



**CITY OF VINCENT**

# **SPECIAL COUNCIL MEETING**

**7 JULY 2015**

## **Notice of Meeting and Agenda**

Notice is hereby given that a Special Meeting of the Council of the City of Vincent will be held at the Administration and Civic Centre, at 244 Vincent Street (corner Loftus Street), Leederville, on **Tuesday, 7 July 2015** at 6.00pm.

Len Kosova  
CHIEF EXECUTIVE OFFICER

**ENHANCING AND CELEBRATING OUR DIVERSE COMMUNITY**

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## **PROCEDURE FOR PUBLIC SPEAKING TIME**

The City of Vincent Local Law Relating to Standing Orders prescribes the procedure for persons to ask questions or make public statements relating to a matter affecting the City, either verbally or in writing, at a Council meeting.

Questions or statements made at a Special Meeting of the Council must only relate to the purpose for which the meeting has been called.

1. Shortly after the commencement of the meeting, the Presiding Member will ask members of the public to come forward to address the Council and to give their name, address and Agenda Item number (if known).
2. Public speaking time will be strictly limited to three (3) minutes per member of the public.
3. Members of the public are encouraged to keep their questions/statements brief to enable everyone who desires to ask a question or make a statement to have the opportunity to do so.
4. Public speaking time is declared closed when there are no further members of the public who wish to speak.
5. Questions/statements are to be directed to the Presiding Member and are to be made politely in good faith and are not to be framed in such a way as to reflect adversely or be defamatory on a Council Member or City Employee.
6. Where the Presiding Member is of the opinion that a member of the public is making a statement at a Council meeting, that does not affect the City, he may ask the person speaking to promptly cease.
7. Questions/statements and any responses will be summarised and included in the Minutes of the Council meeting.
8. Where practicable, responses to questions will be provided at the meeting. Where the information is not available or the question cannot be answered, it will be *"taken on notice"* and a written response will be sent by the Chief Executive Officer to the person asking the question. A copy of the reply will be included in the Agenda of the next Ordinary meeting of the Council.
9. It is not intended that public speaking time should be used as a means to obtain information that would not be made available if it was sought from the City's records under Section 5.94 of the Local Government Act 1995 or the Freedom of Information (FOI) Act 1992. The CEO will advise the member of the public that the information may be sought in accordance with the FOI Act 1992.

## **RECORDING OF COUNCIL MEETINGS**

- ◆ All Ordinary and Special Council Meetings are electronically recorded (both visual and audio), except when the Council resolves to go behind closed doors;
- ◆ All recordings are retained as part of the City's records in accordance with the General Disposal Authority for Local Government Records produced by the Public Records Office;
- ◆ A copy of the recorded proceedings and/or a transcript of a particular section or all of a Council meeting is available in accordance with Policy No. 4.2.4 - Council Meetings – Recording and Access to Recorded Information.

## **SPECIAL COUNCIL MEETING**

### **ORDER OF BUSINESS**

**1. (a) Declaration of Opening**

**(b) Acknowledgement of Country Statement**

“Today we meet on the lands of the Nyoongar people and we honour them as the traditional custodians of this land”.

**2. Apologies/Members on Approved Leave of Absence**

2.1 Cr Matt Buckels on approved leave of absence from 26 June to 27 July due to personal commitments.

**3. Public Question Time and Receiving of Public Statements**

*Under Section 7(4) (b) of the Local Government (Administration) Regulations 1996, Council at a Special Meeting is not required to answer a question that does not relate to the purpose of the meeting.*

**4. Applications for Leave of Absence**

Nil.

**5. Announcements by the Presiding Member (Without Discussion)**

**6. Declaration of Interests**

6.1 Financial - Local Government Act 1995, s5.60A

6.2 Proximity - Local Government Act 1995, s5.60B

6.3 Impartiality - Local Government (Administration) Regulations 34

**7. Reports**

7.1 2015/16 Draft Budget

**8. Closure**

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**7.1 2015/16 Draft Budget**

<b>Ward:</b>	Both	<b>Date:</b>	3 July 2015
<b>Precinct:</b>	All	<b>File Ref:</b>	SC245
<b>Attachments:</b>	<ul style="list-style-type: none"> <li>1 – Draft Budget Commentary</li> <li>2 – Budget Submission</li> <li>3 – Statutory Statements</li> <li>4 – Draft Capital budget</li> <li>5 – Summary of Income and Expenditure by Service Unit</li> <li>6 - Supporting Schedules</li> <li>7.- Fees and Charges</li> </ul>		
<b>Tabled Items:</b>	-		
<b>Reporting Officer:</b>	J Paton, Director Corporate Services		
<b>Responsible Officer:</b>	J Paton, Director Corporate Services		

**OFFICER RECOMMENDATION:**

That Council, BY ABSOLUTE MAJORITY;

**1. BUDGET:**

Pursuant to the provisions of Section 6.2(1) of the *Local Government Act 1995* and Part 3 of the *Local Government (Financial management) Regulations 1996*, **ADOPTS** the City of Vincent Annual Budget as detailed in Attachment 3 for the 2015/16 financial year, which includes:

- 1.1 Statement of Comprehensive Income by Nature and Type showing a net result for that year of \$3,015,618 as detailed on page 3.1
- 1.2 Statement of Comprehensive Income by Program showing a net result for that year of \$3,015,618 as detailed on page 3.2
- 1.3 Rate setting Statement showing an amount required to be raised from rates of \$29,396,786 as detailed on page 3.4
- 1.4 Statement of Cash Flows showing a net result of (XXX) as detailed on page 3.5
- 1.5 Notes to and Forming Part of the Budget as detailed on page 3.6 – 3.38
- 1.6 Transfers to / from Reserves as detailed on the Reserve Fund Statement as detailed on page 3.20

**2. RATES:**

For the purpose of yielding up the deficiency disclosed by the Budget adopted in 1 above, Council pursuant to Sections 6.32, 6.33, 6.34 and 6.35 of the *Local Government Act 1995*, **IMPOSES** the following differential general rates and minimum payments on Gross Rental Values:

- 2.1 **General Rates**
  - Residential 5.951 cents in the dollar
  - Commercial Vacant 11.578 cents in the dollar
  - Other 6.281 cents in the dollar
  
- 2.2 **Minimum Payments**
  - Residential \$907
  - Commercial Vacant \$1,414
  - Other \$907

**2.3 RATE PAYMENT OPTIONS:**

Pursuant to Section 6.45 of the *Local Government Act 1995* and Regulation 64(2) of the *Local Government (Financial Management) Regulations 1996*, ADOPTS the following due dates for payment in full by instalments:

	INSTALMENT	DATE
(a)	Due Date/First instalment	31 August 2015
(b)	Second instalment	02 November 2015
(c)	Third instalment	05 January 2016
(d)	Fourth instalment	08 March 2016

**2.4 INSTALMENT AND ARRANGEMENTS ADMINISTRATION FEES AND INTEREST CHARGES:**

2.4.1 Pursuant to Section 6.45(3) of the *Local Government Act 1995* and Regulation 67 of the *Local Government (Financial Management) Regulations 1996*, ADOPT an instalment administration charge of \$12.00 per instalment for payment of rates by instalments, to apply to the second, third and fourth instalment; and

2.4.2 Pursuant to Section 6.45(3) of the *Local Government Act 1995* and Regulation 68 of the *Local Government (Financial Management) Regulations 1996*, ADOPT an interest rate of 5.5% where the owner has elected to pay rates through an instalment option;

**2.5 LATE PAYMENT INTEREST ON OVERDUE RATES AND AMOUNTS:**

ADOPTS an interest rate of 11% per annum, calculated daily from the due date and continues until the date of payment on overdue:

2.5.1 rates in accordance with Section 6.51(1) of the *Local Government Act 1995* and Regulation 70 of the *Local Government (Financial Management) Regulations 1996*, subject to Section 6.51(4) of the *Local Government Act 1995*; and

2.5.2 amounts due to the City in accordance with Section 6.13 of the *Local Government Act (1995)*;

Excluded are deferred rates, instalment current amounts not yet due under the four (4) payment options, registered pensioner portions and current government pensioner rebate amounts;

**3. RUBBISH CHARGE:**

Pursuant to Section 67 of the *Waste Avoidance and Resources Recovery Act 2007*, ADOPTS the following annual charges for the removal of domestic waste and recycling for all non rateable properties receiving the service:

- 240L weekly waste collection \$350
- 140L weekly waste collection \$220
- 240L fortnightly recycling collection \$95
- 360L fortnightly recycling collection \$125

**4. REPORTING OF BUDGET VARIANCES:**

Pursuant to Regulation 34 and 35 of the *Local Government (Financial Management) Regulations 1996*, ADOPT the monthly reporting variance for the 2015/16 financial year of 10% on items more than \$10,000;

**5. RESERVES**

Pursuant to Section 6.11(1) of the Local Government Act 1995, APPROVES the establishment of:

5.1 the North Perth Tennis Reserve, with the following purpose:

*“For the upgrade, renewal and replacement of the North Perth tennis courts, with funds contributed by the Lessee in accordance with the Special Condition – Sinking Fund provision of the Lease”*

5.2 the Leederville tennis Reserve, with the following purpose:

*“For the upgrade, renewal and replacement of the water bore and/or pump at the Leederville tennis courts, with funds contributed by the Lessee in accordance with the Special Condition – Sinking Fund provision of the Lease”*

**6. FEES AND CHARGES**

Pursuant to Section 6.16 of the Local Government Act 1995, ADOPTS the Schedule of Fees and Charges included in Attachment 6

**PURPOSE OF REPORT:**

To consider for adoption the Budget for the 2015/16 financial year, including imposition of differential and minimum rates, adoption of fees and charges and other consequential matters arising from the budget papers.

**BACKGROUND:**

Between 1 June and 31 August each year, local governments are required to prepare and adopt a budget for the financial year. A key part of the budget development is identifying the 'budget deficiency' to be made up from the levying of Council Rates. Once an estimate of that budget deficiency is known, local governments are required to give local public notice of any intention to levy differential rates.

Council considered a proposal to levy Differential and Minimum Rates at its Ordinary Council Meeting held 5 May 2015 and adopted the following resolution:

*“That Council:*

1. APPROVES advertising by local notice, in accordance with Section 6.36(1) of the Local Government Act 1995 its intention to levy the following Differential Rates and Minimum Rates in 2015/16 to include an invitation for submissions on the proposal from electors and ratepayers for a period of 21 days:

Rating Category	2015/16	
	Rate-in-\$	Minimum
Residential	0.05951	\$907
Commercial Vacant	0.11578	\$1,414
Other	0.06281	\$907

2. NOTES any public submissions received in response to the invitation will be presented to Council for consideration.”

Following Budget workshops held on Tuesday 14 and 21 April 2015, at the Ordinary Council Meeting held 2 June 2015, Council considered the 2014/15 Draft Budget and adopted the following resolution:

*That Council:*

1. *ADVERTISES the 2015/16 Draft Budget in accordance with the Community Consultation Policy No 4.1.5;*
2. *NOTES that any public submissions received in response to advertising of the Draft Budget will be presented to Council for consideration; and*
3. *APPROVES BY ABSOLUTE MAJORITY the:*
  - a) *establishment of an Asset Sustainability Reserve, with the following purpose:*  
*“To assist Council in funding its long term asset management objectives by providing a means to spread the cost of intergenerational assets over multiple years”;* and
  - b) *transfer of any surplus for 2014/15 to the new Asset Sustainability Reserve to commence contributing funds to meet the City’s outstanding asset renewal obligations.*
4. *NOTES a comprehensive review of the Long Term Financial Plan will be undertaken in 2015/16, which will include the development of a draft 10 Year Capital Works Program and a review of all cash backed Reserves, with a view to verifying ongoing relevance, funding requirement (linked to Capital Works Program) and identification/clarification of source and level of funding; and*
5. *LISTS the following amendments and inclusions to the 2015/16 Draft Budget for consideration at its Special Meeting (Budget Adoption) scheduled for 7 July 2015:*
  - (i) *An additional amount of \$4,500 for Anzac Cottage Centenary Celebrations under Festival Funding;*
  - (ii) *Litter Bins Renewal program - \$20,000;*
  - (iii) *Outdoor Playground Shade Sail – Highgate Primary School Kindergarten – \$5,000 (50% contribution);*
  - (iv) *Replacement of North Perth Bus Shelter - \$10,000;*
  - (v) *Funding for creating new garden areas – North Perth Town Centre – \$20,000;*
  - (vi) *Funding for new playground addition – Oxford Reserve – Ropes set – \$12,000*

A final Budget Workshop was held on Wednesday 17 June 2015, to cover:

- Revised forecast result for 2014/15
- Proposed changes to the Draft Budget as advertised
- Rates submissions
- Required changes to the Capital Works Budget

#### **DETAILS:**

In developing the Draft Budget, a review was undertaken of the current financial position and past budget decisions and practices that have contributed to this position. Detail of that review has been incorporated into a comprehensive Budget Commentary document (see **Attachment 1**).

Key observations from that review that have been used to inform the Draft Budget include:

- The City’s Underlying Operating result (operating income less operating expenditure) for the last five years has consistently been a deficit.
  - Recent Budgets have repeatedly factored in a positive Opening Balance, however the actual Closing Balance for the previous year have subsequently been reported as significant deficits. This translates to an understatement of the budget deficiency that is used to calculate what is required to be made up from Rates. The level of the Deficit has grown from \$2.2 million at 30 June 2011 to \$4.7 million at 30 June 2014.
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- The Own Source Revenue Coverage Ratio for 2012/13 was in the ‘Intermediate’ standard, 2013/14 in the ‘Advanced’ standard and also reached the ‘Advanced’ standard in the 2014/15 Revised Budget. This ratio measures a local government’s ability to cover its costs through its own revenue efforts. This is generally a good outcome, demonstrating that despite the operating deficits, the City had the capacity to fund its operations, including the depreciation component (which can loosely be aligned to renewal expenditure demand).
- The Asset Sustainability Ratio for 2013/14 was 0.5 and 0.4 for the 2014/15 Revised Budget, which indicates the City would not have been replacing or renewing existing assets at the rate the overall asset stock was wearing out.
- The City has the lowest Minimum Rate in the metropolitan area, when the waste collection charge is factored in and the fourth lowest rates of the 29 local governments benchmarked.
- The City appears to have a significant proportion of depreciable assets, including buildings and other structures that contribute to the level of depreciation which is a leading factor to some of the unfavourable Ratio results.

The 2014/15 Draft Budget as presented, includes the following components:

- Statutory Budget Statements (**Attachment 2**)
  - Statement of Comprehensive Income by Nature or Type – this statement details the Operating income and expenditure categorised by the nature of the income or expenditure, together with non-operating (capital) grants and profit/loss on asset disposal. Details of the 2014/15 Adopted and Revised Budget, together with projected (forecast) Actual are included for comparative purposes.
  - Statement of Comprehensive Income by Programme – this statement categorises the income and expenditure by the Program (function) it applies to. This schedule also details the distribution of the profit and loss and capital grants by Programme.
  - Rate Setting Statement – this statement identifies the amount of rates necessary to undertake all activities for the year, once all income is recognised, non-cash items are adjusted back, Reserve transfers are incorporated and opening and closing balances are factored in.
- 2015/16 Draft Capital Budget (**Attachment 5**)
- Fees and Charges Schedule (**Attachment 6**)

### Operating Budget

	2012/13	2013/14	2014/15			2015/16		2015/16
	Audited Actual	Audited Actual	Adopted Budget	Revised Budget	Forecast	2 June 2015 Draft Budget	30 June 2015 Draft Budget	Variance
<b>REVENUE</b>								
Rates	23,825,952	25,362,390	26,909,021	27,302,021	27,478,028	29,063,813	29,396,786	332,973
Operating Grants, Subsidies and Contributions	1,567,459	1,435,384	2,473,885	1,493,840	2,143,098	1,565,895	987,530	(578,365)
Fees and Charges	15,304,231	19,187,447	20,337,630	20,747,640	19,769,844	20,984,415	20,984,415	0
Interest earnings	1,243,366	897,486	854,120	854,120	976,644	785,980	785,980	0
Other Revenue	3,590,513	1,099,417	163,975	1,144,020	1,279,208	1,128,305	1,201,655	73,350
	<b>45,531,521</b>	<b>47,982,124</b>	<b>50,738,631</b>	<b>51,541,641</b>	<b>51,646,822</b>	<b>53,528,408</b>	<b>53,356,366</b>	<b>(172,042)</b>
<b>EXPENDITURE</b>								
Employee Costs	(20,737,967)	(22,996,728)	(19,008,330)	(23,431,355)	(23,615,186)	(24,790,490)	(24,790,490)	0
Materials and Contracts	(14,495,855)	(14,385,556)	(15,054,925)	(14,976,846)	(14,470,610)	(15,728,520)	(15,771,385)	(42,865)
Utility Charges	(1,983,195)	(2,176,874)	(1,914,770)	(1,970,960)	(2,005,514)	(1,946,150)	(1,946,150)	0
Depreciation on Non-Current Assets	(8,906,059)	(11,760,170)	(8,566,790)	(11,223,490)	(11,184,659)	(11,144,595)	(11,058,555)	86,040
Interest Expenses	(1,199,652)	(1,145,812)	(1,096,580)	(1,096,580)	(1,163,568)	(991,375)	(1,096,280)	(104,905)
Insurance Expenses	(794,498)	(878,414)	(915,330)	(1,136,305)	(1,114,027)	(1,009,145)	(1,009,145)	0
Other Expenditure	1,204,412	(449,721)	(4,972,685)	(888,170)	(648,860)	(156,870)	(176,650)	(19,780)
	<b>(46,912,814)</b>	<b>(53,793,275)</b>	<b>(51,529,410)</b>	<b>(54,723,706)</b>	<b>(54,202,424)</b>	<b>(55,767,145)</b>	<b>(55,848,655)</b>	<b>(81,510)</b>
<b>OPERATING RESULT</b>	<b>(1,381,293)</b>	<b>(5,811,151)</b>	<b>(790,779)</b>	<b>(3,182,065)</b>	<b>(2,555,602)</b>	<b>(2,238,737)</b>	<b>(2,492,289)</b>	<b>(253,552)</b>

The above table shows the movements in the Operating Budget since 2012/13 and also highlights the changes in the Operating Budget since considered by Council on 2 June 2015. The changes are detailed below:

- Rates: the City has finalised all interim rating and has updated the GRV, which saw the GRV base increasing by approximately \$4.5 million since the original modelling was undertaken. The updated valuation is what the rates will be levied on in 2015/16. The increase in the valuation, plus an adjustment to the level of interim rates expected in 2015/16 has seen this budget line increase by \$0.333 million.  
It is of note that the rates issued in 2014/15 exceeded the budget. That can arise if the latest valuations are not applied in the modelling, which is not the case for 2015/16.
- Grants, Subsidies & Cont: The budget has been reduced as a result of the Government prefunding 50% of the 2015/16 Financial Assistance Grant on 30 June 2015. As a result, this must be recorded as income to 2014/15 (see increased forecast).
- Other Revenue: This is a combination of:
- reducing the budget for Insurance Claims Recouped by \$20,000; and
  - increasing the income budget for Management Fees by \$93,350. This relates to a proposal to increase the City's fee for managing the Leederville Gardens Retirement Village. A review of the resourcing cost of this service has identified that a fee of \$150,000 is warranted.
- Materials and Contracts: The variation is a combination of:
- A \$24,000 increase was originally allowed to cover an increase in the annual Perth Parking Licence (levy). The new rate as published in the Government Gazette is a 22.4% increase in the fee (\$995.80 per bay up from \$813.30). As a result, the budget has been increased by \$38,365; and
  - Council's resolution of 2 June 2015 provided for the listing of an additional amount of \$4,500 for Anzac Cottage Centenary Celebrations. This amount has been added to the Events budget.
- Depreciation: As part of the transition to a Fair Value method of valuation, the City has been updating valuations on all asset classes. Updated valuations on drainage infrastructure has provided the opportunity to reduce the value of depreciation.
- Interest Expenses: The Government Guarantee Fee (GFEE) payable by Local Government Authorities for loans outstanding with the Western Australian Treasury Corporation is increasing from 0.1% p.a. to 0.7% p.a. This measure was announced in the 2015-16 State budget and applies from 1 July 2015 on the balance of all existing and future debt held by Councils with WATC. This equates to \$104,905 for 2015/16.
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- Other Expenditure:                      The variation is a combination of:
- The City provides an annual operating subsidy to Loftus Community Centre Inc. The budget was increased by \$780 to \$55,670 to provide a CPI increase.
  - As presented at Budget Workshop 3, there was a requirement to increase the Environmental Programme budget by \$19,000 to cater for the 2015/16 Waste Education/Promotion Plan.

The total Operating Revenue is reflecting an increase of 3.5%, compared to the 2014/15 Revised Budget. Significant factors include:

- Rates is a 7% increase on the level levied in 2014/15, of which, approximately 2% is attributable to growth in the GRV rate base.
- The 2014 Federal Budget froze indexation of the Commonwealth Financial Assistance Grants for a three year period commencing 2014/15. Therefore, the relevant budget provision of \$1.129 million will remain the same until 2016/17, however it has been necessary to reduce this budget in 2015/16 by 50% to reflect a 50% prefunding received on 30 June 2015.
- Fees and Charges are providing a moderate 1% increase compared to the 2014/15 Revised Budget, however a 6% increase on the forecast actual for 2014/15. The Fees and Charges Schedule (**Attachment 6**) has been reviewed to update those charges prescribed by legislation and provide appropriate indexation to others.
- Interest on investment is a reduction of 8% reflecting lower interest rates and portfolio balance.

The total Operating Expenditure Budget is reflecting a 2% increase over the 2014/15 Revised Budget. Major factors impacting on the level of increase over 2014/15 include:

- Employee costs are showing a 5.8% increase on Revised Budget and 5% on the forecast actual. This provides for an annual indexation of employee costs, together with a provision for an additional five positions. It is proposed to increase the establishment by seven, however two of those positions are currently on contract in Planning and not an actual increase to the budget.
  - A 19% increase on forecast has been allowed to cover an increase in the annual Perth Parking Licence (levy). It appears the Revised Budget for 2014/15 did not take into account the 2014/15 increase, so the 2015/16 budget is reflecting a 60% increase budget to budget.
  - Leasing costs have been increased by the value of additional equipment leases.
  - An \$80,000 provision for the cost of the 2015 local government elections to be undertaken by the Electoral Commission.
  - Various consultancy fees, including a provision for finalisation of the City's Asset Management framework and other strategic projects associated with the Strategic Community Plan and Corporate Business Plan.
  - A reduction in the Interest Expenses budget was anticipated, partially linked to the reduction in the loan balance following the repayment of Loan No 7 (81 Angove Street), however, that has now been offset by an increase in the Government Guarantee Fee (GFEE) payable by Local Government Authorities for loans outstanding with the Western Australian Treasury Corporation. The GFEE is increasing from 0.1% p.a. to 0.7% p.a. This measure was announced in the 2015-16 State budget and applies from 1 July 2015 on the balance of all existing and future debt held by Local Government Authorities with WATC.
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### Non-Operating Budget

This area of the budget, as detailed in the Statement of Comprehensive Income by Program, provides for Capital Income, with the following proposed for 2015/16:

- Capital Grants directly associated with the Capital Works Program (including carry forwards) totalling \$1.791 million.
- Profit and Loss on Disposal of Assets totalling \$3.716 million. This takes into account the current 'book value' of assets being sold against the total proceeds from the sale. The Rate Setting Statement specifies \$4.662 million for Proceeds from Disposal of Assets , which equates to the following assets:
  - Disposal of Plant - This provides for the sale by trade-in or auction of vehicles due for replacement in 2015/16 and included in the Capital Works Program – Purchase Plant and Equipment. Proceeds are estimated at \$265,000.
  - Sale of Land – This has now been adjusted to include the sale of 291/295 Vincent Street, Leederville, given settlement was delayed to July 2015. This will transfer the proceeds of \$2.6 million from 2014/15 to 2015/16. In addition to these proceeds, the Budget also provides for the dividend payments of \$1.83 million, expected from Tamala Park Regional Council. Total proceeds from the disposal of land is \$4.397 million.

In addition, the Rate Setting Statement also lists the Principal loan repayments scheduled for 2015/16, being \$760,288. This is reflecting a substantial reduction on 2014/15 total of \$1,743,478, which included scheduled principal repayments and a lump sum payout of Loan No. 7.

### Capital Budget

The Draft Budget presented to Ordinary Meeting of Council on 2 June 2015 included a Capital Works Programme totalling \$9,599,984. As a result of forecasting the level of expenditure undertaken on the 2014/15 programme, carry forward projects to the value of \$3,060,813 have been incorporated into the 2015/16 Capital Budget.

The 2015/16 Capital Works Program now lists the following category of projects:

Category	Budget		Budget 2015/16			
	2013/14	2014/15	Total	New	Upgrade	Renewal
Land & Buildings	1,229,000	1,046,475	2,835,272	148,322	1,806,304	880,646
Infrastructure Assets	12,198,585	10,536,703	7,268,125	2,989,212	1,986,755	2,292,158
Plant and Equipment	3,504,166	1,854,775	2,104,650	586,650	95,000	1,423,000
Furniture and Equipment	201,750	209,075	449,300	0	40,000	409,300
	17,133,501	13,647,028	12,657,347	3,724,184	3,928,059	5,005,104
						40%

Funding for the program is being sourced from:

Grant	\$1,791,189
Reserves	\$2,391,223
Municipal	\$8,474,935
<b>TOTAL</b>	<b>\$12,657,347</b>

In addition to the carry forward projects, the following adjustments have been incorporated into the draft from the version reviewed by Council on 2 June 2015:

Land & Buildings (-\$102,450)

- Added \$79,000 additional funding for the Flood lighting project at Charles Veryard Reserve (Budget Workshop 3).
- Reduced Cheriton Street Redevelopment project by \$271,450 in 2015/16 to add carry forward provision.
- Added \$10,000 for Highgate Primary School Kindergarten Shade Sail, with 50% contribution from P&C.
- Added \$72,000 for North Perth Town Hall (Budget Workshop 3)
- Added \$8,000 for North Perth Tennis Club Kitchen Upgrade with funding from the 'sinking fund' (Budget Workshop 3)

Plant & Equipment (+\$27,000)

- Additional replacement of a light vehicle omitted from the replacement program. \$27,000 with trade-in recognised under Proceeds from Sale of Assets.

Infrastructure Assets (+\$72,000)

- Added \$20,000 for North Perth Town Centre Landscape (OMC 2 June 2015)
- Added \$12,000 for Oxford Reserve Installation of Rope Set (OMC 2 June 2015)
- Increase of \$10,000 for Parklets (Budget Workshop 3)
- Increase of \$10,000 to Bus Shelter Refurbishment to provide for replacement of North Perth Bus Shelter (OMC 2 June 2015)
- Added \$20,000 for Litter Bins Renewal Program (OMC 2 June 2015)

Key Projects scheduled to be undertaken in 2015/16 with carry forwards include:

○ Charles Veryard Reserve Clubrooms	\$535,000
○ Charles Veryard reserve Floodlighting	\$308,589
○ Cheriton Street Redevelopment (Community Centre)	\$650,259
○ Britannia Reserve – installation of path lighting (stage 2)	\$140,000
○ Black Spot intersection projects	\$406,914
○ Mary Street Piazza Development	\$335,000
○ Other 'Place Making' Initiatives	\$206,100
○ Bicycle Network and Travelsmart projects	\$1,675,612
○ Greening Plan projects	\$297,500
○ Public Artwork projects	\$277,500

Following Budget Workshop 2, the following adjustments have been made and are drawn to the attention of Council:

For the avoidance of doubt, the following projects deferred by Council during the Budget review last year have not been included in the 2015/16 Draft Budget.

- |  |          |
|--|----------|
| • Forrest Park Croquet Club - W/C & Change rooms | \$40,000 |
| • Woodville Res pavilion - Air con               | \$15,000 |

The principle reason for omitting these projects is that prioritisation should be undertaken in context of the broader asset management review to be undertaken during 2015/16.

It is also of note, that in reviewing the level of expenditure on the 2014/15 capital projects, the \$1.2 million Underground Power Project has not been listed in the carry forward projects due to the status of the consultation. This item will be considered separately by Council.

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### **Cash Backed Reserves**

The Reserve Fund Statement (and Rate Setting Statement) reflects transfers to Reserve of \$4,484,019, with the transfer from Reserves totalling \$2,391,223, thereby providing in 2015/16 for a net inflow to the City's Reserves.

The transfers from Reserve are funding specific projects listed in the Draft Capital Budget. Transfers to Reserves is made up of the following:

- \$203,680 interest earnings from the Reserves and reflects the anticipated income listed in the Operating Budget.
- \$472,577 transfer to the Beatty Park Reserve linked to the net operating position.
- \$250,000 to the Cash in Lieu of Parking Reserve and reflects the anticipated income listed in the Operating Budget.
- \$6,200 to the Loftus Community Centre Reserve and reflects income received from the Lessee as prescribed under the lease for asset management.
- \$57,240 to the Loftus Recreation Centre Reserve and reflects income received from the Lessee as prescribed under the lease for asset management.
- \$10,490 to the State Gymnastics Centre Reserve and reflects income received from the Lessee as prescribed under the lease for asset management.
- \$1,833,333 proceeds/dividend payment from Tamala Park Regional Council.
- \$1,613,964 transfer to the new Asset Sustainability Reserve.

In addition, it is proposed to establish the following two new Reserves:

- North Perth Tennis Reserve
- Leederville Tennis reserve

Whilst ordinarily, rationalisation of Reserves would be recommended, in this instance, it is recognised that existing lease agreements with the respective clubs prescribe a requirement for the clubs to pay an annual contribution to a 'sinking fund' for specific maintenance requirements. For transparency, it is accepted that these should be managed through provision of a specific reserve for each. The budget also provides for past contributions to be credited to each of the reserves in 2015/16.

In respect to the transfers to Reserves, as part of the review of the LTFFP in 2015/16 it is intended to also review the Cash Backed Reserves. This will include reviewing the source of funding and development of policies or guidelines for improved management. This should provide clarity in respect to reserves such as the Beatty Park Reserve and corresponding linkage to annual contribution rates. This may impact on the level of transfer currently proposed.

### **CONSULTATION/ADVERTISING:**

Two consultation processes have been implemented in the lead-up to consideration of the annual budget.

### **CONSULTATION 1 Intention to Implement Differential and Minimum Rates - *Section 6.36(1) of the Act***

It is a requirement that the City make available a document outlining the reasons and objectives for the proposed Differential and Minimum Rates (included as Appendix 1 to the Budget Commentary). That document included the following rationale for the differential rating categories:

- *Given the Gross Rental Value (GRV) of properties is reviewed every three years, different use or zoning categories can be impacted to different degrees by applicable market forces. By rating residential properties at the same rate as commercial and industrial properties, significant variations in valuations can result in substantial shifts in the rate burden.*

*To avoid this, it is proposed to separate Residential properties from other categories of use such as Commercial and Industrial.*

- *In 2014 the City introduced a higher rate in the dollar for the calculation of Council rates on properties classified as Vacant-Commercial. The object of the higher Vacant-Commercial land rate is to encourage the development of vacant land. The reason for this, is that vacant land is often unsightly and unkempt and it can be used for the illegal dumping of rubbish. The development of Vacant-Commercial land will increase the street appeal of suburbs and the vibrancy of town centres.*

**Rationale for the proposed rate in the \$ for each of the differential rate categories:**

- *The rate in the \$ for Residential properties is proposed to increase by 2.8% as part of the overall rate generation requirement.*
- *The rate in the \$ for the Other category is proposed to increase by 8.5% from the 2014/15 level shared with residential properties to create a minor differential between Residential and Other.*

*It is noted that the previous rating strategy applied a single rate in the \$ for all properties (other than the small number of Vacant-Commercial properties) and as a result of the last GRV revaluation, a large proportion of the commercial and industrial properties in this category were levied rates in 2014/15 less than the previous year. As a result, despite the proposed increase, 40% of commercial and industrial properties will still be levied rates lower than 2013/14, with a further 43% being levied rates less than 5% higher than two years previously.*

*It is also recognised that the Other category of properties represent approximately 26% of the GRV rate base within the City of Vincent. The rates proposed to be generated from this category is approximately 26.5% of the total rates levied, closely aligning to the percentage of the rate base.*

An invitation for public comment was included in a Local Public Notice placed in the Guardian Newspaper on 12 May 2015. The three week public submission period for the Differential and Minimum Rates expired on 3 June 2015 and resulted in four submissions being received.

**1. Dudley Maier**

***“While I do not have an objection to the concept of charging differential rates I do object the fact that the City intends to charge commercial properties a 5.5% premium without providing any valid justification for doing so.”***

**Administration Response:**

The City has provided a justification, firstly for the introduction of the Differential Rates and secondly for the level of the Other Category, being designed to align the proportion of income generated with the percentage the properties represent to the overall valuation of the rate base.

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***“The argument that by charging different rates it is possible to counter the effect of inconsistent changes to GRVs every three years is not a strong one. If that was the case I would expect one solution to consider would be to extend differential rates to individual suburbs in order to reflect the relative change in popularity of those suburbs when triennial valuations are undertaken. Nobody has suggested that. It is accepted that the GRVs represent the best approximation of current value at a point in time. The same should apply to the commercial-residential split – people should just accept that rather than pick and choose the values at particular points in time that best suit their argument.”***

**Administration Response:**

The GRV revaluation for 2014/15 resulted in the following average increases in valuation at the category level:

- Industrial properties of 12%
- Commercial properties of 15%
- Residential properties of 31%

As each of these property use types were all on the same rate in the dollar, the process of neutralising the impact of the overall GRV increase meant that any property that had a valuation increase less than 17% would actually receive a rate reduction from 2013/14. This equated to 87% of industrial and commercial properties.

The above situation could have been mitigated had the properties been differentially rated.

In respect to extending the differential rates to suburbs, this is not permitted under the Act.

***“The supporting document states that commercial properties represented 26% of the GRV base and that the differential rate would collect 26.5% of the total rates levied. Both these figures are wrong with the actual percentages being 26.7% and 28.0% respectively when based on figures in the Draft 2015-16 Budget. That is, commercial properties will pay 28.0% of the rates even though they account for 26.7% of the total GRV, or to put it another way, commercial will pay \$370,000 that could be attributed to residential lots.***

***If the City is serious about treating businesses fairly, and accepts the umpires decision with regards to GRVs (i.e. accepts the Valuer General’s independent valuations) then the rates in the dollar should be \$0.06068 for residential and \$0.05974 for commercial.***

***Consideration should be given to phasing in GRV changes as the Water Corporation does. The Act allows it and it would have the reducing the effect of significant relative changes every three years.”***

**Administration Response:**

The supporting document references the “Other” category, not “commercial”. The percentages quoted in the submission result from adding the Other category and Commercial Vacant category together. The rates raised from the Commercial Vacant category is not included in the City’s calculation, to reflect a like for like comparison.

***“With regards to the “Vacant Commercial” category: no realistic justification has been given. The initial proposal was suggested as a means of providing a financial incentive for owners of vacant ‘commercial’ lots to develop their land. Given that the average rates collected from these lots is approximately \$8,300 it is hard to imagine that the \$4,000 ‘penalty’ would be sufficient to change plans for a lot worth significantly more. So in reality this is just a revenue earner.***

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***Where I think the City has got it wrong is that it was defined as 'vacant commercial' but 'commercial' is only a use that can be applied once development has been approved/completed. Savvy owners will simply claim that their lot is a potential residential site and this has been borne out by comments in the variation section of the monthly financial reports.***

***If the City does want to continue with this penalty rate then it would make more sense to change the category to something like 'vacant town/district centres' as both concepts (i.e. vacancy, and the location) are unambiguous."***

**Administration Response:**

The Vacant-Commercial category was established in 2014/15 and the rate in the dollar and minimum rate has been maintained at the same level. Justification for the category has been provided on the basis it is set as a penalty rate.

**2 Debbie Saunders**

***"I strongly object to council placing the majority of the rates burden on commercial premises.***

***It is the tenant who pays the rates for commercial premises, not the landlord. Conversely, rates on residential properties are paid by the landlord, although in both instances it is the landlord who benefits from the asset. You are unfairly burdening small business owners who are already paying separate costs and fees for the council services they utilize.***

***Furthermore, all of the services that businesses pay separately for have increased in cost again, as they do on an annual basis. It is simply untrue for the director of finance, John Paton, to claim businesses are responsible for the largest costs to the City.***

***I believe then that John Carey's motion of allowing businesses that consist of 100sqm or less of floor space, be exempt from having to pay any cash in lieu costs associated with parking shortfalls, to be nothing short of hypocritical and at complete odds on this issue.***

***You should not be waiving already established and expected costs to businesses and then use the "huge" costs that businesses place on Vincent as the rationale for placing a disproportionate share of the rates increases onto those very same businesses.***

***Compared to residential properties, business actually use less services and are less of a cost to council. I request a thorough explanation and breakdown of these apparently "huge costs" that business pose to Vincent.***

***Otherwise, it is difficult to believe that the unfairly low increase to residential rates is anything more than a political sweetener for residents, who just happen to be the voting majority in the upcoming elections.....***

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***Until the figures accounting for this decision can be produced, there is no factual evidence to warrant your proposal.”***

**Administration Response:**

The submission would suggest that justification for the Other category differential rate is based on “huge” costs being placed on the City by business. That has not been contended. Also, the suggestion is being made that Council is “placing the majority of the rates burden on commercial premises”. This is not correct, the majority of the rate base is residential and is the sector that generates the majority of the rates revenue.

The rationale for the differential rating system has been to enable an equitable rates distribution model and avoid the impact of variations in GRV revaluations. The rate in the dollar for the Other category has been set to align the level of income with the percentage the properties represent to the overall value of the rate base.

Importantly, this is structural change, with any variations in the percentages between Other and Residential likely to be resolved through successive budgets as the Minimum Rate for Residential properties is incrementally increased.

**3 N & N Shah**

***“We would like to bring to your attention that as Rentals have dropped very significantly, we hope our Rates should be dropped to an affordable Level.***

***There are a number property 3 Bedroom villa's and houses being advertised at \$450.00 rental per week. After Mortgage, Rates, water Rates and other expenses. A person is left with out pocket expense to pay, which no one would like.***

***My comment is that the Rates should be dropped by 30 percent.”***

**Administration Response:**

The Rates for the majority of residential properties is set to increase by a very modest 2.8%. It is not realistic to expect Council to reduce residential rates by 30%, unless the overall budget deficiency was reduced by an equivalent amount or by transferring the rate burden to the Other rates category.

**4 DV & PD Shah**

***“We have already seen a down turn and as Firstly you need to review GRV which currently is for a 3 Bed house in Mt Hawthorn stands at \$400 weekly and there are a lot of rentable propertys still unable to rent out because of the collapse of the mining. Overall it is difficult to get any returns as the water rates also have gone up and now you intend to increase the rates as well.***

***Overall you need to adjust the rates to the situation now as we are the ones who voted for not amalgamating it to the city of perth in fear of rate rises which is happening.”***

**Administration Response:**

Gross Rental Values are reviewed every three years by the Valuer General's office. The rate rise for this Unit would be 2.8%, which is considered a modest increase.

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## **CONSULTATION 2 Draft Budget - Community Consultation Policy No. 4.1.5.**

Policy No 4.1.5 prescribes community consultation process for the Draft Budget for a period of 14 days. A local Public Notice was advertised on 9 June 2015, with submissions closing on 25 June 2015. This process resulted in three submissions being received within the consultation period.

It was subsequently noted that the Draft Budget published included in error an incorrect rate Setting Statement. The Statement was an earlier version than that presented to Council. The other areas of the Draft Budget have been verified. Whilst this is unfortunate, it is not considered to make a material difference to the consultation process.

### **1 Andrew Main**

***"I take the opportunity to provide my comments on the draft budget as requested. I only have a few comments.***

- 1. It is proposed to resurface Alfonso St, but to be honest, I can't see any reason to spend money on this activity as the road appears to be in good condition and has low traffic numbers."***

#### **Administration Response:**

The Alfonso Street carriageway surface has deteriorated and requires intervention with an asphalt overlay to prolong the life of the asset and prevent the need for a more expensive road upgrade in the future. The Alfonso Street resurfacing project is fully funded under the 2015/2016 Commonwealth "Roads to Recovery Program".

- 2. "Claverton St North Perth is on a slope and seems to carry a reasonable amount of traffic which also seems to travel quite quickly. It is also a narrow street and so I have often thought that some form of traffic calming is warranted."***

#### **Administration Response:**

The City receives numerous requests for Traffic calming during the year. Following investigation and if warranted, the matter is either referred to the WA Police (who are responsible for speed enforcement in the state) or depending on the data i.e. traffic volume, speed, accidents, or location, a proposal is developed and progressed through the City's Integrated Traffic Advisory Group. The community is then consulted and if there is consensus that traffic management is required, Council may consider allocating funding in a subsequent financial year. With regards to Claverton Street, the City will undertake a preliminary traffic assessment to determine whether this warrants further investigation.

- 3. "The Cleaver precinct has been designated as a 40km zone, however, there are limited traffic calming measures installed in the precinct. Furthermore, signage is limited and given the width of the street, the road environment does not discourage motorists from exceeding the speed limit. There is a 3yo kindy on Strathcona St where traffic passes at an unsafe speed. My feedback is that a traffic calming regime for the precinct should be developed and implemented. This could include the provision of bike lanes as it could become an even more popular bike route."***

#### **Administration Response:**

This 40kph zone was approved and implemented by Main Roads WA (MRWA) some years ago. Cleaver and Carr Streets are on a bus route so the traffic management was approved to accommodate buses. The other streets in the zone were also treated appropriately at the time to comply with relevant MRWA 40kph guidelines. Recently the signage was upgraded by MRWA to make it more compliant with WA Police enforcement requirements. Bike lanes on Carr Street have been investigated and may be implemented as the Vincent bike network rolls out.

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4. ***“Fitzgerald St between Newcastle and Carr Streets has been in need of ‘beautification’ works for decades. I was wondering when the City might consider planting trees on this part of the street, to at least provide some shade at some stage in the future. Charles St between Carr and Newcastle is a similar case – currently a very unpleasant street.”***

**Administration Response:**

The City’s focus is currently on beautification of Town centres and other areas where planting/landscaping can be accommodated. With the State Governments desire for high frequency buses and possible future MAX rail which will require significant road changes any beautification works in this area have been placed on hold.

**2 Dudley Maier**

***“While I do have some concerns about the level of detail in the draft budget I think that the increase in focus on asset replacement and a long term financial plan is a great initiative and the new Director is to be congratulated for the initiative.***

***My main concerns with the budget are:***

- ***The inequitable commercial rate***
- ***The size of the overall increase in rates***
- ***The failure to accurately incorporate the likely 2014-15 outturn in the calculations***
- ***The lack of details about the non-recurrent activities”***

Full details of the submission are included in **Attachment 2**.

**Commercial Rate**

***“Fundamentally, no valid justification has been provided for charging businesses at a higher rate than residential; and if the principles suggested were actually applied business rates would increase at a lower rate than residential.”***

**Administration Response:**

See comments provided previously for ‘Intention to Implement Differential and Minimum Rates’.

**Increase in Rates**

***“In summary, the 6.5% increase is excessive given the unrealistic capital works plan. A rigorous review of the capital works programme should be undertaken to develop a realistic program; this review should seriously consider the administration’s ability to manage/participate in the program and not just the financial aspects (i.e. are there enough human resources to complete the program); and the reduction in funding should be used to reduce the rates imposed from 6.5% although I think that some of the reduction could be used to increase the amount going into the new reserve.”***

**Administration Response:**

The 2014/15 Adopted Budget included a capital works program totalling \$16,895,834 inclusive of carry forwards from the previous year. The program was subsequently adjusted down and the Revised Budget was \$13,635,678 which included \$1.2 million for an underground power project.

The 2015/16 Budget has a capital works program of \$12,657,347, inclusive of \$3,060,813 in carry forwards (which does not include the underground power project). Given the nature and scale of the projects listed in the capital works program, and that a substantial proportion of the carry forward projects have actually commenced, it is considered that the program is achievable.

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Notwithstanding, it is proposed to undertake strategic planning during 2015/16 which will facilitate the development of a sustainable 10 Year Capital Works Programme for integration into the City's Long Term Financial Plan.

**Lack of expected outturn**

***“The budget should have had a 30 June expected outcome column rather than the actual expenditure at a particular date.”***

**Administration Response:**

This comment is supported. Administration has been continuously updating the high level forecast, with the totals included in the Rate Setting Statement to provide an estimate for the end of year position. It would be possible for this information to be included on the 'Income Statement – Detailed Nature and Type.

**Lack of detail in non-recurrent activities**

***“Future budgets should provide an explanation of any new programme/project, and any significant variance between the current year budget/outturn and the next year budget.”***

**Administration Response:**

Administration will be looking for ways to improve the budget development process for 2016/17 and will note this suggestion.

**Heritage grants**

***“I am not sure of the real value of the heritage grants as currently structured. They reinforce the idea that a ‘heritage’ property is more expensive to maintain than one that has not been listed. Given that listing is effectively voluntary, there could be an expectation that owners already intend to do the right thing. The grants are also not means tested so I have seen a neurosurgeon have their tuck-pointing subsidised by the community. Spending the money on advice, both at the individual and community level, may be more equitable than giving individual owners a grant.”***

**Administration Response:**

Commentary noted.

**Bike Plan**

***“The justification of the \$800,000 in new expenditure is a reference to the OMC of 25 February 2014. That council decision did not extend to any new project, it merely referred to a couple of phases that are complete or near completion (i.e. Vincent, Bulwer, Oxford and Scarborough Beach Road). Given that the City has pretty much abandoned the actual bike plan I think that it is time to develop a proper plan which is integrated with surrounding local authorities, and looks beyond just providing on-road lanes. As a cyclist, the feeling I get is that the City is keen on demonstrating a support for cycling without focussing on the best bang for the buck. It is trying to be popular rather than effective.***

**While I expect that there will be an argument that the plan has not been abandoned the facts indicate otherwise.**

**The paths that have been developed were not the ones identified by the original implementation plan. Additionally, the plan contained recommendations on a large number of small items that could be implemented over time. The Administration was requested to provide plans and costings each March for the following year so that these small projects could be identified and budgets identified. It has never happened and a ‘trust us’ approach has been adopted.”**

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**Administration Response:**

The City has pursued the Strategic recommendations as outlined in the Bike Plan, which clearly identified the three projects which the City has pursued and is delivering.

Significant improvements to the recommendations have been made in consultation with stakeholders such as the City's Integrated Transport Advisory Group, the Department of Transport and Main Roads WA as well as internationally respected Cycle infrastructure engineer Herbert Tiemens, in order to deliver 'best practice' infrastructure, given the limitations of each area's road widths and road order hierarchy.

Some elements have not as yet been tackled due to complexities (extending Scarborough Bch Road lanes to Main Street would have to be done in consultation with the City of Stirling) and the Department of Transport has been undertaking a protracted review of the Local Bicycle Network in Perth, which will affect their recommendations for Local and Perth Bike Network routes.

A formal maintenance/small projects plan has not been progressed, though items are attended to as identified. The City has made repeated contact with Main Roads WA on the need to renew the Mitchell Freeway Principal Shared Path, with the current status being 'patch up' work only being conducted on that infrastructure.

**Fees and Charges**

*"I feel that \$31 to get a copy to the audio-visual recording of a council meeting is excessive. To be honest I always thought it was \$16. If council wants to be more transparent it would automatically put the recordings on the internet, possibly using a service like Vimeo than its own server. "*

**Administration Response:**

The fee is based on the administrative cost of burning the recording onto CD.

**3 Highgate Primary Parents and Citizens Association**

*"As you are aware, Highgate Kindergarten parent, Ms Maria Daniele is a staunch advocate for shade sails for the playground areas at the 4 Broome Street location.*

*The newer section of playground was developed in 2014 following a successful BankWest grant application by kindy parents. The grant did not cover shade cloths for the area.*

*A recent P&C meeting endorsed Maria's quest to provide increased shade in the outdoor play areas and agreed in principle to allocate some funds for a component of the final project.*

*The overall cost is beyond the immediate P&C capacity given larger development activity on the main school site on Lincoln Street.*

*Any assistance the City of Vincent is able to provide ahead of the 2015 summer months would be greatly appreciated."*

**Administration Response:**

This matter was discussed at Budget Workshop 3 and as a result, the following item has been listed in the 2015/16 Capital Works Program:

**Highgate Primary School Kindergarten - Outdoor Playground Shade Sail**

Budget \$10,000 with 50% funding by the City.

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**LEGAL/POLICY:**

The following clauses from the *Local Government Act 1995* are relevant to the preparation of the Annual Budget.

**6.2. Local government to prepare annual budget**

- (1) *During the period from 1 June in a financial year to 31 August in the next financial year, or such extended time as the Minister allows, each local government is to prepare and adopt\*, in the form and manner prescribed, a budget for its municipal fund for the financial year ending on the 30 June next following that 31 August.*  
*\* Absolute majority required.*
  - (2) *In the preparation of the annual budget the local government is to have regard to the contents of the plan for the future of the district made in accordance with section 5.56 and to prepare a detailed estimate for the current year of —*
    - (a) *the expenditure by the local government; and*
    - (b) *the revenue and income, independent of general rates, of the local government; and*
    - (c) *the amount required to make up the deficiency, if any, shown by comparing the estimated expenditure with the estimated revenue and income.*
  - (3) *For the purposes of subsections (2)(a) and (b) all expenditure, revenue and income of the local government is to be taken into account unless otherwise prescribed.*
  - (4) *The annual budget is to incorporate —*
    - (a) *particulars of the estimated expenditure proposed to be incurred by the local government; and*
    - (b) *detailed information relating to the rates and service charges which will apply to land within the district including —*
      - (i) *the amount it is estimated will be yielded by the general rate; and*
      - (ii) *the rate of interest (if any) to be charged by the local government on unpaid rates and service charges;**and*
    - (c) *the fees and charges proposed to be imposed by the local government; and*
    - (d) *the particulars of borrowings and other financial accommodation proposed to be entered into by the local government; and*
    - (e) *details of the amounts to be set aside in, or used from, reserve accounts and of the purpose for which they are to be set aside or used; and*
    - (f) *particulars of proposed land transactions and trading undertakings (as those terms are defined in and for the purpose of section 3.59) of the local government; and*
    - (g) *such other matters as are prescribed.*
  - (5) *Regulations may provide for —*
    - (a) *the form of the annual budget; and*
    - (b) *the contents of the annual budget; and*
    - (c) *the information to be contained in or to accompany the annual budget.*
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The fees and charges schedule has been reviewed in conjunction with the Budget development. The following provisions are relevant to the implementation of fees and charges.

**6.16. Imposition of fees and charges**

(1) *A local government may impose\* and recover a fee or charge for any goods or service it provides or proposes to provide, other than a service for which a service charge is imposed.*

*\* Absolute majority required.*

(3) *Fees and charges are to be imposed when adopting the annual budget but may be —*

*(a) imposed\* during a financial year; and*

*(b) amended\* from time to time during a financial year.*

*\* Absolute majority required.*

**STRATEGIC IMPLICATIONS:**

Council's budget process is in accordance with Council's Strategic Community Plan 2013-2023 and Corporate Business Plan 2013-2017, Objective "4. Leadership, Governance and Management":

*"4.1.2 Manage the organisation in a responsible, efficient and accountable manner"*

*"4.1.4 Plan effectively for the future":*

**SUSTAINABILITY IMPLICATIONS:**

A substantial part of the preparation of the Draft Budget has been establishing a better understanding of the City's current financial position and long term financial sustainability. This process has revealed a range of issues that impact on the confidence level of the City's forecasting capability beyond a 12 month period. This is primarily due to the following issues:

- The standard of the Strategic Community Plan and associated Corporate Business Plan and level of integration to the City's Resourcing Plans;
- The extent of asset data available to support the Asset Management Plans, to define and effectively plan for asset renewal/replacement requirements; and
- The absence of a 10 Year Capital Works Program to inform the Long Term Financial Plan.

Plans are being developed and factored into the 2015/16 Draft Budget to prioritise the implementation of a range of corporate projects over the next 12 months to develop the strategic management capacity of the City. This includes the review of the Strategic Community Plan, Corporate Business Plan and to progress the asset management data capture and renewal planning. This will enable an integrated approach to the 2016/17 Budget preparation, including development of an informed 10 Year Capital Works program, which will in turn facilitate the enhancement of the City's 10 Year Long Term Financial Plan.

In the interim, the development of the 2015/16 Draft Budget, has been undertaken with a view to improving some of the fundamentals for long term financial sustainability. This includes a number of Budget Principles proposed to establish guidelines, objectives and strategies to progressively enhance the financial performance of the City and ensure sustainable service delivery for our community. These include the establishment of an Asset Sustainability Reserve to enable the accumulation of funds for the capital renewal expenditure associated with the City's intergenerational assets.

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**FINANCIAL/BUDGET IMPLICATIONS:**

Subject to Adoption of the Budget on 7 July 2015, the Rates notices would then be able to be distributed from 27 July 2015. Fees and Charges are set to increase on Monday 13 July 2015, unless set by a Statutory Authority to commence on any other date.

**COMMENTS:**

The Budget Commentary document supporting the draft Budget presented to the 2 June 2015 OMC, included the following reference in respect to the 2014/15 end of year position:

*This result is calculated on the assumption that all capital works are complete and grant funding received. Whilst it is known this situation is unlikely, it is designed to enable the development of the 2015/16 Budget without factoring in carry forward projects. In reality, the closing position will be proportionately higher due to the residual funding for the carry forward projects.*

This approach was taken as it was planned that the funding requirement for 2015/16 could be considered in isolation of the previous year. Two late factors have been introduced that impact on this:

- The delay in settlement of the sale of Lot 291/295 Vincent street, Leederville; and
- The early release of 50% of the 2015/16 Financial Assistance Grant.

As reflected in the statement above, it was planned that the closing balance for 2014/15 would be the equivalent of the Municipal funded carry forward projects (\$2,150,379), with any other surplus deposited into the Asset Sustainability reserve. The City was on track to achieve that outcome, subject to the proceeds from the sale.

Given the delay in the settlement, the closing balance is insufficient to fund the carry forward projects, however the inclusion of the sale into the 2015/16 Budget offsets this shortfall. Therefore, over the two accounting periods the outcome is balanced. It should be noted, this is a significantly better position the City has been in over the past five budgets.

The 2015/16 Draft Budget is considered overall, to be a consolidating budget. Operationally, it is stable, with the Capital Budget funded within the annual financial capacity. However, it is recognised that the state of data held on the current condition and renewal/replacement requirements for depreciable assets, means there is a risk that an asset renewal backlog liability exists.

This risk is supported by various prescribed ratios which would indicate the City has not been consistently renewing and replacing its assets at the same rate that they have been consumed (as reflected through depreciation). Given the experience of other local governments in dealing with significant asset renewal backlogs, a major focus of this budget has been to commence a process of quantifying the risk and developing funding strategies.

To assist in this process, a range of Budget Principles have been proposed to assist in guiding future decisions. The financial assessment and rationale is detailed in section 8 of the Budget Commentary document, however the general premise is the City has a stewardship role of assets that provide services across generations. It is therefore important that servicing of those inter-generational assets, including decisions of maintaining, renewing and replacement are undertaken within a long term and sustainable financial framework, minimising impacts on rates and/or debt levels.

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In order to achieve this, within the financial capacity of the community, this will involve a range of strategies, including:

- optimising the level of rates generated;
- identifying opportunities for widening or increasing the City's other source revenue;
- reviewing the range and standard of services provided by the City;
- seeking opportunities to achieve operational efficiencies; and
- prioritisation of asset renewal within the capital works program.

A number of submissions were received in response to the published invitation to comment on the proposed Differential and Minimum Rating, together with the Draft Budget. However it is considered the Budget and associated Rating strategy are fundamentally sound and reflect prudent management and financial planning.

At the end of the consultation process for the Draft Budget, it was confirmed that the Draft Budget published included in error an incorrect rate Setting Statement. The Statement was an earlier version than that presented to Council on 2 June 2015. The other areas of the Draft Budget have been verified. Whilst this is unfortunate, it is not considered to make a material difference to the consultation process.

Accordingly it is proposed that the Draft Budget be adopted as presented.

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