

## **Table of Contents**

1.	DECLARATION OF OPENING.....	4
2.	DISCLAIMER .....	4
3.	ANNOUNCEMENTS FROM THE PRESIDING MEMBER .....	4
3.1	Public Question Time .....	4
3.2	Audio Recording of Council meeting .....	4
4.	ATTENDANCE.....	5
4.1	Apologies .....	5
4.2	Approved Leave of Absence.....	5
5.	DECLARATION OF INTEREST .....	5
6.	PUBLIC QUESTION TIME ( <i>in relation to Item 7</i> ) .....	5
7.	REPORTS .....	5
7.1	Adoption of the 2012/2013 Annual Budget.....	5
7.2	UGP Service Charges.....	16
8.	CLOSURE .....	19
9.	RECORD OF VOTING .....	20





## **SPECIAL MEETING OF COUNCIL**

**Minutes of the Special Meeting of the City of South Perth Council  
Called for the Purpose of Adopting the 2012 / 2013 Budget  
Held in the Council Chamber, Sandgate Street, South Perth  
Tuesday 10 July 2012 commencing at 7.00pm**

**1. DECLARATION OF OPENING**

The Mayor opened the meeting at 7.00pm and welcomed everyone in attendance. She then acknowledged that we are meeting on the lands of the Noongar people and that we honour them as the traditional custodians of this land.

**2. DISCLAIMER**

The Mayor read aloud the City's Disclaimer.

**3. ANNOUNCEMENTS FROM THE PRESIDING MEMBER**

**3.1 Public Question Time**

The Mayor advised that 'Public Question Time' forms are available in the foyer. Questions in writing must relate to Item 7 of the Agenda.

**3.2 Audio Recording of Council meeting**

The Mayor requested that all mobile phones be turned off. She then reported that the meeting is being audio recorded in accordance with Council Policy P673 "Audio Recording of Council Meetings" and Clause 6.16 of the Standing Orders Local Law 2007 which states: *"A person is not to use any electronic, visual or vocal recording device or instrument to record the proceedings of the Council without the permission of the Presiding Member"* and stated that as Presiding Member she gave permission for the Administration to record proceedings of the Council meeting.

**4. ATTENDANCE**

Mayor Doherty (Chair)

Councillors:

G Cridland	Como Beach Ward
G W Gleeson	Como Beach Ward
S Hawkins-Zeeb	Manning Ward
C Cala	McDougall Ward
P Howat	McDougall Ward
R Grayden	Mill Point Ward
B Skinner	Mill Point Ward
K Trent, OAM, RFD	Moresby Ward

Officers:

Mr C Frewing	Chief Executive Officer
Mr M Taylor	Acting Director Infrastructure Services
Mr M Kent	Director Financial and Information Services
Ms V Lummer	Director Development and Community Services
Ms D Gray	Manager Financial Services
Mr P McQue	Manager Governance and Administration
Mrs K Russell	Minute Secretary

Gallery            There were 4 members of the public and 1 member of the press present

**4.1 Apologies**

Cr I Hasleby	Civic Ward
Cr C McMullen	Manning Ward

**4.2 Approved Leave of Absence**

Cr F Reid	Moresby Ward
-----------	--------------

**Application for Leave of Absence**

Cr V Lawrance	Civic Ward
---------------	------------

**5. DECLARATION OF INTEREST**

Nil

**6. PUBLIC QUESTION TIME (*in relation to Item 7*)**

**7. REPORTS**

<b>7.1 Adoption of the 2012/2013 Annual Budget</b>
--

Location:	City of South Perth
Applicant:	Council
File Ref:	FS/FI/1
Date:	6 July 2012
Author:	Michael J Kent, Director Financial & Information Services
Reporting Officer:	Cliff Frewing, Chief Executive Officer

**Summary**

This report presents the 2012/2013 Annual Budget, as circulated, 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 development of the budget has been persuasively influenced by the City's Strategic Plan, Corporate Plan and the financial parameters of its Long Term Financial Plan - as well as the prevailing economic climate.

The Budget document includes the Statutory Budget format with all relevant disclosures to discharge financial accountability to the community. In addition, it contains the 2012/2013 Schedule of Fees & Charges and the Summary Revenue and Expenditure Schedules relating to the Management Budget (which is the strategic overview of the City's finances).

A separate, more 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 responsibly and sustainably manage departmental finances on an operational level throughout the next year.

### **Comment**

From the generation of the initial strategic financial projections in December 2011 to the date of this meeting, the budget process has evolved through a number of structured stages that 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:

- Development of strategic long term financial projections.
- Verifying alignment with the 'themes' that underpin the development of the Strategic Plan Corporate Plan, Budget and the (draft) Long Term Financial Plan.
- Determining the overall financial parameters for the 2012/2013 budget.
- Conducting a critical review of both operating elements and major capital projects.
- Submitting and considering capital project proposals for 2012/2013 budget.
- Incorporating the outputs of community forums / engagement processes and Council Member workshops during the year into our forward financial planning.
- Reviewing the draft strategic financial projections to validate the sustainability of the proposed financial model.
- Reviewing the Fees & Charges Schedule for the upcoming year.
- Preparing a Suggested Budget for consideration by officers and validating its alignment with overall financial parameters and Corporate Plan.
- Determining the final capital projects list for inclusion in the 2012/2013 budget using the inputs from asset management models and previous Council determinations.
- Identifying the incomplete current year capital works to be carried forward to 2012/2013.
- Establishing the estimated Budget Opening Position.
- Modelling the Gross Rental Values (GRV) for all properties in the City.
- Preparing and reviewing the Draft Budget & Proposed Budget.
- Preparing the 2012/2013 Statutory Budget and supporting schedules (as presented) ready for adoption.

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, current economic climate and the budget itself was available to participants. This has resulted in an informed and shared understanding of the context for and construction of the Budget - as well as its relationship to the Strategic Plan, Corporate Plan and the Long Term Financial Plan.

By ensuring alignment with the City's strategic direction and its 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.

Discussion on some of the key elements of the 2012/2013 Annual Budget is provided below:

#### **Budget Overview**

The 2012/2013 Budget provides for Total Revenue of \$53.97M - including \$7.80M of Capital Revenue (primarily \$5.70M from the strategic disposal of surplus land). Total Expenditure is \$66.67M - comprising \$36.72M of cash Operating Expenditure (Management Account format) plus \$13.90M of Capital Expenditure. It also includes non-cash items (depreciation etc) of \$16.05M.

The budget allows for \$2.01M for loan capital repayments plus planned net transfers to cash backed Reserves of \$4.82M - including transfers of \$1.75M of interest revenue back to Reserves. The remainder reflects quarantining of land sale proceeds and funding for future building works, infrastructure projects, plant items and information technology.

Along with the estimated Opening Position and the anticipated change in Accrual Items (including collection of deferred UGP debtors), this model results in a balanced budget.

#### **Rates**

The proposed rates yield for 2012/2013 is \$26.80M at the initial rates strike - based on the GRVs for all rateable properties in the City. The GRVs supplied by the Valuer General's Office are used in determining our annual rates - which are calculated by multiplying those GRVs by the nominated 'Rate in the Dollar' determined by Council. A further allowance of \$0.1M is made for interim rates growth during the year.

The 2012/2013 proposed rates yield is achieved by applying a 'Rate in the Dollar' of 6.2350 cents to the property GRV (5.9325 cents in 2011/2012). This results in a 5.09% rates yield increase which sits very favourably when compared to the WALGA metropolitan indicative average of a 5.26% yield increase (as verified by peer surveys).

Interestingly, the actual rate in the dollar used by the City in 2012/2013 is one of the **lowest** in the last 12 years. That suggests that rates increases over the years have been due to increases in property valuations - not the Council determined rate in the dollar.

The Minimum Rate (determined to be the minimum equitable cost of servicing lots within the district) increases to \$785.00 in 2012/2013. Approximately 2,298 properties (11.8%) are expected to be minimum rated in 2012/2013. This is consistent with the proportion last year (11.9%) and is well below the threshold of 50% 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 \$264.65 which is a bigger concession than last year's \$257.45. Instalment payment options will attract a \$10.00 administration fee (per instalment) and pre-interest charges of 5.5%.

Penalty interest of 11% (as provided for by the Local Government Financial Management Regulations) will be applied to amounts outstanding beyond the due date. Benchmarking against our metropolitan local government peers provides convincing evidence that the City's rating strategy is achieving its objective of being rate competitive relative to its local government peers.

### **Rubbish Charges**

The cost of a standard domestic rubbish service will be increased from \$220.00 to \$230.00 for 2012/2013. The City's rubbish service charge continues to be set at very modest level given the escalations in the costs of landfill site entry fees and fuel as a consequence of the introduction of the carbon tax from 1 July. Both are key components of waste management costs. The majority of metropolitan local governments charge a rubbish service levy of between \$220.00 and \$320.00. All non rateable properties will incur a standard rubbish charge of \$315.00 per service and commercial services (1,100 litres) will incur a \$1,130.00 charge.

The rubbish service charge reflects the principles of full cost recovery. In the past, the City has also faced the challenge of building funds to support a future investment in an alternative waste treatment technology facility. However recent innovations in waste treatment technologies - and the likelihood that the City will become a paying customer at such a waste facility rather than an investor, mean that we no longer have to raise this component of the rubbish service levy. This results in a smaller increase in the rubbish service charge than would otherwise have been required as a result of the introduction of the carbon tax.

Resident ratepayers will continue to receive two green-waste and one general waste pass to the Transfer Station. This year these will form part of the Rates Notice rather than being separate passes. Two bulk kerbside rubbish collections funded by the City will again be provided to ratepayers this year.

### **Combined Rates and Charges Increase**

Overall, the combined increase in rates, rubbish charge and ESL for a typical (average) property in the City will be 4.45% or \$1.52 per week. Minimum rated properties will experience a combined increase of 4.51% or \$0.97 per week.

### **Emergency Services Levy (ESL)**

The State Government ESL charge will again appear on all local government rate notices in 2012/2013. This charge will be calculated based on the GRVs supplied to the City using a rate nominated by the Fire & Emergency Services Authority. The 2012/2013 rate has been determined to be 1.19 cents in the dollar. FESA has indicated that the levy will be capped at \$290.00 for vacant residential land and all other properties in 2012/2013. 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 & Emergency Services Authority (FESA). This has cash flow implications for the City in respect to people paying by instalments as the ESL must be treated as a 'priority creditor'. However, the effects of this have been mitigated as the City has signed an agreement to pay FESA in pre-determined quarterly amounts rather than paying monthly based on actual collections. This payment model has a less dramatic impact on the City's cash flow in the earlier part of the year.

### **Carbon Tax**

For the first time, the 2012/2013 Budget includes the anticipated impact of the new carbon tax. As our City does not operate a landfill site and is therefore below the threshold for a direct payer of the carbon tax, we avoid the most severe impact of the carbon tax; however, we will potentially be impacted by this new tax in the following areas:

- Waste management charges at other's landfill sites
- Electricity tariffs - particularly in relation to street lighting which represents a \$750,000 per year cost to the City
- Transport costs - which may have a flow on effect to material prices.

In formulating the budget, the City has factored in its most informed assessment of the likely impacts of the carbon tax. Over the next year, the impact of the carbon tax will become clearer to all. It will be closely monitored by the City and appropriate management intervention will occur through the budget review process if the carbon tax impacts vary significantly from our budget modeling estimates.

### **Employee Costs**

Employee salary and wage costs are \$17.22M for the year - including the expected impact of the City's EBA, award increases, statutory superannuation contributions and new approved positions.

Whilst this represents an increase over the previous year's level, it remains well within the acceptable industry benchmark levels for the Employee Costs / Rates Ratio. 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 228.9FTE (full time equivalent) positions made up of 189 full time employees and an additional 76 part time employees. This is compared to 227.4 FTE approved positions in the previous year.

The budget includes new (approved) staff positions totalling 1.5FTE. The new positions are a 0.5FTE Major Project Manager, 0.4 FTE Land & Property Officer and 0.3FTE Functions / Hospitality Officer. There have also been some minor amendments to roster levels in several other areas to ensure that desired service levels and customer responsiveness standards can be achieved.

### **Council Member Entitlements**

Entitlements for Council Members for 2012/2013 will remain at 100% of 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 & 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 increase by approximately CPI to \$51,500 and \$12,875 respectively (in accordance with the June 2011 Council meeting decision). All amounts proposed above are within the limits permitted by relevant legislation.

### **Other Expenditure attributed to Council Members**

In addition to funding allocations for Council Members for the relevant professional insurances, professional subscriptions, election expenses and training and conferences, there is an allocation that is made by applying activity based costing principles for corporate overheads to the Council Members area.

This allocation covers the costs associated with:

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



### **Loan Borrowings**

No new City loan borrowings will occur in 2012/2013. However, the budget reflects the City's intent to support self-supporting loan applications for the Manning Bowling Club and South Perth Bowling Club during the budget year.

The City's only role in relation to self-supporting loans for community / sporting groups is to act as a guarantor for the loan. There is no impost on ratepayers to service the loans - as all repayments of loan principal and interest are met by the beneficiary community / sporting groups.

All borrowings will be undertaken in accordance with Section 6.20 of the Local Govt Act and Council Policy P604 - Use of Debt as a Funding Option. Loans are undertaken at competitive rates from WA Treasury Corporation who have worked directly with senior Financial Services staff to determine the most advantageous funding arrangements.

Proposed loan borrowings for 2012/2013 are:

Loan 228	\$0.50M for Manning Bowling Club 15 Year term - all monthly repayments met from club funds.
Loan 229	\$0.50M for South Perth Bowling Club 15 Year term - all monthly repayments met from club funds

All borrowings are secured against the general revenue of the City - but neither of these new loans will involve any direct draw on City funds. Gross loan capital repayments on all loans (including self supporting loans to community groups) are disclosed in the Budget - but as noted above all self-supporting loans are reimbursed to the City by the beneficiary community organisations.

### **Fees and Charges Schedule**

The attached Fees & Charges Schedule reflects a responsible assessment of the costs of providing services to our community whilst recognising community service obligations. As appropriate, the fee schedule recognises fees determined on a variety of fee bases:

- Full cost recovery
- Benchmarked / reference pricing
- Statutory fees
- Partial recovery - based on community service obligations

Where fees are determined in accordance with statutory limits, the City's practice is that it will always adopt the maximum allowable fee at the time of adopting the Annual Budget and related Fees & Charges Schedule. In the event that the statutory fee is adjusted upwards after the budget is adopted, the City's practice will be to immediately advertise the increased fee structure and to implement the revised statutory fee basis as soon as the statutory fee advertising requirements have been completed.

The effective date for all fees contained within the 2012/2013 Schedule of Fees & Charges (within the 2012/2013 budget) will be 11 July 2012 - with the exception of parking fees which will have an operational date of 31 August 2012.

Should the City determine that it may be appropriate to further review paid parking arrangements (including changes to hours of operation) such changes shall only be implemented if (and after) Council resolves to proceed with the new parking management initiatives at an ordinary Council meeting.

### **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 have been reflected in effective containment of the operating loss for Collier Park Village over the last few years. The Budget currently anticipates that the operating result for 2012/2013 will be an estimated operating loss of \$213,224 compared to an operating loss two years ago of \$231,174. However, this result will be dependent on the impact of the carbon tax and costs for utilities. These will be critically reviewed mid-year as the impact of revised government charges becomes clearer.

Following discussion with a representative of the Collier Park Residents Committee in June, it is recommended that the Monthly Maintenance Fee for the Collier Park Village remain at \$310.00 per month for the July to September 2012 period (inclusive) - before increasing to the figure of \$325.00 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 to implement the alternative payment method that allows the residents to pay a lesser amount in cash each month - and have the remaining \$100.00 per month (previously \$80.00) 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 continues to be financially sustainable and will not compromise the Collier Park Village Reserve in the long term.

The budget also includes an operating subsidy of approximately \$133,214 to the Collier Park Hostel in 2012/2013 (\$109,492 projected for previous year). This would be met from the accumulated balance of the Collier Park Hostel Capital Reserve. This amount does not include capital costs and refurbishments that will also have to be funded from the accumulated balance of the Collier Park Hostel Capital Reserve.

The budget has been developed on the assumption of the status quo prevailing in relation to the operations of the Hostel - although it is possible that the consequential impacts of a future 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 \$4.83M in net terms over the year - after reinvesting some \$1.75M worth of interest revenue back to the cash backed reserves. The increase in the Reserves balance represents a planned accumulation of cash backed reserves from strategic land sales and funding for future building projects, infrastructure, plant & equipment and technology to avoid the dramatic fluctuations in rates that would otherwise occur in the individual years that those projects occurred. Some previously accumulated cash reserves will also be drawn down during the year as part of a prudent and sustainable financial management approach - resulting in a strengthening of the City's overall financial position.

The planned movement in cash backed reserves is independent of the transfer to the Asset Enhancement Reserve to be carried forward from the 2011/2012 year. That transfer will take place after the 2011/2012 land sale program is completed and all proceeds received.

Cash backed reserves are expected to have a balance of \$38.10M at 30 June 2013 - including those quarantined for the purposes of the Collier Park Retirement Complex, Golf Course and Waste Management. Quarantined Reserves make up 72% (\$27.31M) worth of this amount and the remaining 28% (\$10.79M) relates to Discretionary City Reserve Funds.

### Capital Program

A Capital Expenditure program of some \$13.90M is proposed for 2012/2013 - including \$1.65M for the first tranche of funding associated with the Manning Community Facility project - although the majority of this project is funded in the subsequent year.

Incomplete capital works (and related funding) with an estimated value of approximately \$2.48M will be carried forward for inclusion in the 2012/2013 Budget. Details of projects making up the 2012/2013 capital program (and the likely carry forward works) are contained in **Attachment 7.1** to this report. The final balances of these carried forward items will be validated after the close off of the 2011/2012 accounts.

Items carried forward from 2011/2012 also include external funding associated with the Judd St Landscaping project, anticipated sale proceeds from the disposal of the Ray St land - and the related transfer of land sale proceeds to the Asset Enhancement Reserve.

### Statutory Budget

The Statutory Budget is prepared in accordance with all relevant professional accounting pronouncements. It follows a similar format to the 2011/2012 budget and contains a number of specified schedules including:

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

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

1. A Statement of Comprehensive Income prepared in accordance with the relevant accounting standards. This statement summarises revenues and recurrent expenditures - classified according to specified local government programs and also discloses them by nature and type.
2. A Rate Setting Statement which consolidates all elements of the budget into the following categories:

#### • Funding

All sources except Land Sales, Capital Grants & Rates	\$ 19.81M
Strategic Land Asset Sales	\$ 5.70M
Grants for the Acquisition of Assets	\$ 1.58M
Loan Borrowings - City	\$ 0.00M
Transfers from Cash Backed Reserves	\$ 7.85M
Opening Funds	\$ 1.73M
Accrual Funding Movements	\$ 1.00M
Closing Funds	\$ (0.20M)
<b>Total Funding excluding Rates</b>	<b>\$ 37.47M</b>

• **Expenditure**

Operating Expenditure	\$ 56.11M
Less Non-Cash Items	\$ (16.05M)
Capital Expenditure (classified as per statutory principles)	\$ 10.33M
Transfers to Cash Backed Reserves	\$ 12.67M
Less Net Transfers to CPV / CPH Refundable Reserves	\$ (0.70M)
Loan Principal Repayments	\$ 2.01M
<b>Total Expenditure</b>	<b>\$ 64.37M</b>

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 (\$26.90M) to produce a balanced budget in the 2012/2013 year. The Rate Setting Statement demonstrates the full impact of the Budget to the community.

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 during the year.
4. A Schedule of Fees & 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 to the Community Visioning Process, previous Strategic Financial Plans, Council Member and community feedback received by the City through various forums and consultation exercises throughout the year and, in particular, the prevailing economic climate.

**Policy and Legislative Implications**

The development of the Annual Budget has been conducted in accordance with the City's *Policy P601- Long Term Financial Plan & 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 2012/2013 Budget are as disclosed in **Attachment 7.1** of this report.

**Strategic Implications**

This report deals with matters of sustainable financial management which directly relate to the key result area of Governance identified in the City's Strategic Plan - *'To ensure that the City's governance enables it to respond to the community's vision and deliver on its promises in a sustainable manner'*.

**Sustainability Implications**

This report embraces all three dimensions of sustainability - although its primary emphasis is on prudent and responsible financial management that addresses the financial aspect of sustainability. It promotes accountability for resource use through a critical evaluation of proposed funding options and expenditures. Furthermore, through the City exercising

disciplined financial management practices and responsible forward financial planning, we can ensure that the consequences of our financial decisions are sustainable into the future

<b>OFFICER RECOMMENDATION AND COUNCIL DECISION ITEM 7.1</b>
---

Moved Cr Gleeson, Sec Cr Trent

That...

- (a) a General Rate in the Dollar of **6.2350** cents be applied to the GRV of all rateable property within the City for the year ending 30 June 2013;
- (b) a Minimum Rate of **\$785.00** be set for the year ending 30 June 2013 notwithstanding the General Rate set out in part (a) above;
- (c) that the following rubbish service charges be applied for the year ending 30 June 2013
  - (i) a standard Rubbish Service Charge of **\$230.00** be levied;
  - (ii) a non-rateable property Rubbish Service Charge of **\$315.00** be levied;
  - (iii) a commercial (1,100 ltr Bin) Rubbish Service Charge of **\$1,130.00** be levied;
- (d) a Swimming Pool Inspection Fee of **\$26.50** be levied for the year ending 30 June 2013
- (e) the following dates be set for payment of rates by instalments:

First instalment	<b>22 August 2012</b>
Second instalment	<b>07 November 2012</b>
Third instalment	<b>09 January 2013</b>
Fourth instalment	<b>06 March 2013</b>
- (f) an administration charge of **\$10.00** 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 1995 & Regulation 67 of the Local Government (Financial Management) Regulations;
- (g) 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;
- (h) 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;
- (i) an interest rate of **10%** be imposed on unpaid UGP Service Charges in accordance with Section 6.51(1) of the Local Government Act 1995 and Regulation 70 of the Local Government (Financial Management) Regulations;
- (j) an interest rate of **11%** be imposed on outstanding debtors in accordance with Section 6.13(1) of the Local Government Act 1995.
- (k) a Monthly Maintenance Fee of **\$310.00** (treated as 'Input Taxed' for the purposes of the GST) be applied to all units in the Collier Park Village for the period July 2012 to September 2012 inclusive;

- (l) a Monthly Maintenance Fee of **\$325.00** (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 2012 to June 2013 inclusive;
- (m) the Mayoral Allowance for the year ending 30 June 2013 be set at \$51,500 - plus any reimbursement for private vehicle use in accordance with Policy M649;
- (n) the Deputy Mayoral Allowance for the year ending 30 June 2013 be set at \$12,875;
- (o) Council Members meeting attendance fees, technology allowances and communication allowances be set at the amounts prescribed by legislation.
- (p) the Statutory Annual Budget for the year ending 30 June 2013 comprising Sections 1 & 2 of the 2012/2013 Annual Budget as distributed with this Agenda and tabled at this meeting, be adopted;
- (q) the Management Account Summary Budget Schedules for the financial year ending 30 June 2013 as set out in Section 3 of the Annual Budget be endorsed;
- (r) the Capital Expenditure Budget for the financial year ending 30 June 2013 as set out in Section 4 of the Annual Budget be adopted;
- (s) the budgeted Carried Forward Capital Expenditure to 2012/2013 - as set out in Section 5 of the Annual Budget be approved (subject to final confirmation of unexpended balances after the City's final 2011/2012 financial accounts are completed);
- (t) the Reserve Fund transfers for the financial Year ending 30 June 2013 as set out in Section 6 of the Annual Budget be approved;
- (u) the Schedule of Fees and Charges as set out in Section 7 of the Annual Budget for the year ending 30 June 2013 be adopted;
- (v) the effective date for all items detailed in the 2012/2013 Schedule of Fees & Charges is 11 July 2012 (immediately after budget adoption day) with the exception of the revised Parking Fees contained in the schedule which will have an effective date of 31 August 2012;
- (w) 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 **22 August 2012**,
    - (B) if the ratepayer is a registered entitled pensioner claiming the government subsidy, pay any arrears and 50% of the current year's rates by **22 August 2012** (previously deferred amounts excluded);
  - (ii) ratepayers who comply with part (w)(i) will be automatically entered in the prize draw.

CARRIED (9/0)  
And By Required Absolute Majority

<b>7.2 UGP Service Charges</b>
--------------------------------

Location:	City of South Perth
Applicant:	Council
File Ref:	FM/301
Date:	6 July 2012
Author:	Michael J Kent, Director Financial and Information Services
Reporting Officer:	Cliff Frewing, Chief Executive Officer

### **Summary**

The City has recently been advised of a Department of Local Government interpretation of the legislation relating to the timing of adopting levies for underground power (UGP) service charges. Whilst the capacity to levy UGP service charges remains in place and the funding models used by the City remain valid, there is some question as to the timing of when a local government can and should adopt a fee schedule for underground power (UGP) service charges. This report identifies the potential implications of this legislative interpretation for this and other local governments and suggests a proactive course of action to ensure full compliance with this legislative regime, notwithstanding that after taking such actions, all affected parties are reinstated to exactly the same positions that existed before such 'remedial' action was taken.

### **Background**

Council adopted its 2011/2012 Budget on 12 July 2011 in accordance with all relevant legislative requirements. Contained within the statutory budget adopted by Council was a budget disclosure (Note 14) relating to UGP Service Charges. This statutory budget note stated the City's intention to levy UGP service charges against properties in the affected areas, the indicative revenues and expenditures associated with the project and payment terms (installment plans etc). The budget note did not include a detailed schedule of the charges applicable to each property type and concession because it was not possible to produce such a detailed financial model without the benefit of a formal project costing from Western Power who was responsible for delivering the project.

This costing information was subsequently confirmed some time after the adoption of the budget and a detailed three page schedule of charges for the various property types and concessions was developed to reflect the project cost.

At its 27 September meeting, Council adopted the detailed schedule of UGP service charges by the required absolute majority and in compliance with all known legislative requirements (Agenda Item 10.2.2). This was some 3.5 months after the date of the budget adoption. The formal agreement between the City and the Office of Energy to undertake the project was signed off by all parties on 2 December 2011.

The Department of Local Government has now issued an interpretation of the *Local Government Act* that suggests that service charges (including UGP service charges) should only be adopted under section 6.32 of the Act '*At the time of adopting the budget document*'. That is, at the Budget meeting and not on any other day even though the service charge adoption process may be fully compliant in every other way.

**Comment**

The awarding of co-funding for UGP projects by state government is a process which is dependent on the availability of state government funds. As such, successful projects may be announced at any time during the year. Development of costings for preferred projects for individual local governments is dependent on Western Power and their approved contractors. Financial modelling of the impact on affected property owners by local governments is heavily dependent upon the preceding two steps - and is typically unlikely to align with a local government budgeting cycle.

Responsible business practice suggests that local governments should adopt their service charge schedules only once the project costs were known with some certainty. Typically this event does not fall into line with the timing of the adoption of a local government budget as demonstrated in the case of the COSP Stage 5 UGP project in the narrative in the Background section of this report.

The Department of Local Government's view that service charges for UGP should be adopted by Council 'at the time of adopting an annual budget' fails to acknowledge the impracticalities of such a requirement - given that the budget adoption and the awarding of state government co-funded UGP projects are highly unlikely to align. However, the Department has obtained a legal opinion that supports this viewpoint - despite its inherent impracticality.

Notwithstanding that Council's adoption of its budget and its schedule of UGP service charges were both undertaken in accordance with statutory obligations relating to the process of adoption, they did not occur simultaneously 'on budget adoption date' (for the reasons previously noted).

The City has since sought advice on this matter from both the Department of Local Government and McLeod's Barristers & Solicitors and after carefully considering this advice, it is considered prudent to undertake the following process to ensure 100% compliance with the Department's interpretation of the legislation surrounding the timing of these actions:

- Obtain Council approval to undertake proceedings to refer to the State Administrative Tribunal (SAT) under Section 6.82 of the *Local Government Act*, the question of whether the service charge was validly imposed and on the basis that it is found not to be so, the service charge be 'quashed'.
- Apply to SAT for the Section 6.82 action to take place.
- Following the completion of the proceedings in SAT, and in the event that the existing service charge is 'quashed' by the SAT, immediately reinstate exactly the same schedule of UGP service charges under section 6.32(3) of the act - by Council adopting the existing schedule of charges again.

Ironically, following a Section 6.82 application being successful, the City can adopt UGP Service Charges on any day of the year and not just 'at budget adoption date'.

At the conclusion of this process, all parties are reinstated to exactly the same position they were in prior to the commencement of the remedial action, other than that the City now achieves letter of the law compliance with the Department of Local Government's interpretation of the legislation.

- Property owners in the affected area have the same charges applicable to their property.
- Those who have already paid in full continue to have a zero outstanding balance.
- Those who have part paid by instalments have exactly the same balances remaining to be paid.



- The project works (including street pole removal and other streetscape improvements) within the project area continue to be progressed by the nominated contractors. Western Power continues its work to complete the project and upgrade its infrastructure.
- The City's \$4.6M worth of cash payments to Western Power have already been paid in full (and that status remains).

The City has taken the pre-emptive action of already including both the full schedule of UGP service charges and the related interest on outstanding balances in its 2012/2013 Budget (Note 14 of the Statutory Budget and page 7.25 of the Fees & Charges Schedule). Council could also separately re-adopt the schedule of UGP Service Charges separately after the SAT process should that direction emerge from their determination of the Section 6.82 application.

### **Consultation**

City officers have consulted with the Department of Local Government and McLeod's Barristers and Solicitors in relation to this matter. In discussion with officers of the Department of Local Government it has been acknowledged that the current legislative regime is impractical in relation to the timing of adopting UGP service charges only on the 'date of budget adoption'. It has been suggested that there is good grounds for considering a legislative amendment to address the matters raised in the first paragraph of the Comment section of this report in relation to the impracticality of adopting UGP service charges only on budget date. City officers intend to continue lobbying the Department of Local Government for the timely progression of such an amendment.

### **Policy and Legislative Implications**

The primary legislative implications of this matter centre on the Department of Local Government's interpretation of the legislation pertaining to the timing of adopting UGP service charges '*at the time of adopting the budget*'. The salient points in relation to the implications of this interpretation are discussed in previous sections of the report. The suggested Section 6.82 (Local Government Act) application is the best and most expedient remedial action to remove any question about the validity of the adoption of the charge.

### **Financial Implications**

In the event that the Section 6.82 application to SAT is progressed in an expeditious manner and on the assumption that all parties are immediately reinstated to exactly the same position as existed immediately prior to the quashing of the charge, there are no financial implications to this action. However, in the event of an unforeseen challenge to monies already collected or a variation by Council to the existing schedule of charges financial implications, potentially of a very significant nature may arise.

The City has necessarily incurred some legal expenses in relation to this matter and those costs will be identified and the costs attributed to the UGP project - and reimbursed from project funds.

### **Strategic Implications**

This report deals with matters of sustainable financial management which directly relate to the key result area of Governance identified in the City's Strategic Plan - '*To ensure that the City's governance enables it to respond to the community's vision and deliver on its promises in a sustainable manner*'.

### **Sustainability Implications**

There are no direct sustainability implications in relation to this report as it relates only to a procedural matter.

**OFFICER RECOMMENDATION AND  
COUNCIL DECISION ITEM 7.2**

Moved Cr Skinner, Sec Cr Trent

It being the intention of the Council to remove any potential question of the validity of the UGP service charge imposed in September 2011, the Council resolves that...

- (a) the City undertakes proceedings to refer to the State Administrative Tribunal (SAT) under section 6.82 of the *Local Government Act*, the question of whether the service charge was validly imposed and on the basis that it is found not to be so, the service charge be quashed; and
- (b) the Chief Executive be authorised to take such steps as are necessary to commence and conclude the proceedings in the SAT as soon as possible.

CARRIED (9/0)

**STATEMENT BY CEO COMMENDING BUDGET**

The CEO stated that he wished to place on public record his appreciation to the Director Financial and Information Services and his Team on the preparation of the 2012/2013 Budget which he acknowledged was a long and arduous process.

**COUNCIL DECISION – COMMENDING BUDGET**

Moved Cr Trent, Sec Cr Hawkins-Zeeb

That on behalf of the Council the Director Financial and Information Services and his Team be commended on their work in the preparation of the 2012/2013 Budget.

CARRIED (9/0)

**8. CLOSURE**

The Mayor thanked everyone for their attendance and closed the meeting at 7.25pm

**DISCLAIMER**

The minutes of meetings of the Council of the City of South Perth include a dot point summary of comments made by and attributed to individuals during discussion or debate on some items considered by the Council.

The City advises that comments recorded represent the views of the person making them and should not in any way be interpreted as representing the views of Council. The minutes are a confirmation as to the nature of comments made and provide no endorsement of such comments. Most importantly, the comments included as dot points are not purported to be a complete record of all comments made during the course of debate. Persons relying on the minutes are expressly advised that the summary of comments provided in those minutes do not reflect and should not be taken to reflect the view of the Council. The City makes no warranty as to the veracity or accuracy of the individual opinions expressed and recorded therein.

**These Minutes were confirmed at a meeting on 24 July 2012**

**Signed**

**Chairperson at the Meeting at which the Minutes were confirmed**

**9. RECORD OF VOTING**

10/07/2012 7:08:54 PM

**Item 7.1 Motion Passed 9/0**

Yes: Mayor Sue Doherty, Cr Glenn Cridland, Cr Bill Gleeson, Cr Sharron Hawkins Zeeb, Cr Kevin Trent, Cr Betty Skinner, Cr Rob Grayden, Cr Peter Howat, Cr Colin Cala

No: Absent: Cr Veronica Lawrance, Cr Ian Hasleby, Cr Chris McMullen, Cr Fiona Reid, Casting Vote

-----  
10/07/2012 7:16:18 PM

**Item 7.2 Motion Passed 9/0**

Yes: Mayor Sue Doherty, Cr Glenn Cridland, Cr Bill Gleeson, Cr Sharron Hawkins Zeeb, Cr Kevin Trent, Cr Betty Skinner, Cr Rob Grayden, Cr Peter Howat, Cr Colin Cala

No: Absent: Cr Veronica Lawrance, Cr Ian Hasleby, Cr Chris McMullen, Cr Fiona Reid, Casting Vote

-----  
10/07/2012 7:17:19 PM

**Commendation Motion Passed 9/0**

Yes: Mayor Sue Doherty, Cr Glenn Cridland, Cr Bill Gleeson, Cr Sharron Hawkins Zeeb, Cr Kevin Trent, Cr Betty Skinner, Cr Rob Grayden, Cr Peter Howat, Cr Colin Cala

No: Absent: Cr Veronica Lawrance, Cr Ian Hasleby, Cr Chris McMullen, Cr Fiona Reid, Casting Vote