

# REPORT UNDER SEPARATE COVER

## **Special Meeting of Council Report Under Separate Cover**

### ***Item 7.6.2 'Adoption of 2015/16 Budget'***

13 July 2015

## 7.6.2 Adoption of the 2015/2016 Annual Budget

Location:	City of South Perth
Applicant:	Council
File Ref:	
Date:	10 July 2015
Author / Reporting Officer:	Michael J Kent, Director Financial and Information Services
Strategic Direction:	Governance, Advocacy and Corporate Management Ensure that the City has the organisational capacity, advocacy and governance frameworks and systems to deliver the priorities identified in the Strategic Community Plan.
Council Strategy:	6.2 Develop and maintain a robust Integrated Planning & Reporting Framework comprising a 10 year Long Term Financial Plan, 4 year Corporate Business Plan, Workforce Plan and Asset Management Plan

### Summary

This report presents the 2015/2016 Annual Budget, as circulated, for adoption by Council.

### Officer Recommendation

That...

- (a) a General Rate in the Dollar of 6.3098 cents is applied to the GRV of all rateable property within the City for the year ending 30 June 2016;
- (b) a Minimum Rate of \$910.00 be set for the year ending 30 June 2016 notwithstanding the General Rate set out in part (a) above;
- (c) the following rubbish service charges be applied for the year ending 30 June 2016:
  - (i) a standard Rubbish Service Charge of \$262.00;
  - (ii) a non-rateable property Rubbish Service Charge of \$360.00;
  - (ii) a standard 1,100 litre bin Rubbish Service Charge of \$1,310.00;
  - (iv) a non-rateable property 1,100 litre bin Rubbish Service Charge of \$1,800.00;
- (d) a Swimming Pool Inspection Fee of \$26.50 be levied for the year ending 30 June 2016;
- (e) the following dates be set for payment of rates by instalments:

First instalment	26 August 2015
Second instalment	11 November 2015
Third instalment	13 January 2016
Fourth instalment	16 March 2016
- (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% is 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 \$365.00 (treated as 'Input Taxed' for the purposes of the GST) is applied to all units in the Collier Park Village for the period July 2015 to September 2015 inclusive;
- (l) a Monthly Maintenance Fee of \$380.00 (treated as 'Input Taxed' for the purposes of the GST) is applied to all units in the Collier Park Village for the period from October 2015 to June 2016 inclusive;
- (m) the Statutory Annual Budget for the year ending 30 June 2016 comprising Sections 1 & 2 of the 2015/2016 Annual Budget as distributed with this Agenda and tabled at this meeting, be adopted;
- (n) the Management Account Summary Budget Schedules for the financial year ending 30 June 2016 as set out in Section 3 of the Annual Budget be endorsed;
- (o) the Capital Expenditure Budget for the financial year ending 30 June 2016 as set out in Section 4 of the Annual Budget is adopted;
- (p) the budgeted Carried Forward Capital Expenditure to 2015/2016 - as set out in Section 5 of the Annual Budget be approved (subject to final confirmation of unexpended balances after the City's final 2014/2015 financial accounts are completed);
- (q) the Reserve Fund transfers for the financial Year ending 30 June 2016 as set out in Section 6 of the Annual Budget be approved;
- (r) the Schedule of Fees and Charges as set out in the Fees & Charges Schedule accompanying the Annual Budget for the year ending 30 June 2016 be adopted;
- (s) the effective date for all items detailed in the 2015/2016 Schedule of Fees & Charges is 14 July 2015 (immediately after budget adoption date).

\*An Absolute Majority is Required

### **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 (**Attachment 7.6.2 (a)**) includes the Statutory Budget format with all relevant disclosures to discharge financial accountability to the community. It also contains the Summary Revenue and Expenditure Schedules relating to the Management Budget (which is the strategic overview of the City's finances). In addition, it is accompanied by the 2015/2016 Schedule of Fees & Charges (**Attachment 7.6.2 (b)**).

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 2014 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 Business Plan, Budget and the Long Term Financial Plan.
- Determining the overall financial parameters for the 2015/2016 budget.
- Conducting a critical review of both operating elements and major capital projects.
- Submitting and considering capital project proposals for 2015/2016 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 the Long Term Financial Plan and Corporate Business Plan.
- Determining the final capital projects list for inclusion in the 2015/2016 budget using the inputs from asset management models and previous Council determinations.
- Identifying the incomplete current year capital works to be carried forward into 2015/2016.
- 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 2015/2016 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 Community Plan, Corporate Business 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 2015/2016 Annual Budget is provided below:

## **Budget Overview**

The 2015/2016 Budget provides for Total Revenue of \$61.56M - including \$5.58M of Capital Revenue (\$5.23M from the strategic disposal of surplus land parcels). Total Expenditure is \$85.75M - comprising \$43.63M of Cash Operating Expenditure plus

\$31.68M of Capital Expenditure. It also includes non-cash items (depreciation & asset carrying amounts) of \$10.44M.

The budget allocates \$1.28M for loan capital repayments plus planned net transfers from cash backed Reserves of \$6.39M after allowing for transfers of \$1.78M of interest revenue back to Reserves. The remaining transfers reflect the net impact of quarantining land disposal proceeds as well as providing funding from Reserves for major building works, infrastructure projects and information technology.

Along with the estimated Opening Position and the anticipated change in Accrual Items (including collection of debtors), this financial model results in a budget that delivers a surplus that meets benchmarks for relevant financial ratios and provides a solid foundation for the City's future financial sustainability.

### **Rates**

The proposed rates yield for 2015/2016 is \$32.68M at the initial rates strike - based on the GRVs for all rateable properties in the City. A further allowance of \$0.10M is made for interim rates growth during the year.

Properties in the City are rated based on the Gross Rental Value (GRV) of the property. GRV is an independent determination of the likely annual return on a property after deduction of rates and land taxes. For example a property assessed as having a GRV of \$26,000 would reflect the assessed rental return after rates and taxes being \$500 per week.

The WA Valuer General's Office provided a new GRV for every property in the City as at 1 July 2014 and does so on a three yearly cycle. The City is obliged to use these values to establish the 2015/2016 rates - which are determined by applying a nominated rate in the dollar to the GRV of each property to set the rates to be levied against each property.

The City has established a 'Rate in the Dollar' for 2015/2016 of 6.3098 cents per dollar of assessed Gross Rental Value. It was 6.0700 cents in 2014/2015 and the new rate represents an increase of 3.95%. This rate in the dollar will apply to the Gross Rental Valuations (GRV) as supplied by the Valuer General's Office for each property in the City.

It is important to note, the rate in the dollar of 6.3098 cents is the fifth lowest to be levied by the City at any time since 1997 - providing convincing evidence that increases in rates over the last 18 years have been driven largely by increases in property valuations (and GRVs) rather than as a result of Council decisions on rates. The change in the rate in the dollar charged by the City over the years and the recent downwards movements in that rate in the dollar is demonstrated in the Budget newsletter which accompanies the annual rates notice.

The impact of the increase in all Council charges (rates and rubbish charges) for an 'average property' in the city (having a GRV of \$25,910) compared to 2014/2015 is 4.51%. However, when the impact of the 10.8% increase in state government Emergency Services Levy (ESL) is added in, that increase in all charges becomes 5.41% or \$2.16 per week. The combined increase for minimum rated properties is 4.80% or \$1.17 per week.

The Minimum Rate (determined to be the minimum equitable cost of servicing lots within the district) increases to \$910.00 in 2015/2016. Approximately 2,281

properties (11.2%) are expected to be minimum rated this year. This is consistent with the proportion last year and is well below the threshold of 50% allowable under the Local Government Act.

Older Australians will continue to enjoy the benefits of the Rates Rebates and Deferrals scheme which entitles them to specific concessions on their local government rates.

All current Pensioner and Senior concessions will apply. Eligible Pensioners will benefit from a rebate of up to 50% on their rates. Seniors entitlements are capped at \$284.71 which is a bigger concession than last year's \$276.42. 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 standard domestic rubbish service charge increases from \$252.00 to \$262.00 which is still one of the lowest of all metropolitan local governments. The charge reflects a full cost recovery for this service which includes weekly rubbish pick-up, fortnightly recycling collection and two verge-side rubbish collections per year.

1,100 litre rubbish services for rateable commercial properties are \$1,310.00. Non rateable properties will pay \$360.00 per standard rubbish service and \$1,800.00 for 1,100 litre bin services.

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

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

The State Government ESL charge will again appear on all local government rate notices in 2015/2016. This charge will be calculated based on the GRVs supplied to the City using a rate nominated by the Fire & Emergency Services Authority.

The ESL rate has been determined to be 1.230 cents in the dollar (a 10.8% increase on the previous year). FESA has indicated that the levy will be capped at \$360.00 for all other properties in 2015/2016. 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.

## Employee Information

Aggregate salary and wage information is provided for all approved staff positions in the 2015/2016 Budget. The Annual Budget includes 219.9 FTE approved positions (214.9 FTE in 2014/2015). The staff FTE headcount has ranged between 210 and 230 in the period between 2005/2006 and 2015/2016.

Staffing levels proposed in the budget reflect an appropriate mix of resources across the organisation to match our capacity with service expectations.

Overall, the total payroll budget has increased by 4.81% on a like for like basis compared to the previous year (including the compulsory 0.5% increase in the Superannuation Guarantee Levy and EBA increases and other relevant loadings and award increases).

Including new positions proposed in the budget, the total increase moves up to 7.28%. Discussion on the staff number changes follows below.

The 2015/2016 staffing establishment and payroll budget is disclosed by directorate as presented in the table below.

Directorate	FTE Headcount	Total \$
Chief Executive's Office	25.7	2,711,268
Financial & Information Services	47.2	4,337,099
Development & Community Services	47.5	4,264,733
Infrastructure Services	99.5	7,786,664
<b>Total</b>	<b>219.9</b>	<b>\$19,099,764</b>

## New positions

During the previous two years, the City had adopted a cautious approach towards addressing its staffing needs, remaining conscious that despite the increasing demands for expansion of services from our community, impending local government reform required a restrained approach towards staffing increases. With reform now off the agenda, the City has now taken the opportunity to respond to service demands by re-assessing its staffing complement.

The following changes in the approved FTE staff positions are proposed for 2015/2016 - resulting in a net increase of 5.0 FTE:

### ***Parking Officer (1.0 FTE Headcount)***

This role will address known inabilities to address existing breaches of the City's parking strategy. It is expected to be entirely self-funded by additional revenue generated.

### ***Animal Care Facility Officer (0.4 FTE Headcount)***

This position is matched by a 0.4 FTE from the Town of Victoria Park and provides the opportunity for the animal care facility to provide a fee generating cat boarding facility.

### ***Catering Officer (0.8 FTE)***

This position is proposed as an alternative to the service that is currently provided by an external resource at a higher cost.

**Senior Business Systems Analyst (1.0 FTE Headcount)**

This position is created in recognition of the ever-increasing reliance from within our organisation and the community for expansion of our Digital service delivery options.

**Customer Focus Team (0.5 FTE Headcount)**

To provide the capacity to deliver the high level of customer responsiveness that is expected by our community, the staffing complement in this area is to be increased by 0.5 FTE.

**Senior Planning Officer (1.0 FTE Headcount)**

Recognising the additional workload associated with the increasing number of JDAP and SAT planning matters, the City intends providing an additional resource to address such matters.

**Environmental Health Officer (0.6 FTE Headcount)**

The addition to the headcount in this area is expected to reduce the current overtime requirement as well as provide capacity to address the additional responsibilities that the City will incur under the new Health Act.

**Public Art Officer (0.6 FTE Headcount)**

This role will be responsible for administering the public art projects that will arise from the developer contributions levied under the Percent for Art policy.

**Building Surveyor Officer (1.0 FTE Headcount Removed)**

This position has previously been in the budget but is now removed to recognise responsibilities being addressed by external resources.

Employee salary and wage costs include the expected impact of the City's EBA, award increases, statutory superannuation contributions and proposed new positions.

The current year cost ratio remains 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 funded and supported by cash-backed investments.

**Council Member Entitlements**

Entitlements for Council Members for 2015/2016 are adjusted in accordance with the Salaries & Allowances Tribunal determination. The most recent determination in June 2015 recommended no change to the current allowance for Meeting Fees of a maximum of \$22,000 per Council Member and \$29,500 for the Mayor for Councils classified within the SAT Band 2 classification. Council Member Entitlements will also include (for all members), the permitted Communications & Technology allowance of \$3,500 to assist members in effectively communicating with their electorate.

The Salaries & Allowances determination also allows for a Local Government Mayoral Allowance of a maximum of \$60,000 and a Deputy Mayoral Allowance of 25% of the mayoral amount. The budget makes a prudent allocation for the fees.

**Other Expenditure attributed to Council Members**

In addition to funding allocations for Council Members for the relevant professional insurances, professional subscriptions and training / conferences, an allocation 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**

The City uses loan borrowings as part of a responsible and sustainable funding strategy. Loan borrowings are undertaken in accordance with Council Policy P604 - Use of Debt as a Funding Source and Section 6.20 of the Local Government Act. Borrowings are sourced through WA Treasury Corporation and are taken as fixed rate loans on terms that match the life of the associated asset. All loan borrowings are secured against the general revenue of the City.

The City has undertaken three tranches of fixed rate borrowings in previous years as part of its own strategic funding model. As the older debt is maturing, new municipal borrowings can be considered where appropriate, as our debt servicing ratios are still well within the limits of both debt covenant levels and industry benchmarks. Borrowings may be considered to address the effects of inter-generational equity in relation to large community facilities where the capital expenditure occurs within a single year but the community benefit from those facilities extends for several decades.

The City plans to undertake borrowings of some \$5.0M in this year as part of the funding package for the Manning Community Facility to address this very issue. The borrowings reflect 27% of the total funding mix for this project.

In some circumstances the City acts as a guarantor for community sporting groups or associations for Self Supporting Loans. Repayments of principal and interest for Self Supporting Loans are all fully reimbursed by the beneficiary community group / association. There is no impost on the City's ratepayers for servicing these loans. Currently the City has six self-supporting loans to community sporting groups or associations.

Details of all loans (existing and proposed for 2015/2016) are contained at Note 10 of the Statutory Budget.

All borrowings will be undertaken in accordance with Section 6.20 of the Local Government 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.

### **Fees & 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 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 City has received an Australian Taxation Office Private Ruling of the GST status of all fees contained in the Fees & Charges schedule on 9 July 2015.

The effective date for all fees contained within the 2015/2016 Schedule of Fees & Charges (provided as a separate attachment for the 2015/2016 budget) will be 14 July 2015 (immediately following the Budget Adoption 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 2015/2016 will be an estimated operating loss of \$366,764 (2014/2015 was \$402,957). However, this forecast result will be dependent on the effective management of maintenance costs, grounds maintenance and costs for utilities.

Following discussion with a representative of the Collier Park Residents Committee about managing the expanding operational deficit, agreement was reached that the Monthly Maintenance Fee for the Collier Park Village remain at \$365.00 per month for the July to September 2015 period (inclusive) - before increasing to the figure of \$380.00 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 amount deducted each month from the refundable monies held on their behalf by the City in the Collier Park Village Residents Loan Offset Reserve.

This year, there will be 3 different pricing arrangements available to CPV residents:

- Payment in cash in full of \$380 per month.
- Payment in cash of \$280 per month and have the remaining \$100 deducted from Refundable Monies held in the CPV Residents Offset Reserve.
- Payment in cash of \$230 per month and have the remaining \$150 deducted from Refundable Monies held in the CPV Residents 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. However, more importantly it offers CPV residents the flexibility to manage their day to day

finances in the way that best suits them. Option 3 above effectively means that on a cash flow basis, the resident incurs only a \$5 change in their net cash position compared to what they enjoyed for the 2014/2015 year.

### **Reserve Funds**

Funding to and from cash backed Reserves for 2015/2016 (in line with the Long Term Financial Plan) demonstrates the benefits of prudent forward financial planning to provide for significant future financial obligations. Funds generated from strategic land disposals were placed in the Major Community Facilities Reserve to provide funding for discretionary capital projects in 2015/2016 and into the future.

Significant capital initiatives in 2015/2016 will be supported by monies previously provided in reserves - including major community facilities at Manning and on the river foreshore. Information technology, plant & equipment and reticulation replacement all enjoy contributions from cash-backed reserves accumulated in prior years. Reserves also offer non-rates funding options when making financial decisions about major asset preservation projects.

Planned transfers from Reserves to the Municipal Fund in 2015/2016 are \$6.91M in net terms after re-investing some \$1.80M worth of interest revenue back to the cash backed reserves in proportion to the average balances held during the year. The change in the reserves balance represents the next phase in a planned strategic accumulation and use of cash backed reserves to fund significant building projects, infrastructure projects and technology acquisitions.

In 2015/2016, the planned transfers to Reserves are largely related to transferring the proceeds of strategic land disposals. These monies are then being applied in 2015/2016 and subsequent years to fund several significant discretionary capital projects including several in the 2015/2016 budget as well as the EJ Oval Precinct Upgrade and the George Burnett Leisure Centre (Dry Area) expansion in future years.

Major transfers out of Reserves back to the Municipal fund in 2015/2016 represent contributions towards the Manning Community Facility, Sir James Mitchell Park River Walls & Promenade and the Millers Pool enhancement.

Cash backed reserves are expected to have a balance of \$51.43M at 30 June 2016 - including those quarantined for the purposes of the Collier Park Retirement Village, Golf Course and Waste Management. Funds relating to these separate business entities are held in Quarantined Reserves which reflect the operating results of each of these major business undertakings. Quarantined Reserves make up around 54.8% (\$28.17M) worth of the anticipated year-end balance.

The other 45.2% (\$23.26M) are Discretionary City Reserve Funds for future projects - primarily being strategic land disposal proceeds held in the Major Community Facilities Reserve (formerly Asset Enhancement Reserve) that will provide allocations for future major community projects. The remaining monies in other specific purpose discretionary reserves will contribute to acquisitions of plant & equipment, technology, parking management facilities and infrastructure projects.

During the 2015/2016 budget process, the City intends consolidating its existing Reserves from 24 separate reserves down to 14. Several inactive reserves will be closed and some other smaller reserves having similar purposes will be consolidated

into existing reserves. This will provide greater clarity around the purposes for which the reserves are established and will streamline administration of the cash backed reserves. Furthermore, the Asset Enhancement Reserve will be re-titled Major Community Facilities Reserve (although its purpose remains the same). A new Public Art Reserve will be established to manage developer contributions raised through the Percent for Art Policy.

The intended purposes of the various Reserves are disclosed in the Notes to the Statutory Budget at Note 6 with detail of the major transfers to and from those Reserves at Note 7. The projected year end balances of each Reserve (and the aggregate movements to and from the Reserves) are disclosed in the Notes to the Statutory Budget at Note 15.

### Capital Program

Funds totalling some \$33.49M have been set aside by Council for the 2015/2016 Capital Works Budget. This amount excludes carry forward works, transfers to cash backed reserves and loan principal repayments. Of the total capital / non recurrent expenditure budget, some \$31.66M is provided for renewal of assets or creation of new assets. The remaining \$1.83M is allocated to other non-recurrent expenditures such as precinct studies, feasibility studies and planning for future facilities or condition assessments and other asset management data collection activities.

The allocation of funds to individual projects is detailed in the Capital Expenditure section of the Budget. An overview of the Capital Expenditure Budget classified by category is provided below:

Capital Expenditure Category	Asset Classification	\$ Amount
<b>Asset Renewal / New Asset Creation</b>		
Road Network	Asset Renewal	2,588,000
Traffic Management Measures	New Asset Creation	1,130,000
Storm Water Drainage	Asset Renewal	825,000
Path Network	Asset Renewal	505,000
Bus Shelters	Asset Renewal	50,000
Streetscape Projects	Asset Renewal	300,000
Parks & Reserves	Asset Renewal	1,715,000
Street & Reserve Lighting	New Asset Creation	150,000
Foreshore Assets - River Wall West	Asset Renewal	1,500,000
Foreshore Assets - Millers Pool Precinct	Asset Renewal	2,550,000
Environmental Projects	Asset Renewal	248,000
Building Assets - Manning Community Hub	New Asset Creation	16,910,000
Building Assets - Minor Works	Asset Renewal	800,000
Plant & Fleet Replacement	New Asset Creation	1,264,415
Technology, Software & Digital Service Delivery	New Asset Creation	637,000
Unified Communications System	New Asset Creation	150,000
Parking Management	New Asset Creation	70,000
Minor Projects	New Asset Creation	155,000
Waste Management	New Asset Creation	113,400
<b>Total Asset Creation &amp; Renewal</b>		<b>\$31,660,815</b>

<b>Non Recurrent Expenditure</b>		<b>\$ Amount</b>
Roads - Studies, Planning & Asset Data Collection		130,000
Traffic Management - Planning & Forward Design		100,000
Drainage - Studies & Asset Data Collection		75,000
Water Management Initiatives		40,000
Paths - Asset Data Collection		60,000
Parks & Reserves - Planning & Design		95,000
Environmental Projects - Minor initiatives		77,000
Building Assets- Asset Condition Assessment		60,000
Water Body Risk Mitigation		50,000
Planning Precinct Studies		200,000
Technology Consultancy & Project Planning		48,000
CPV Unit Refurbishments		325,000
CPGC - Non Recurrent		263,989
Land Sale Costs		135,000
CSRFF Funding Initiatives		50,000
Other Minor Studies / Projects		125,000
<b>Total Non-Recurrent Initiatives</b>		<b>\$1,833,989</b>

The City's largest ever Capital Expenditure program includes an allocation of \$16.91M for the Manning Community Facility project. It also includes \$2.50M for the Millers Pool precinct project and \$1.50M for foreshore river wall and promenade upgrades. The program also includes more than \$9M worth of infrastructure renewals.

Incomplete capital works (and related funding) with an estimated value of approximately \$4.00M will be carried forward for inclusion in the 2015/2016 Budget. Details of projects making up the capital program (and the likely carry forward works) are contained in the attachments to this report. The final balances of the carried forward items will be validated after the close off of the 2014/2015 accounts.

### **Statutory Budget**

The Statutory Budget is prepared in accordance with all relevant professional accounting pronouncements. Its format has been enhanced since the 2013/2014 budget. It contains all statutory statements and supporting schedules including:

- Comprehensive Income Statement
- Comprehensive Income Statement by Nature & Type Classification
- Rate Setting Statement
- Schedule of General Purpose Funding
- Schedule of Rates Levied
- Projected Statement of Financial Position (Extract)
- Statement of Cash-Flows
- Notes to and forming part of the Budget
- Schedule of Capital Projects
- Schedule of Carry Forward Projects
- Schedule of Fees & Charges

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

- I. 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	20.043M
Strategic Land Asset Sales	5.583M
Grants for the Acquisition of Assets	3.185M
Cash Flow from Deferred Land Sale	0.565M
Loan Borrowings - City	5.000M
Loan Borrowings - Self Supporting Loans	0.000M
Transfers from Cash Backed Reserves	20.931M
Opening Position - (Includes \$4.000M for Carry Forward Items)	8.643M
Less Carry Forward Works	(4.000M)
Closing Funds	(2.776M)
<b>Total Funding excluding Rates</b>	<b>\$ 57.174M</b>

### **Expenditure**

Operating Expenditure	53.904M
Less Non-Cash Items	(10,442M)
Capital Expenditure (classified as per statutory principles)	31.691M
Transfers to Cash Backed Reserves	14.535M
Less Net Reserve Transfers not via Income Statement	(0.750M)
Loan Principal Repayments from City Funds	1.280M
Less Self-Supporting Loan Repayments Recouped	(0.263M)
<b>Total Expenditure</b>	<b>\$ 89.955M</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 (\$32.781M) to produce a balanced budget in the 2015/2016 year. The Rate Setting Statement demonstrates the full impact of the Budget to the community.

3. A Schedule of General Purpose Funding which shows the revenue and expenditure components relating to the General Purpose Funding Program.
4. A projected Statement of Financial Position (extract) showing the calculation of the Budget Opening Position & Budget Closing Position.
5. 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.
6. 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 the Community Strategic Plan, the Long Term Financial Plan, Corporate Business Plan, 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 2015/2016 Budget are as disclosed in **Attachment 7.6.2 (a)** of this report. The budget document is consistent with the financial parameters established for the 2015/2016 year in the Long Term Financial Plan 2015/2016 - 2024/2025.

### **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.