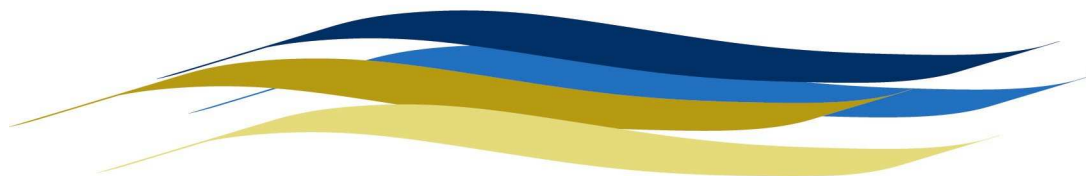


City of
South Perth



AGENDA
SPECIAL COUNCIL MEETING
11 JULY 2006

NOTICE OF MEETING

A SPECIAL MEETING OF COUNCIL HAS BEEN CALLED FOR THE
PURPOSE OF ADOPTING THE 2006/2007 BUDGET

THE MEETING WILL BE HELD IN THE COLLIER PARK COMMUNITY
CENTRE ON TUESDAY 11 JULY 2006 AT 7.00PM

CLIFF FREWING
CHIEF EXECUTIVE OFFICER
7 July 2006

SPECIAL COUNCIL MEETING
11 JULY 2006

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SPECIAL MEETING OF COUNCIL
A SPECIAL MEETING OF COUNCIL HAS BEEN CALLED FOR THE PURPOSE OF
ADOPTING THE 2006/2007 BUDGET

AGENDA

1. **DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**
2. **DISCLAIMER**
The Chairperson to read the City's Disclaimer
3. **RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE**
4. **DECLARATION OF INTEREST**
5. **PUBLIC QUESTION TIME (refers item 7.1)**
6. **PRESENTATIONS / PETITIONS / DEPUTATIONS**
7. **REPORTS**

7.1 Adoption of 2006/2007 Annual Budget
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Location:	City of South Perth
Applicant:	Council
File Ref:	FS/FI/1
Date:	7 July 2006
Author/Responsible Officer:	Michael J Kent, Director Financial & Information Services

Summary

To present the 2006/2007 Annual Budget, as previously circulated and tabled at the meeting, for adoption by Council.

Background

The preparation of the Annual Budget is both a statutory requirement of the *Local Government Act* and a responsible financial management practice. The Budget has been developed in conjunction with the City's Strategic Plan and the financial parameters of its Strategic Financial Plan 2006/2007 - 2010/2011 (prepared as an internal working document only). The Budget document contains the Statutory Budget format with all relevant disclosures to discharge financial accountability to the community. In addition, it contains the 2006/2007 Schedule of Fees and Charges and the Summary Revenue and Expenditure Schedules relating to the Budget (which is the strategic overview of the City's finances).

A separate detailed Management Budget incorporating all line items (grouped to reflect the reporting mechanisms inherent within the organisational structure) has been prepared and will be used by the administration to manage departmental finances on an operational level during the year.

Comment

From the generation of the strategic financial projections in December 2005 to the date of this meeting, the budget process has evolved through numerous stages which have provided opportunities for Council Members, the community and City staff to have involvement in the process.

The major phases of the budget development process have been :

- Develop strategic forward financial projections.
- Verify alignment with the 'themes' that underpin the development of the Strategic Financial Plan (SFP) and Budget.
- Determine the overall financial parameters for the 2006/2007 budget.
- Workshop and review major capital projects on the previous year's SFP.
- Submit and consider capital project proposals for 2006/2007 budget.
- Incorporate the outputs of community forums and Council Member workshops during the year - along with contemporary practices into our forward financial planning.
- Develop a draft Strategic Financial Plan as an internal working document.
- Review the Fees and Charges Schedule for the upcoming year.
- Prepare a Suggested Budget for consideration by officers and validate its alignment with overall financial parameters.
- Determine the final capital projects list for inclusion in the budget.
- Prepare and review the Draft Budget.
- Prepare and review the Proposed Budget.

Throughout the budget process, a series of structured briefings have been held with Council Members and relevant City officers to ensure that information on the budget process and the budget itself is available to participants. Importantly, this has resulted in a shared understanding of the Budget and its relationship to both the Strategic Plan and the Strategic Financial Plan.

The 2006/2007 Budget continues the agreed themes of:

- Building for a sustainable future
- Creating a connected community

By ensuring alignment with the City's strategic direction and agreed strategic financial themes; competing organisational priorities can be assessed and prioritised in a manner which maximises community benefit whilst ensuring the City's financial, social and environmental sustainability.

Specific items of interest within the 2006/2007 budget are discussed below:

Budget Overview

The 2006/2007 Budget provides for Total Revenue of \$37.64M supplemented by new City borrowings of \$3.0M. Total Expenditure is \$43.39M less non-cash items (depreciation etc) of \$6.48M. Expenditure comprises \$29.64M of Operating Expenditure (Management Account format) plus \$13.75M Capital Expenditure. The planned Net Transfers to Reserves for the year are \$1.39M. Along with the estimated increase in Accrual Items of \$2.50M primarily due to the anticipated deferred instalment payment plan for UGP Service Charges, this results in a balanced budget.

Rates

The proposed rates yield for 2006/2007 is \$18.2M - based on GRV for rateable properties in the City of \$254.2M. The City is obliged to use the GRVs supplied from the Valuer General's Office in determining its annual rates - which are calculated by multiplying those GRVs by a 'Rate in the Dollar' determined by Council.

The proposed rates yield is achieved by applying a 'Rate in the Dollar' of 7.065 cents for 2006/2007 - up from 6.825 cents in 2005/2006. This is a 3.5% increase in the rate in the dollar. This increase compares very favourably to the CPI movement (all groups) of 4.2% for Perth in the last 12 months (ABS data).

The Minimum Rate (determined to be the minimum equitable cost of servicing lots within the district) increases from \$550.00 last year to \$565.00 in 2006/2007 - an increase of 2.7%. Approximately 3,876 properties (20.3%) are expected to be minimum rated in 2006/2007 - well below the threshold of 50% of all properties allowable under the *Local Government Act*.

All current Pensioner and Senior concessions will continue to apply. Eligible Pensioners will benefit from a rebate of up to 50% on their rates. Seniors entitlements are capped at \$216.00 - an increase consistent with the CPI for last year. Installment payment options will attract a \$5.00 administration fee (per installment) and pre-interest charges of 5.5%. Penalty interest of 11% will be applied to amounts outstanding beyond the due date.

This rating model provides conclusive evidence that the City is achieving its strategy of being rate competitive relative to its local government peers.

Rubbish Charges

The cost of a standard domestic rubbish service will be increased to \$155.00 from 2006/2007 following the introduction of a new Rubbish Landfill Levy. This recognises the need to provide future funding to secure access to one the regional facilities developing alternative waste management technologies when landfill ceases to be a viable option. It is recognised by the City's that landfill is not an environmentally or financially sustainable approach and it will become necessary to pay a premium to participate in a more environmentally friendly and socially responsible waste management solution in the future. Resident ratepayers will continue to receive two green-waste and one general waste pass to the Transfer Station. Two City-funded bulk kerbside rubbish collections will be provided again this year.

Overall, the combined increase in Rates and the Rubbish Charge for a typical (average) property in the city will be only 3.8% which is still well below the CPI for Perth for the last year.

Emergency Services Levy (ESL)

The State Government ESL charge will again appear on all local government rate notices in 2006/2007. This charge will be based on the GRVs supplied to the City using a rate nominated by the Fire and Emergency Services Authority. The 2006/2007 rate has been determined to be 1.46 cents in the dollar. FESA have indicated that the levy will again be capped at \$195.00 in 2006/2007. This charge is outside the control of local governments, is set by the State Government and is not retained as revenue by the City.

All monies collected from residents of the City which relate to the ESL must be remitted to the Fire and Emergency Services Authority (FESA). This will have cash flow implications for the City in respect to people paying by instalments as the ESL must be treated as a 'priority creditor' - that is, FESA gets their payment in priority over Council charges. However, the City has now signed an agreement to pay FESA quarterly rather than monthly using an alternative payment model which may have a less dramatic impact on the City's cash flow in the earlier part of the year.

Employee Costs

Employee salary and wage costs are \$12.01M for the year including the expected impact of the City's EBA, award increases and statutory superannuation contributions. This represents an increase of 3.6% over the previous year level. As part of a prudent management strategy, accrued employee entitlements under relevant awards (annual leave and long service leave) for all employees are fully funded and supported by cash-backed investments.

The budget provides for a total of 209.4 FTE (full time equivalent) positions made up of 182 full time employees and an additional 51 part time employees. (210.6 FTE approved positions in 2005/2006).

The staffing levels in the 2006/2007 budget reflect a prudent allocation for a more appropriate mix of resources – with the major changes in the administration being the inclusion of a new Manager Strategic Urban Planning, a Trainee Town Planner and Trainee Building Surveyor and a new part time Research Assistant supporting the Legal *and* Governance area. Offsetting this has been the reduction of 1.5 FTE in the number of secretarial support positions. A report on the proposed structure of the Development Services area will be contained in the Agenda for the July meeting of Council.

Infrastructure Services has provided for a new Horticultural Apprentice but has forfeited 1 FTE field staff position and also a 0.5 FTE support position. Changes in both areas have taken advantage of natural attrition to review current staffing levels and realise efficiencies.

The mix between full and part time staff in Customer Focus Team and Libraries has been re-distributed (without adding or deleting employees) to provide more effective coverage and better customer service.

Council Member Entitlements

Entitlements for Council Members for 2006/2007 will remain at the statutory level for Meeting Fees of \$7,000 per Council Member and \$14,000 for the Mayor - as provided for under the Local Government Administration Regulations.

Council Member Entitlements will also include (for all members), the permitted Communications *and* Technology allowances of \$2,400 and \$1,000 per annum respectively to assist members in effectively communicating with their electorate. The Mayoral and Deputy Mayoral Local Government Allowances are provided for at the rate of \$40,000 and \$10,000 per annum respectively – no change from the preceding year. All amounts proposed above are within the limits permitted by relevant legislation.

Whilst the Mayoral and Deputy Mayoral Allowances are able to be reviewed at any time, it is suggested that the most appropriate time to review them is biannually two months prior to the Local Government Election dates (August 2007). This would enable the Mayor and Deputy Mayor to participate in the debate and vote on the item without the need to declare a Financial Interest.

Other Expenditure attributed to Council Members

In addition to relevant professional insurances, professional subscriptions and training and conferences, there is an allocation made (by applying activity based costing principles) of some \$383,111 for corporate overheads to the Council Members area which covers costs associated with

- Officer time in researching, preparing and presenting reports and briefings to Council.
- Attending and recording minutes at Council meetings and briefings.
- An allocation of operating costs for the Council building.
- Technology support services.
- Administrative support services.

Funding is also provided in the 2006/2007 budget for the Civic Ward Bi-Election only - as it is now expected that the next round of local government elections will be moved to October 2007 (in the next financial year's budget).

CPV Maintenance Fees

The impact of the concerted efforts of the City's executive and the positive and responsible support of the Collier Park Residents Committee are reflected in the further reduction of the anticipated operating loss for 2006/2007 for the Collier Park Village despite the CPI of 4.2%. The 2006/2007 Budget anticipates an operating loss of \$83,000 compared to a budgeted operating loss of \$89,000 in 2005/2006.

Following the presentation of the draft budget to the Collier Park Residents Committee in June - and subsequently to the general meeting of all village residents, it is recommended that the Monthly Maintenance Fee for the Collier Park Village remain at \$250 per month for the July to September 2006 period (inclusive) - before increasing to the figure of \$260 per month thereafter for the remainder of the financial year.

The three month moratorium on the fee increase is consistent with the process adopted last year to allow time implement the alternative payment method that allows the residents to pay a lesser amount in cash each month - and have the remaining \$50 per month deducted from the refundable monies held on their behalf by the City in the Collier Park Village Residents Loan Offset Reserve. Financial modelling indicates that this approach is financially sustainable and will not compromise the Collier Park Village reserves in the long term.

The budget also includes an operating subsidy of approximately \$90,000 to the Collier Park Hostel in 2006/2007 (versus \$140,000 budgeted operating loss in 2005/2006). This would be met from the accumulated balance of the Collier Park Hostel Capital Reserve.

The budget has been developed on the assumption of the status quo prevailing - although it is possible that the Review into the Collier Park Hostel may alter that. In such an event, a separate budget review would be prepared to reflect any changed circumstances.

Reserve Funds

The City anticipates that the balance of its cash backed Reserves will increase by \$1,391,427 in net terms over the year after reinvesting some \$865,858 worth of interest revenue back to the reserves. The expected balance of cash backed Reserves at 30 June 2007 including those quarantined for the purposes of the Collier Park Retirement Complex, Golf Course and Waste Management is approximately \$17.2M. The quarantined Reserves make up \$13.5M worth of this amount and the remainder (\$3.7M) is general City Reserve Funds.

Capital Program

A Capital Expenditure program of some \$8.95M (excluding the Underground Power Project) is planned for the 2006/2007 Budget. Details of the included projects are contained in the attachment to this report. (**Attachment 7.1**)

Underground Power Project (UGP)

In addition to the Capital Expenditure Program noted above, a further nominal amount of \$4.8M is provided as a prudent allocation towards the City's contribution to the previously approved Como East UGP project. Should this project proceed later in the year it would be funded by a separate UGP Service Charge raised directly against only those properties in the project area.

At this time, the City is still awaiting final quotations for the work from Western Power before it undertakes community consultation to determine support for the project. Only after that consultation would Council proceed to establish the amount of the Service Charge and consider payment options and any relevant concessions.

No expenditure will be incurred nor revenue raised for this project unless and until the community consultation comes back in favour of the project. However, it is both necessary and prudent to make an allocation for likely cost, revenue and cash flow implications of the project in the Budget.

The City will communicate directly with all affected residents in the project area during the year as more information about the UGP project comes to hand.

Statutory Budget

The Statutory Budget is prepared in accordance with all relevant professional accounting pronouncements. It follows a similar format to the 2005/2006 budget and contains a number of specified schedules including:

- Operating Statement:
- Rate Setting Statement
- Statement of Cash-Flows
- Notes to and forming part of the Budget
- Schedule of Fees *and* Charges
- Schedule of Capital Projects
- Schedule of Carry Forward Projects

The key features of each of these elements of the budget are :

1. An Operating Statement prepared in accordance with Australian Accounting Standard AAS27.

This statement summarises revenues and recurrent expenditures - classified according to specified local government programs.

2. A Rate Setting Statement which consolidates all elements of the budget into the following categories :

• Funding		
▪ All Sources except Rates		\$ 19.36M
▪ Loan Borrowings		\$ 3.00M
▪ Transfers from cash backed Reserves		\$ 4.52M
▪ Opening Funds		\$ 0.14M
▪ Accrual Funding Movements		(\$ 2.57M)
• Expenditures		
• Operating Expenditures (excluding non cash items)		\$ 29.92M
• Capital Expenditure (according to AAS27 principles)		\$ 6.99M
▪ Transfers to cash backed Reserves		\$ 5.39M
▪ Loan Capital Payments		\$ 0.35M

The difference between the total expenditures and funding from all sources other than rates is the amount that the City is required to raise from rates to produce a balanced budget in the 2006/2007 year (\$18.2M). The Rate Setting Statement demonstrates to the community the full impact of the Budget.

3. A Statement of Cash-Flows which recognises the cash inflows from operating, investment and government sources as well as the outflow of cash on operating and investment items. It also indicates the impact which the timing of these items might have on the organisation's financial liquidity.
4. A Schedule of Fees *and* Charges which details the fees in force for City services and use of City facilities. Fees are based on either full cost recovery, partial cost recovery, statutory fees or reference (benchmark) pricing.

Consultation

In developing the budget, the City has given due consideration to submissions made in relation previous Strategic Financial Plans as well as considering Council Member and community feedback received by the City through various community forums and consultation exercises throughout the year.

Policy and Legislative Implications

The development of the Annual Budget has been conducted in accordance with the City's *Policy P601 – Strategic Financial Plan and Annual Budget Preparation* and *Policy P604 – Use of Debt as a Funding Option*. All relevant legislative provisions of Part 6 of the *Local Government Act* have been met - and the budget document itself is consistent with the requirements of the Local Government Financial Management Regulations.

Financial Implications

The financial implications of adopting the 2006/2007 Proposed Budget are as disclosed in **Attachment 7.1** of this report.

Strategic Implications

This report deals with matters of financial management which relate directly to the City's strategic goal of Financial Viability - *To provide responsible and sustainable management of the City's financial resources.*

OFFICER RECOMMENDATION ITEM 7.1

That...

- (a) a General Rate in the Dollar of 7.065 cents be applied to the GRV of all rateable property within the City for the year ending 30 June 2007;
- (b) a Minimum Rate of \$565.00 be set for the year ending 30 June 2007 notwithstanding the General Rate set out in part (b) above;
- (c) a standard Rubbish Service Charge of \$155.00 be applied for the year ending 30 June 2007;
- (d) the following dates be set for payment of rates by instalments:
 - First instalment 23 August 2006
 - Second instalment 09 November 2006
 - Third instalment 11 January 2007
 - Fourth instalment 15 March 2007
- (e) an administration charge of \$5.00 per instalment for payment of rates by instalments be applied to the second, third and fourth instalment in accordance with Section 6.45(3) and (4) of the *Local Government Act* and Regulation 67 of the Local Government (Financial Management) Regulations;
- (f) an interest rate of 5.5% be imposed on payment by instalments, to apply to the second, third and fourth instalment in accordance with Section 6.45(3) of the *Local Government Act 1995* and Regulation 68 of the Local Government (Financial Management) Regulations;
- (g) an interest rate of 11% be imposed on overdue rates in accordance with Section 6.51(1) of the *Local Government Act 1995* and Regulation 70 of the Local Government (Financial Management) Regulations;
- (h) a Monthly Maintenance Fee of \$250.00 (treated as 'Input Taxed' for the purposes of the GST) be applied to all units in the Collier Park Village for the period July to September 2006 inclusive;
- (i) a Monthly Maintenance Fee of \$260.00 (treated as 'Input Taxed' for the purposes of the GST) be applied to all units in the Collier Park Village for the period from October 2006 to June 2007 inclusive;
- (j) the Statutory Annual Budget for the year ending 30 June 2007 comprising Sections 1 and 2 of the 2006/2007 Annual Budget as distributed with this Agenda and tabled at this meeting, be adopted;
- (k) the Management Account Summary Budget Schedules for the financial year ending 30 June 2007 as set out in Section 3 of the Annual Budget be endorsed;
- (l) the Capital Expenditure Budget for the financial year ending 30 June 2007 as set out in Section 4 of the Annual Budget be adopted;
- (m) the budgeted Carried Forward Capital Expenditure to 2006/2007 - as set out in Section 5 of the Annual Budget be approved (subject to final confirmation of unexpended balances after the City's final 2005/2006 financial accounts are completed);
- (n) the Reserve Fund transfers for the financial Year ending 30 June 2007 as set out in Section 6 of the Annual Budget be approved;
- (o) the Schedule of Fees and Charges as set out in Section 7 of the Annual Budget for the year ending 30 June 2007 be adopted;
- (p) an Incentive Scheme to encourage early payments of rates shall be operated under the following conditions:
 - (i) This competition is open to all ratepayers of the City of South Perth
 - (A) who pay in full all outstanding rate amounts by 23 August 2006,
 - (B) if a registered entitled pensioner claiming the government subsidy - pay any arrears and 50% of the current year's rates by 23 August 2006 (previously deferred amounts excluded); and
 - (ii) Ratepayers who comply with part (p)(i) will be automatically entered in the prize draw.

*** AN ABSOLUTE MAJORITY IS REQUIRED**

8. OTHER BUSINESS

9. CLOSURE