

AGENDA

Special Council Meeting

12 July 2016

Notice of Meeting

To: The Mayor and Councillors

The next Special Council meeting of the City of South Perth Council will be held on Tuesday 12 July 2016 in City of South Perth Council Chamber, Cnr Sandgate Street and South Terrace, South Perth commencing at 7.00pm.

The purpose of the meeting is to consider the 2016/2017 Annual Budget.



GEOFF GLASS
CHIEF EXECUTIVE OFFICER

8 July 2016



Our Guiding Values

Trust

Honesty and integrity

Respect

Acceptance and tolerance

Understanding

Caring and empathy

Teamwork

Leadership and commitment

Disclaimer

The City of South Perth disclaims any liability for any loss arising from any person or body relying on any statement, discussion, recommendation or decision made during this meeting.

Where an application for an approval, a licence or the like is discussed or determined during this meeting, the City warns that neither the applicant, nor any other person or body, should rely upon that discussion or determination until written notice of either an approval and the conditions which relate to it, or the refusal of the application has been issued by the City.

Further Information

The following information is available on the City's website.

- **Council Meeting Schedule**

Ordinary Council Meetings are held at 7.00pm in the Council Chamber at the South Perth Civic Centre on the fourth Tuesday of every month between February and November. Members of the public are encouraged to attend open meetings.

- **Minutes and Agendas**

As part of our commitment to transparent decision making, the City makes documents relating to meetings of Council and its Committees available to the public.

- **Meet Your Council**

The City of South Perth covers an area of around 19.9km² divided into four wards. Each ward is represented by two Councillors, presided over by a popularly elected Mayor. Councillor profiles provide contact details for each Elected Member.

www.southperth.wa.gov.au/Our-Council/

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Special Council Meeting Agenda

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

2. ANNOUNCEMENTS FROM THE PRESIDING MEMBER

2.1 STANDING ORDERS LOCAL LAW 2007

This meeting is held in accordance with the City's Standing Orders Local Law 2007 which provides rules and guidelines which apply to the conduct of meetings.

2.2 AUDIO RECORDING OF THE COUNCIL MEETING

The meeting will be audio recorded in accordance with Council Policy P673 "Audio Recording of Council Meetings" and Clause 6.15 of the Standing Orders Local Law 2007 "Recording of Proceedings".

3. ATTENDANCE

3.1 APOLOGIES

3.2 APPROVED LEAVE OF ABSENCE

4. DECLARATION OF INTERESTS

Conflicts of Interest are dealt with in the Local Government Act, Rules of Conduct Regulations and the Administration Regulations as well as the City's Code of Conduct 2008. Members must declare to the Presiding Member any potential conflict of interest they have in a matter on the Council Agenda.

5. PUBLIC QUESTION TIME

6. DEPUTATIONS

7. REPORTS

7.6 STRATEGIC DIRECTION 6: GOVERNANCE, ADVOCACY AND CORPORATE MANAGEMENT

7.6.1 Adoption of the 2016/2017 Annual Budget

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	Council
File Ref:	D-16-47597
Lodgement Date:	8/07/2016
Date:	12 July 2016
Author / Reporting Officer:	Michael Kent, Director Financial and Information Services
Strategic Direction:	Governance, Advocacy and Corporate Management -- Ensure that the City has the organisational capacity, advocacy and governance framework and systems to deliver the priorities identified in the Strategic Community Plan
Council Strategy:	6.2 Develop and maintain a robust Integrated Planning and Reporting Framework (in accordance with legislative requirements).

Summary

This report presents the 2016/2017 Annual Budget, as circulated, for adoption by Council.

Officer Recommendation

That:

- (a) a General Rate in the Dollar of 6.5400 cents is applied to the GRV of all rateable property within the City for the year ending 30 June 2017;
- (b) a Minimum Rate of \$940.00 be set for the year ending 30 June 2017 notwithstanding the General Rate set out in part (a) above;
- (c) the following rubbish service charges be applied for the year ending 30 June 2017:
 - (i) a standard Rubbish Service Charge of \$272.00;
 - (ii) a non-rateable property Rubbish Service Charge of \$375.00;
 - (iii) a standard 1,100 litre bin Rubbish Service Charge of \$1,360.00;
 - (iv) a non-rateable property 1,100 litre bin Rubbish Service Charge of \$1,875.00;
- (d) a Swimming Pool Inspection Fee of \$26.50 be levied for the year ending 30 June 2017;
- (e) the following dates be set for payment of rates by instalments:

First instalment	24 August 2016
Second instalment	09 November 2016
Third instalment	11 January 2017
Fourth instalment	15 March 2017

7.6.1 Adoption of the 2016/2017 Annual Budget

- (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 and 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 \$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 July 2016 to September 2016 inclusive;
- (l) a Monthly Maintenance Fee of \$395.00 (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 2016 to June 2017 inclusive;
- (m) the Statutory Annual Budget for the year ending 30 June 2017 comprising Sections 1 & 2 of the 2016/2017 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 2017 as set out in Section 3 of the Annual Budget be endorsed;
- (o) The Capital Expenditure Budget for the financial year ending 30 June 2017 as set out in Section 4 of the Annual Budget is adopted;
- (p) the budgeted Carried Forward Capital Expenditure for 2016/2017 - as set out in Section 5 of the Annual Budget be approved (subject to final confirmation of unexpended balances after the City's final 2015/2016 financial accounts are completed);
- (q) the Reserve Fund transfers for the financial Year ending 30 June 2017 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 2017 be adopted;
- (s) the effective date for all items detailed in the 2016/2017 Schedule of Fees & Charges is 13 July 2016 (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 (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 2016/2017 Schedule of Fees & Charges (**Attachment (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 2015 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 2016/2017 budget.
- Conducting a critical review of both operating elements and major capital projects.
- Submitting and considering capital project proposals for 2016/2017 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 2016/2017 budget using the inputs from asset management models and previous Council determinations.
- Identifying the incomplete current year capital works to be carried forward into 2016/2017.
- 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 2016/2017 Statutory Budget and supporting schedules (as presented) ready for adoption.

7.6.1 Adoption of the 2016/2017 Annual 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, 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 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 2016/2017 Budget provides for Total Revenue of \$59.85M - including \$5.02M of Capital Revenue (\$2.00M from the strategic disposal of surplus land parcels and a further \$2.61M from grants towards the construction of assets).

Total Expenditure is \$80.89M - comprising \$44.08M of Cash Operating Expenditure plus \$27.01M of Capital Expenditure. It also includes non-cash items (depreciation & asset carrying amounts) of \$9.80M.

The budget allocates \$1.39M for loan capital repayments plus planned net transfers from cash backed Reserves of \$10.36M after allowing for transfers of \$1.58M of interest revenue back to Reserves. The remaining transfers reflect the net impact of quarantining land disposal proceeds and 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 responsible 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 \$34.17M 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.

Landgate Valuation Services 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 2016/2017 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.

7.6.1 Adoption of the 2016/2017 Annual Budget

The City has established a 'Rate in the Dollar' for 2016/2017 of 6.5400 cents per dollar of assessed Gross Rental Value. It was 6.3098 cents in 2015/2016 and the new rate represents an increase of 3.65%. This rate in the dollar will apply to the Gross Rental Valuations (GRV) as supplied by Landgate Valuation Services for each property in the City.

It is important to note, the rate in the dollar of 6.5400 cents is the sixth lowest to be levied by the City at any time since 1997 - providing convincing evidence that increases in rates over the last 20 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 downwards movements in that rate in the dollar in later years is demonstrated in the Budget newsletter which accompanies the annual rates notice.

The impact of the increase in all charges (rates, rubbish & ESL charges) for an 'average property' in the city (having a GRV of \$26,046) compared to the 2015/2016 rates notice is 4.06%. This equates to an increase \$1.73 per week. The combined increase for minimum rated properties is 3.32% or \$0.86 per week.

The Minimum Rate (determined to be the minimum equitable cost of servicing lots within the district) increases to \$940.00 in 2016/2017. Approximately 2,254 properties (11.3%) 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.

However, from 2016/2017, the WA state government has placed a maximum 'cap' on the Pensioner and Senior concessions. Eligible Pensioners receive a rebate of up to 50% on their rates - but this is capped at a maximum rebate of \$750.00. This is not a decision of Council but rather is a state government decision made in the 2014/2015 state budget. Seniors entitlements are capped at \$288.70 which is a slightly bigger concession than last year's \$284.71.

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 \$262.00 to \$272.00 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 \$1,360.00. Non rateable properties will pay \$375.00 per standard rubbish service and \$1,875.00 for 1,100 litre bin services.

7.6.1 Adoption of the 2016/2017 Annual Budget

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 2016/2017. 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 1.2672 cents in the dollar (1.2300 cents in 2015/2016). FESA has indicated that the levy will be capped at \$375.00 for residential properties and vacant land in 2016/2017. Commercial properties have a maximum charge of \$213,000. 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 2016/2017 Budget. The Annual Budget includes 225.0 FTE approved positions (220.9 FTE in 2015/2016).

This headcount makes tentative provision for the impact of an organisational restructure that the CEO is due to present to Council by October 2016. The staff FTE headcount has ranged between 210 and 230 in the period between 2005/2006 and 2016/2017.

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

The total payroll budget has been prepared to make allowances for the new enterprise bargaining agreement (EBA), transition to a single employee award, new staff positions and the compulsory 0.5% increase in the Superannuation Guarantee Levy,

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.

Disclosure of staff numbers and salary allocations is now grouped to reflect services rather than organisational structure as this is believed to better reflect where the City is allocating its resources to facilitate service delivery.

7.6.1 Adoption of the 2016/2017 Annual Budget

The 2016/2017 staffing establishment and payroll budget is disclosed by service grouping area below:

Service Area Grouping	FTE Headcount	Total \$
Chief Executive's Office / Governance	27.49	2,924,876
Organisational Capacity	33.95	3,407,643
Development Control	23.80	2,492,807
Community Services	41.28	3,525,396
Infrastructure Management	98.50	8,349,679
Total	225.02	\$20,700,401

The table below shows the 2016/2017 payroll budget disclosed by headcount, salary component and service area.

Service Area	FTE Count	Salaries	Super	Total \$
CEO Office Administration	2.80	393,340	43,652	436,994.8
Governance	5.00	476,512	51,379	527,891
Marketing / Communications	4.00	359,844	37,987	397,831
Rangers	9.19	758,055	87,618	845,673
Human Resources	4.50	437,968	55,129	493,097
Organisational Performance	2.00	204,164	19,228	223,392
Financial Strategy / Reporting	4.00	528,963	59,546	588,509
Treasury Management	10.97	949,176	109,797	1,058,973
Info Technology & Records	11.00	950,620	113,254	1,063,874
Customer Services	7.98	623,036	73,249	696,285
Land Use Strategy Unit	3.00	315,835	38,886	354,721
Statutory Planning	12.00	1,164,665	138,571	1,303,236
Compliance Unit	1.60	138,946	19,056	158,002
Building Services	4.00	314,414	33,939	348,353
Environmental Health	3.20	298,823	29,673	328,496
Community Services Admin	1.00	92,166	4,680	96,846
Library Services	15.74	1,174,008	133,566	1,307,574
Culture & Recreation Admin	5.03	450,462	56,315	506,778
Art & Events	3.60	299,601	26,937	326,538
Leisure & Recreation	3.00	237,060	21,825	258,885
Facility Bookings	3.90	248,933	24,765	273,698
Seniors	2.66	207,682	23,972	231,654
Collier Park Village	6.35	451,268	72,155	523,423
Infrastructure Admin	9.00	826,757	99,646	926,403
Design Services	7.00	608,480	59,822	668,302
Engineering Infrastructure	5.00	500,689	142,429	643,117
Works & Construction	12.00	770,775	81,121	851,896
Fleet Management	2.00	145,098	16,474	161,573
Waste Management Admin	2.00	175,295	19,651	194,946
Transfer Station	4.00	297,729	31,705	329,434
City Environment Admin	7.00	658,021	83,339	741,361
SJMP Park Maintenance	6.00	401,988	43,887	445,875
Other Park Maintenance	8.00	525,176	57,398	582,575
Reticulation Team	2.00	128,732	14,189	142,921
Mowing Team	10.00	628,361	69,573	697,935
Streetscapes Team	6.00	395,810	43,811	439,621
Environment / Natural Areas	4.00	315,259	36,930	352,189
Plant Nursery	2.00	129,991	14,013	144,003
Building Maintenance	3.00	242,789	32,472	275,261
Golf Course	9.50	693,119	59,150	752,268
	225.02	\$18,519,610	\$2,180,789	\$20,700,403.8

Council Member Entitlements

Entitlements for Council Members for 2016/2017 are adjusted in accordance with the Salaries & Allowances Tribunal determination of April 2016 which increased allowances by 1.5% to a maximum of \$24,000 per Council Member and \$30,900 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 \$61,800 and a Deputy Mayoral Allowance of 25% of the mayoral amount. The budget makes a prudent allocation for these 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 several 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 are able to be considered where appropriate, as our debt servicing ratios are still 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 does not plan to undertake borrowings in the 2016/2017 this year.

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 or 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) for the 2016/2017 year are contained at Note 10 of the Statutory Budget.

7.6.1 Adoption of the 2016/2017 Annual Budget

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

Reserve Funds

Funding to and from cash backed Reserves for 2016/2017 (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 earlier strategic land disposals were placed in the Major Community Facilities Reserve to provide funding for future discretionary capital projects.

Significant capital initiatives in 2016/2017 will be supported by monies previously provided in reserves - including the Ernest Johnson Reserve Precinct Upgrade, Connect South and Miller's Pool projects. Information technology and reticulation replacement also 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 2016/2017 are \$10.36M in net terms after re-investing some \$1.58M 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 the planned strategic accumulation and use of cash backed reserves to fund significant building projects, infrastructure projects and technology acquisitions.

Cash backed reserves are expected to have a balance of \$41.40M at 30 June 2017, 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 69.1% (\$28.62M) worth of the anticipated year-end balance.

The other 30.9% (\$12.78M) 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.

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 \$27.01M have been set aside by Council for the 2016/2017 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 \$24.67M is provided for renewal and replacement of assets or creation of new assets. The remaining \$2.34M 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.

7.6.1 Adoption of the 2016/2017 Annual Budget

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 in the table below:

Capital Expenditure Category	Asset Classification	\$ Amount
Asset Renewal / New Asset Creation		
Road Network	Asset Renewal	2,662,700
Traffic Management Measures	New Asset Creation	1,258,000
Storm Water Drainage	Asset Renewal	837,700
Path Network	Asset Renewal	450,000
Bus Shelters	Asset Renewal	40,000
Parks & Reserves	Asset Renewal	832,000
Street & Reserve Lighting	New Asset Creation	55,000
Collier Park Golf Course Reticulation Upgrade	Asset Renewal	500,000
Millers Pool	Asset Renewal	2,000,000
Building Assets - EJ Oval Precinct Upgrade	New Asset Creation	7,500,000
Building Assets - Various Minor Works	Asset Renewal	1,198,000
Connect South Project	New Asset Creation	3,500,000
Plant & Fleet Replacement	Asset Renewal	1,189,850
Minor Infrastructure Projects	New Asset Creation	140,000
Technology Assets & Digital Service Delivery	New Asset Creation	480,000
Chambers Audio Visual System	New Asset Creation	180,000
Corporate Property & Finance System	New Asset Creation	600,000
Parking Management	New Asset Creation	94,000
Library Catalogue Management System	New Asset Creation	120,000
Library RFID System - Manning Hub	New Asset Creation	170,000
Waste Management	New Asset Creation	540,000
CPV Unit Refurbishments	Asset Renewal	325,000
Total Asset Creation & Renewal		\$24,672,250

Non Recurrent Expenditure	\$ Amount
Roads - Studies, Planning & Asset Data Collection	210,000
Traffic Management - Planning & Forward Design	140,000
Storm Water Drainage - Studies, Planning & Asset Data Collection	75,000
Waste Management Initiatives	115,000
Streetscape Projects - Non Recurrent	325,000
Parks & Reserves - Planning & Design	63,000
Environmental Projects	232,000
Building Assets- Asset Condition Assessment	60,000
Minor Building Works	80,000
River Wall Repairs	120,000
Planning Precinct Studies	200,000
Technology Consultancy & Project Planning	115,000
CPGC - Non Recurrent	277,412
Land Sale Costs	85,000
Building Portfolio Valuation	20,000
CSRFF Funding Initiatives	50,000
Data & Communications Enhancements	105,000
Other Minor Projects	70,000
Total Non-Recurrent Initiatives	\$2,342,412

The City's second largest ever Capital Expenditure program includes an allocation of \$7.5M for the Ernest Johnson Precinct Upgrade, \$3.5M for the Connect South project and \$2.0M for the Millers Pool Precinct project. The program also includes around \$9M worth of infrastructure renewals.

7.6.1 Adoption of the 2016/2017 Annual Budget

Carried Forward Capital Works

Incomplete capital works with an estimated value of approximately \$7.890M will be carried forward for inclusion in the 2016/2017 Budget. Of this amount, 44% relates to the Manning Hub Project which will be completed by the end of 2016. 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 2015/2016 accounts.

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 2016/2017 Schedule of Fees & Charges (provided as a separate attachment for the 2016/2017 budget) will be 13 July 2016 (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 2016/2017 will be an estimated operating loss of \$297,912 (2015/2016 was \$330,824). 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 ongoing operational deficit, agreement was reached that the Monthly Maintenance Fee for the Collier Park Village remain at \$380.00 per month for the July to September 2016 period (inclusive) - before increasing to the figure of \$395.00 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.

7.6.1 Adoption of the 2016/2017 Annual Budget

This year, there will be 4 different pricing arrangements available to CPV residents:

- Payment in cash in full of \$395 per month.
- Payment in cash of \$295 per month and have the remaining \$100 deducted from Refundable Monies held in the CPV Residents Offset Reserve.
- Payment in cash of \$285 per month and have the remaining \$110 deducted from Refundable Monies held in the CPV Residents Offset Reserve.
- Payment in cash of \$240 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. These options allow the residents to effectively manage their net cash position to minimise the impact of the change in maintenance fees.

Statutory Budget

The Statutory Budget is prepared in accordance with all relevant professional accounting pronouncements. 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
- Budget Overview & Analysis
- 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:

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

Funding

All sources except Land Sales, Capital Grants & Rates	20.873M
Strategic Land Asset Sales	1.865M
Grants for the Acquisition of Assets	2.607M
Plant & Equipment Trade In	0.229M
Self-Supporting Loan Repayments Recouped	0.275M
Loan Borrowings - City	0.000M
Transfers from Cash Backed Reserves	16.267M
Opening Position - (Includes \$7.890M for Carry Forward Items)	10.517M
Less Carry Forward Works	(7.980M)
Closing Funds	(1.276M)
Total Funding excluding Rates	\$43.378M

7.6.1 Adoption of the 2016/2017 Annual Budget

Expenditure

Operating Expenditure	56.057M
Less Non-Cash Items	(9.638M)
Capital Expenditure (classified as per statutory principles)	24.672M
Transfers to Cash Backed Reserves	5.904M
Less Net Reserve Transfers not via Income Statement	(0.750M)
Loan Principal Repayments from City Funds	1.392M
Movement in Deferred Rates	0.015M
Total Expenditure	\$77.652M

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 (\$34.274M) to produce a balanced budget in the 2016/2017 year. The Rate Setting Statement demonstrates the full impact of the Budget to the community.

4. A Schedule of General Purpose Funding which shows the revenue and expenditure components relating to the General Purpose Funding Program.
5. A projected Statement of Financial Position (extract) showing the calculation of the Budget Opening Position & Budget Closing Position.
6. 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.
7. A Schedule of Fees & Charges which details the fees in force for City services and use of City facilities. Fees are based on either a 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 2016/2017 Budget are as disclosed in **Attachment (a)** of this report. The budget document is consistent with the financial parameters established for the 2016/2017 year in the Long Term Financial Plan 2016/2017 - 2025/2026.

Strategic Implications

This report is aligned to the City's [Strategic Community Plan 2015-2025](#).

7.6.1 Adoption of the 2016/2017 Annual Budget

Sustainability Implications

This report is aligned to the City's [Sustainability Strategy 2012-2015](#). 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.

Attachments

- 7.6.1 (a):** 2016/2017 Budget Document
- 7.6.1 (b):** 2016-2017 Schedule of Fees and Charges

8. CLOSURE

