one year essentially means that Council has met all of its expenditure (both operating and capital) from the current year's revenues.

### **Non-financial or Physical Assets**

Non-financial or Physical Assets are infrastructure, land, buildings, plant, equipment, furniture and fittings, library books and inventories.

### **Operating Deficit**

Operating Deficit is where operating revenues less operating expenses is negative and operating income is therefore not sufficient to cover all operating expenses.



### **Operating Expenses**

Operating Expenses are operating expenses including depreciation but excluding losses on disposal or revaluation of non-financial assets.

### **Operating Revenues**

Operating Revenues are operating revenues shown in the Income Statement but exclude profit on disposal of non-financial assets and amounts received specifically for new/upgraded assets. For ratios calculated where the denominator specified is total operating revenue or rate revenue, Natural Resource Management (NRM) levy revenue is excluded.

### **Operating Surplus**

Operating Surplus is where operating revenues less operating expenses is positive and operating revenue is therefore sufficient to cover all operating expenses.

### **Operating Surplus Ratio**

Operating Surplus Ratio expresses the operating surplus (deficit) as a percentage of general and other rates.