

**5.3.4 2016/17 Draft Budget**

<b>Ward:</b>	Both	<b>Date:</b>	11 July 2016
<b>Precinct:</b>	All	<b>File Ref:</b>	SC245
<b>Attachments:</b>	<a href="#">1</a> – Draft Budget Commentary <a href="#">2</a> – Statutory Statements <a href="#">3</a> – Draft Capital budget <a href="#">4</a> – Summary of Income and Expenditure by Service Unit <a href="#">5</a> - Supporting Schedules <a href="#">6</a> - Fees and Charges		
<b>Tabled Items:</b>	-		
<b>Reporting Officer:</b>	J Paton, Director Corporate Services		
<b>Responsible Officer:</b>	J Paton, Director Corporate Services		

**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 Attachments 2 and 3 for the 2016/17 financial year, which includes:

- 1.1 Statement of Comprehensive Income by Nature and Type showing a net result for that year of \$2,286,641 as detailed on Attachment 2 page 2.1;
- 1.2 Statement of Comprehensive Income by Program showing a net result for that year of \$2,286,641 as detailed on Attachment 2 page 2.2 and 2.3;
- 1.3 Rate setting Statement showing an amount required to be raised from rates of \$31,075,530 as detailed on Attachment 2 page 2.4;
- 1.4 Statement of Cash Flows showing a net cash provided by operations of \$9,069,624 and net decrease in cash held of \$1,634,837 as detailed on Attachment 2 page 2.5;
- 1.5 Notes to and Forming Part of the Budget as detailed on Attachment 2 pages 2.6 – 2.41;
- 1.6 Transfers to / from Reserves as detailed on the Reserve Fund Statement as detailed on Attachment 2 page 2.30; and
- 1.7 Capital Works Program showing a total of \$13,761,598 as detailed on Attachment 3 pages 3.1 – 3.8.

**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 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 6.124 cents in the dollar
  - Commercial Vacant 11.914 cents in the dollar
  - Other 6.463 cents in the dollar
- 2.2 **Minimum Payments**
  - Residential \$1,007
  - Commercial Vacant \$1,414
  - Other \$1,007

**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	14 September 2016
(b)	Second instalment	14 November 2016
(c)	Third instalment	16 January 2017
(d)	Fourth instalment	20 March 2017

**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 \$13.00 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 instalment 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 (5) of the *Local Government (Financial Management) Regulations 1996*, **ADOPTS** the monthly reporting variance for the 2016/17 financial year of 10% or more, where that variance is also more than \$10,000;

**5. RESERVES**

5.1 Pursuant to Section 6.11(1) of the *Local Government Act 1995*, **APPROVES** the establishment of the 'Percentage for Public Art Reserve', with the following purpose:

*"This Reserve is established from payment of public art contributions from development applicants and is to be used for the acquisition and provision of Public Art and associated infrastructure."*

5.2 **NOTES** the transfer of the balance from the Aged Persons and Senior Citizens Reserve to Trust and **APPROVES** the closure of the Reserve.

**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 6-7.

**PURPOSE OF REPORT:**

To consider for adoption the Budget for the 2016/17 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.

Budget workshops were held with Council members on 16 February 2016, 22 March 2016, 19 April 2016, 17 May 2016 and 7 June 2016 to progressively compile the Corporate Business Plan and Draft Budget and as a result identify the likely budget deficiency to be made up from Rates, including the potential for introducing a separate Waste Services Charge.

At the Special Council Meeting held 21 June 2016, Council considered a proposal to levy Differential and Minimum Rates and phase in the introduction of a separate Waste Service Charge, initially for Residential properties, with Commercial properties to be introduced in 2017/18. Following consideration, the separate Waste Services Charge was not factored into the following adopted resolution:

*"That Council:*

1. *ADVERTISES* by local public notice, in accordance with Section 6.36(1) of the *Local Government Act 1995* for a period of 21 days its intention to levy the following Differential Rates and Minimum Rates in 2016/17 and invites submissions on the proposal from electors and ratepayers:

	2016/17	
Rating Category	Rate-in-\$	Minimum
Residential	0.0613	\$1,007
Commercial Vacant	0.11925	\$1,414
Other	0.06469	\$1,007

2. *NOTES any public submissions received in response to 1 above will be presented to Council for consideration."*

A final Budget workshop was held on Tuesday 12 July 2016 to provide an update on:

- Any Rates submissions received
- Budget update and amendments since the previous workshop
- Modelling results associated with the preliminary Long Term Financial Plan
- Any further required amendments

In developing the previous 2015/16 Budget, a review was undertaken of the financial position and past budget decisions and practices that contributed to the position at that time. Detail of that review was incorporated into a comprehensive Budget Commentary document.

Key observations from that review that were used to inform the 2015/16 Budget included:

- *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.*
- *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 Budget Commentary document has been updated (see **Attachment 1**) to monitor progression and provide a consistent overview of the financial position, budget influences and sustainability strategies of the City.

#### **DETAILS:**

The 2016/17 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 2015/16 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.
- 2016/17 Draft Capital Budget (**Attachment 3**)
- Summary of Income and Expenditure by Service unit (**Attachment 4**).
- Supporting Schedules(**Attachment 5**).
- Fees and Charges Schedule (**Attachment 6**)

## Operating Budget

	INCOME STATEMENT BY NATURE OR TYPE							
	2012/13	2013/14	2014/15	2015/16		2016/17	Variance	
	Audited Actual	Audited Actual	Audited Actual	Revised Budget	Forecast Actual	Draft Budget	To Revised Budget	To Forecast Actual
<b>REVENUE</b>								
Rates	23,825,952	25,362,390	27,478,028	29,596,786	29,601,380	31,075,530	5.0%	5.0%
Operating Grants, Subsidies and Contributions	1,567,459	1,435,384	2,138,565	1,029,740	1,057,980	1,643,565	59.6%	55.3%
Fees and Charges	15,304,231	19,187,447	19,654,668	20,271,607	19,026,320	19,937,890	-1.6%	4.8%
Interest Earnings	1,243,366	897,486	907,919	920,645	1,085,940	864,460	-6.1%	-20.4%
Other Revenue	3,590,513	1,099,417	1,418,990	1,393,944	1,456,670	1,493,420	7.1%	2.5%
	<b>45,531,521</b>	<b>47,982,124</b>	<b>51,598,170</b>	<b>53,212,722</b>	<b>52,228,290</b>	<b>55,014,865</b>	3.4%	5.3%
<b>EXPENDITURE</b>								
Employee Costs	(20,737,967)	(22,996,728)	(23,287,895)	(24,584,527)	(24,089,370)	(25,112,680)	2.1%	4.2%
Materials and Contracts	(14,495,855)	(14,385,556)	(14,237,564)	(15,883,111)	(15,417,140)	(16,968,930)	6.8%	10.1%
Utility Charges	(1,983,195)	(2,176,874)	(1,913,034)	(2,012,555)	(1,871,330)	(1,947,070)	-3.3%	4.0%
Depreciation on Non-Current Assets	(8,906,059)	(11,760,170)	(11,214,551)	(10,103,230)	(10,084,540)	(10,087,180)	-0.2%	0.0%
Interest Expenses	(1,199,652)	(1,145,812)	(1,163,983)	(1,096,280)	(1,096,280)	(1,048,240)	-4.4%	-4.4%
Insurance Expenses	(794,498)	(878,414)	(1,137,988)	(921,380)	(919,080)	(908,370)	-1.4%	-1.2%
Other Expenditure	1,204,412	(449,720)	(173,107)	88,080	50,450	(227,795)	-358.6%	-551.5%
	<b>(46,912,814)</b>	<b>(53,793,274)</b>	<b>(53,128,122)</b>	<b>(54,513,003)</b>	<b>(53,427,290)</b>	<b>(56,300,265)</b>	3.3%	5.4%
<b>OPERATING RESULT - Surplus / (Shortfall)</b>	<b>(1,381,293)</b>	<b>(5,811,150)</b>	<b>(1,529,952)</b>	<b>(1,300,281)</b>	<b>(1,199,000)</b>	<b>(1,285,400)</b>	-1.1%	7.2%
Non-Operating Grants & Contributions	2,163,779	1,903,855	1,000,136	2,366,854	1,346,930	2,551,355	7.8%	89.4%
Profit/Loss on Asset Disposal	673,018	2,296,451	5,916,720	3,716,718	2,679,150	1,020,686	-72.5%	-61.9%
Revaluation			(36,809)					
<b>NET RESULT</b>	<b>1,455,504</b>	<b>(1,610,844)</b>	<b>5,350,095</b>	<b>4,783,291</b>	<b>2,827,080</b>	<b>2,286,641</b>	-52.2%	-19.1%

The above table shows the movements in the Operating Budget since 2012/13, with the percentage variation from 2015/16 (Revised Budget and Forecast Actual) highlighted. Key factors attributing to the variations are detailed below:

### REVENUE

#### Rates:

The City has finalised all interim rating and has updated the Gross Rental Values, with the GRV base increasing by approximately 1.8%. The updated valuation is then utilised for levying the 2016/17 rates. The increase in the valuation, plus an allowance for interim rates from development during 2016/17 has seen this budget line increase by 5%.

It is of note that the budget deficiency in the RSS has reduced from \$31,102,138 (Special Council Meeting 21 June 2016) to \$31,075,530, therefore it is proposed that the rate increase can be reduced to 2.9% as opposed to the advertised 3%.

#### Grants, Subsidies & Cont:

The budget has been increased to reflect a full year of the 2016/17 Financial Assistance Grant, whereas 2015/16 was only 50% due to a practice of the Government prefunding a portion into the previous financial year.

Fees and Charges	The budget is reflecting an increase of 4.8% over the 2015/16 Forecast Actual but a reduction of 1.6% over the previous Budget. This is reflecting a reduced level of activity impacting on Development and Building Applications and Beatty Park revenue. In addition, the income from Alfresco Licence fees has been removed given a proposal to discontinue the fee.
Interest Earnings	Overall revenue is being forecast to be reduced. This is a reflection of continuing downward trend for interest rates and a reduction of the investment balance with the transfer of the funds previously held in the Aged Persons and Senior Citizens Reserve to Trust.
Other Revenue:	This income area can vary each year depending on circumstances contributing to sundry income. A reduction has been factored in to reflect 6 months income only for management fees (Leederville Gardens).

#### EXPENDITURE

Employee Costs:	A 2.1% increase on budget which includes an additional 4.2 positions to assist in delivering City services.
Materials and Contracts:	A 6.8% increase is proposed, with increases spread across a variety of operational areas. A substantial component relates to delivering on a range of projects listed in the Corporate Business Plan, including specific strategic projects such as a full review of the Strategic Community Plan.
Utility Charges:	A combination of competitive rates being obtained for 'contestable' power and forecast efficiencies in gas consumption is seeing a moderate reduction proposed in the budget.
Other Expenditure:	As a percentage, a significant increase is proposed, however this area covers a wide range of accounts, including donations, overheads and internal cost recoveries. The variation is therefore a combination of circumstances.

#### 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 2016/17:

- Capital Grants directly associated with the Capital Works Program (including carry forwards) totalling \$2.551 million.
- Profit and Loss on Disposal of Assets totalling \$1.02 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 \$1.450 million for Proceeds from Disposal of Assets, which relates to the following assets:
  - \$916,666 for the distribution from Tamala Park Regional Council for land sale activities. This has been reduced from previous forecasts due to a softening in the land sales market.
  - \$533,500 for the sale/trade-in of plant listed for replacement in the 2016/17 Capital Works Program (including carry forwards).

In addition, the Rate Setting Statement also lists the loan principal repayments scheduled for 2016/17, being \$818,840.

## Capital Budget

The 2016/17 Draft Capital Works Programme (**Attachment 3**) lists total projects to the value of \$9,866,998 as summarised below:

Draft Capital Works Budget 2016/17					Funding Source				
Category	Total	Renewal	Upgrade	New	Total	Municipal	Reserve	Grant	Trade-in
Land & Buildings	1,230,860	740,000	265,860	225,000	1,230,860	1,125,860	105,000	0	
Infrastructure Assets	5,595,143	2,378,843	1,263,800	1,952,500	5,595,143	4,033,582	60,000	1,501,561	
Plant and Equipment	2,525,500	2,305,000	127,000	93,500	2,525,500	1,837,774	293,226	0	394,500
Furniture and Equipment	515,495	64,000	100,000	351,495	515,495	417,495	98,000	0	
	<b>9,866,998</b>	<b>5,487,843</b>	<b>1,756,660</b>	<b>2,622,495</b>	<b>9,866,998</b>	<b>7,414,711</b>	<b>556,226</b>	<b>1,501,561</b>	<b>394,500</b>

Following the review of the status of works in 2015/16 and addition of the Carry Forward projects to the value of \$3,894,600, the following table then summarises the full budget for 2016/17.

Draft Capital Works Budget 2016/17 with Carry Forwards					Funding Source				
Category	Total	Renewal	Upgrade	New	Total	Municipal	Reserve	Grant	Trade-in
Land & Buildings	1,597,398	748,281	624,117	225,000	1,597,398	1,492,398	105,000	0	0
Infrastructure Assets	7,890,080	2,827,753	1,605,595	3,456,732	7,890,080	4,804,467	534,258	2,551,355	0
Plant and Equipment	3,537,050	3,176,800	152,000	208,250	3,537,050	2,513,774	489,776	0	533,500
Furniture and Equipment	737,070	275,500	100,000	361,570	737,070	578,570	158,500	0	0
	<b>13,761,598</b>	<b>7,028,334</b>	<b>2,481,712</b>	<b>4,251,552</b>	<b>13,761,598</b>	<b>9,389,209</b>	<b>1,287,534</b>	<b>2,551,355</b>	<b>533,500</b>

In developing the Capital Works Programme, particular attention has been given to the level of expenditure incurred on Renewal/Replacement of Assets. One of the key measures used by the Department of Local Government and Communities (the Department) to determine whether a local government is effectively managing its assets is the Asset Sustainability Ratio. This ratio indicates whether a local government is replacing or renewing existing assets at the same rate that its overall asset stock is wearing out. It is calculated by measuring expenditure on Renewal, relative to the depreciation expense.

The following table demonstrates that the renewal component of the 2016/17 Capital Budget equates to a Asset Sustainability Ratio of 0.7. Whilst that is below the target standard, the City is in the process of developing more detailed data to support a longer term asset renewal programme. It is important to note however, that in addition to the renewal expenditure, the 2016/17 Budget also provides for a transfer to the Asset Sustainability Reserve of \$1.464 million to assist in meeting future expenditure targets.

Ratio	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Budget	2016/17 Budget
Asset Sustainability Ratio	0.87	1.21	1.43	0.50	0.46	0.5	0.70

## Cash Backed Reserves

The Reserve Fund Statement (Attachment 2 page 2.30) and Rate Setting Statement reflects transfers to Reserve of \$5,337,045, with the transfer from Reserves totalling \$1,310,020, thereby providing in 2016/17 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:

- \$206,000 interest earnings from the Reserves and reflects the anticipated income listed in the Operating Budget.
- \$1,464,892 transferred to the Asset Sustainability Reserve.
- \$300,000 transfer to the Beatty Park Reserve associated with a proposal to tender for the replacement of leased gym equipment.
- \$1,493,997 to the Cash in Lieu of Parking Reserve and reflects new contributions, plus transfer of all funds previously held in Trust.

- \$79,750 to various Reserves associated with lease provision.
- \$375,740 to a new Percentage for Public Art Reserve.
- \$916,666 proceeds/dividend payment from Tamala Park Regional Council.
- \$500,000 transfer to Waste Management plant & Equipment Reserve for future plant replacement programme.

As noted above, it is proposed to establish a new reserve 'Percentage for Public Art' to receive contributions levied as a condition of development.

In respect to the transfers to Reserves, as part of the review of the Long Term Financial Plan, a preliminary review of the Cash Backed Reserves has been undertaken. The review has revealed there is the potential to rationalise some reserves and also highlighted issues with the specified purposes of some Reserves.

Rather than dealing with this on an individual basis, it is recognised there is a need to develop a Financial Reserves Policy to establish a framework for the operation of Reserves. The Policy will define under what circumstances a reserve should be established and formalise guidelines defining the requirement for:

- A clear and appropriate Reserve purpose;
- Whether interest will be accumulated;
- The source of funding and basis of calculation of any transfer to the Reserve
- The basis of calculation for any transfer from Reserve
- What is to occur when the Reserve is no longer required

#### **CONSULTATION/ADVERTISING:**

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

#### **CONSULTATION 1 Community Submissions aligned to Council Priorities**

At the Special Council Meeting held 19 April 2016, Council considered a report presenting a range of priorities to be used to guide Council's focus during 2016/17 and to inform considerations for the 2016/17 Annual budget. In addition, Council resolved to invite public submissions from the community, aligned to the Council Priorities for consideration in the development of the 2016/17 Annual Budget.

Notices were published in the Voice News (7 & 14 May) and Guardian Express (10 & 17 May) inviting "*suggestions for programs, projects or improvements that will help deliver Council's Strategic Priorities for 2016/17*". Submissions were to be provided in writing and received prior to 5pm on 23 May 2016. A dedicated webpage was provided with an online form to simplify the submission process and all submissions were processed centrally.

Over 50 submissions were received relating to over 30 proposals, with some duplication. Submissions ranged from upgrading toilet facilities in our popular parks and installing pedestrian crossings, to reviewing the City's Multicultural Plan and funding local service providers.

All submissions have been reviewed and a separate report is listed on the current agenda dealing with this process.

#### **CONSULTATION 2 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. Details are provided on the City's website, which includes the following rationale for the differential rating categories:



### **Residential Category**

*The Residential rate is the base differential general rate or benchmark for other differential rates. It imposes a differential general rate on land used primarily for residential purposes.*

*The object of this proposed rate is to ensure that all ratepayers make a reasonable contribution towards the services and facilities provided and maintained by the City. The proposed rate is 6.13 cents in the dollar and a minimum payment of \$1,007.*

### **Other (Commercial or Industrial) Category**

*The Other rate is imposed on properties that are primarily used for commercial or industrial purposes. Examples of properties that fall within this category are retail shops, warehouses, offices, garages, and generally those spaces meant to attract groups of people for business purposes.*

*The object of this proposed differential rate is to manage the impact of significant variations in valuations between the categories, which can result in substantial shifts in the rate burden. The proposed rate in this category is 6.469 cents in the dollar and a minimum rate of \$1,007.*

### **Vacant Commercial**

*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 main reason for this differential rate is that, vacant land is often unsightly and unkempt and it can be used for the illegal dumping of rubbish and other illegal purposes which can be a burden to the residents in the City. The City considers the development of Vacant Commercial properties to be in the best interests of the community as it will increase the street appeal of suburbs and the vibrancy of town centres. The proposed rate in this category is 11.925 cents in the dollar and a minimum payment of \$1,414.*

### **Objects for Minimum rating**

*Rates are calculated by multiplying a property's assessed GRV by the adopted rate-in-the-\$. However, councils can apply a minimum rate, which recognises that all ratepayers have an equal opportunity to enjoy the facilities and services provided by Council, regardless of the value of their property. It is generally accepted that a property's value bears little relation to the landowner's use of Council facilities and services, therefore the application of a minimum rate is considered to be a fairer outcome.*

*The balance between the rate in the \$ and level of the Minimum Rate is important in establishing equity and ensuring an optimal level of revenue from a nominated rating level.*

As noted earlier, Council resolved to advertise Differential and Minimum Rates at the Special Meeting of Council on 21 June 2016. Public submissions were invited by way of a Local Public Notice, with the submission period closing Monday 18 July 2016.

**It is noted that the submission period is still open, however no submissions have been received to date. An update will be provided at the Briefing Session following the close of the submission period.**

**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.*

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":*

It is noted however that a major review of the Strategic Community Plan is underway and that a separate report is listed on this agenda dealing with the review of the Corporate Business Plan.

**SUSTAINABILITY IMPLICATIONS:**

There are a range of issues that impact on the confidence level of the City's forecasting capability, primarily due to the following:

- 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.

This situation is steadily being enhanced, with improved building asset data capture undertaken in 2015/16 and further work proposed over the next 12 months in developing service standards and long term renewal plans. In addition a major review of the Strategic Community Plan has been initiated, which will inform further reviews of the Corporate Business Plan and enable an integrated approach to the preparation of a 10 Year Capital Works program.

In the interim, a preliminary review of the Long term Financial Plan has been undertaken, based on available data and nominated parameters to gain a general understanding of the City's financial position going forward. Given the improvement achieved over the last two years and a continuation of prudent budget practices, the preliminary results are reflecting a reasonably favourable and manageable outlook.

**FINANCIAL/BUDGET IMPLICATIONS:**

Subject to Adoption of the Budget on 26 July 2016, the Rates notices would then be able to be distributed from 8 August 2016. Fees and Charges are set to increase following the Budget adoption, unless set by a Statutory Authority to commence on any other date.

**COMMENTS:**

The 2016/17 Draft Budget is considered overall, to be a consolidating budget, but continuing to build on a prudent and sustainable approach. Operationally, it is stable, but with a strong alignment to the reviewed Corporate Business Plan. The Capital Budget includes a total level of planned expenditure of \$13.762 million and is fully funded within the City's annual financial capacity.

Opportunities have been investigated for the introduction of efficiencies and these have included:

- Reviewing the management of leases to ensure appropriate apportionment of costs and maintenance responsibilities;
- Reviewing the use of equipment operating leases to ensure best value;
- Undertaking a competitive procurement process for contestable electricity sites.

It is of note that it was intended to levy Rates based on a 3% increase, however an improved result from 2015/16 has allowed for an increase in strategic projects, capital works, transfer to reserves and a minor reduction in rates resulting in the proposed rate in the dollar increase recommended in this report being 2.9% as opposed to the advertised 3%.

Overall, it is considered that the 2016/17 Draft Annual Budget is a positive outcome, delivering a good balance between the level of service provided and cost implications on the community. Accordingly it is proposed that the Draft Budget be adopted as presented.