

MAYOR'S BUDGET REPORT

It is with pleasure that I present the City of Wanneroo's 2007/2008 Budget which will see nearly \$100 million invested in our community.

Over the next 12 months the City of Wanneroo will see the most significant investment yet in our youth, families, seniors, environment and local jobs in our 100 year history.

Around \$2200 per household will be spent on meeting the needs of WA's fastest growing local government authority (with a population forecast of 250,491 in 2021).

The 2007/8 Budget will see the start of a long term financial plan designed to meet the needs and expectations of our rapidly growing community whilst underpinned by sound financial management.

It is only by taking a long term approach to responsible financial management of our City's Budget that we can hope to meet our challenges.

Combined with extensive community services and facilities, innovative environmental initiatives and funding for community groups, ratepayers' rates are adding value to their community while ensuring a vibrant future.

We will accept ongoing maintenance of approx 62 hectares of public open spaces and streetscape. Along with new improved community facilities at areas such as Kingsway, Girrawheen and Quinns, we will expand on our extensive range of community programs such as the GOLD (Grow Old Live Dangerously) program for seniors.

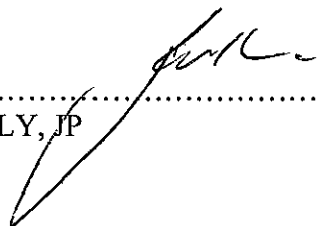
We will build on our past achievements such as the Clarkson Library and the Carramar Community Centre with exciting developments including the new Cultural and Learning Centre, Yanchep/Two Rocks foreshore management plan and the Butler Community Centre.

\$9 million will be invested in employment and economic development opportunities, which will deliver strong returns for the community for years to come, in excess of \$120 million.

We are committed to sound environmental management and are working with the community to reduce greenhouse gas emissions with our Energy Action Plan. We are also minimising the impact of our City's growth on the environment through our Smart Growth strategy. The State Government's repayment of a \$3 million loan for the Hester Avenue bridge will be invested in new recycling bins and bin collection service for all households in the City of Wanneroo.

From revitalising our community spaces, to spearheading key capital works projects and improving our well renowned community services, we are addressing our City's rapid growth through smart investments that honour both our civic and cultural heritage and future sustainability.

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JON KELLY, JP
MAYOR



BUDGET CERTIFICATION

This is to certify that the City of Wanneroo 2007/2008 Budget, being the Income Statements, Cash Flow Statement, Rate Setting Statement, Statement of Rating Information and supporting notes for the year ending 30 June 2008, was adopted by Council at a Special Meeting held on 20 July 2007 and is in accordance with the *Local Government Act 1995* and *Finance Regulations*.

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JON KELLY, JP
MAYOR

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DANIEL SIMMS
ACTING CHIEF EXECUTIVE OFFICER

DATED THIS 23rd DAY OF JULY 2007

SCS02-07/07 2007/08 Annual Budget

File Ref: S13/0055V01
Responsible Officer: Acting Director Corporate Services
Disclosure of Interest: Nil
Attachments: 6

Issue

To consider adoption of the City's proposed 2007/2008 Budget.

Background

The 2007/2008 Budget process commenced in January 2007. The City's administration prepared operating estimates and capital expenditure listings for incorporation into the draft budget along with supporting documentation. A series of Budget Workshops have been held over the last three (3) months involving Elected Members and the Executive Management Team.

Each of the Workshops considered discrete components of the proposed 2007/2008 Budget. Prior to each Budget Workshop, the Executive Management Team undertook a thorough review of the documentation provided for consideration. The final Budget Workshop brought all components of the Budget together to enable full consideration of funding obligations.

Elected Members have reviewed and had input into priorities to ensure that the final 2007/2008 Budget, along with the five year capital works program targets the specific areas of identified need. Importantly, this City of Wanneroo budget is closely aligned to the outcome objectives outlined in the City's Strategic Plan and will ensure the Community's expectation that existing high levels of service and infrastructure provision are maintained.

In conjunction with the budget, Administration has continuously updated the City's financial performance for 2006/07 to determine end of year forecasts and funding capacity for 2007/08. This process has identified that on current forecasts, the end of year position will be an operational improvement of \$4.4 million over that proposed in the 2006/07 budget, however taking into account allocations to appropriate provision accounts and reserve transfers, the estimated result will only provide for a small 'surplus' (less than \$1m) to be brought forward, excluding carry forward funding for uncompleted 2006/07 projects.

Whilst the budget is presented in this report in a typical statutory format, the values vary only from that presented in workshop 3 by the following adjustments:-

Operating

- a net reduction in income of \$85,896 to reflect adjustments for final rate modelling, increase in statutory fees (Planning) and contribution fees; and
- a net reduction in expenditure of \$192,289 including carry forwards from 2006/07 for Consultant Fees, Contracts and Materials and reductions in Contract Labour.

Capital

- \$18,000 for verge infill – Kinsale Drive Mindarie;
- \$110,000 increase in funding to Girrawheen Community Centre;
- \$70,000 for Girrawheen stormwater deferred to year 2;
- \$25,000 additional funding for Kingsway/Evandale Road roundabout;
- \$172,350 additional funding for pathway works to meet additional tendered costs.

Detail

The City continues to experience significant growth, which along with a revaluation of unimproved values (UV) has resulted in a fifty three percent (53%) increase in the valuation of the City's rate base in the past year. With an appropriate adjustment to the UV rate in the dollar to negate the significant valuation increase in this segment, the additional revenue generated by growth (8% adjusted) is offset by the greater demand for services and facilities, particularly in newer suburbs. Developmental growth has necessitated additional staff resources, together with significant increases in contract costs to service this increasing demand.

The following documents provide a comprehensive summary of the proposed 2007/2008 Annual Budget:-

- Annual Budget overview (**Attachment 1**)
- Statutory Budget (**Attachment 2**)
- Five Year Capital Works Programme - New Works (**Attachment 3**)
- Carry Forward Capital Works (**Attachment 4**)
- Amendments to Fees and Charges (**Attachment 5**)
- Schedule of Fees and Charges (**Attachment 6**)

The budget outlines City initiatives to continue building on the essential services our ratepayers rely on. The health and wellbeing of the Wanneroo Community will continue to be supported through the Community Development budget. Key aspects of the operating budget include:-

- \$26.59 million on Recreation and Culture
- \$20.99 million on Community Amenities
- \$25.25 million on Transport
- \$ 6.02 million on Education and Welfare
- \$ 2.98 million for Law, Order and Public Safety.

Capital

The five year capital works program has been reviewed which has identified that the City faces significant challenges in maintaining, rehabilitating, upgrading and where necessary replacing its existing asset base, whilst also developing new assets to meet the needs within the growth areas of the City. Funding strategies are being developed to ensure long-term financial sustainability.

One strategy adopted in 2006/07 to ensure the City was in a position to provide facilities in an appropriate time frame, particularly in the current period of high escalation in building costs, was a five-year loan-borrowing program totalling \$60.778 million with the Western Australian Treasury Corporation. The following draw down program was negotiated:-

December 2006	\$8.556 million
November 2007	\$18.450 million
November 2008	\$12.852 million
November 2009	\$6.860 million
November 2010	\$14.060 million

The City has identified future land sales from Tamala Park and the Neerabup Industrial Estate as an appropriate source of funds to repay loan borrowings and provision has been made in the 2007/2008 Budget to service this debt.

The proposed capital works program listed as year 1 on Attachment 3, reflects an unprecedented level of expenditure, which includes a range of unique infrastructure projects and is recognised as an investment in the future. Key components include:-

- \$473k for foreshore management;
- \$11.5m (YR 1) for the construction of a new Cultural and Learning Centre in Wanneroo;
- \$9.0m to commence the joint venture subdivision of Neerabup Industrial Area;
- \$2.2m to subdivide and subsequently sell part Lot 257 Motivation drive, Wangara;
- \$1.3m to redevelop Koondoola precinct;
- \$1.2m to develop an accessible and inclusive playground at Civic Drive, Wanneroo;
- \$542k for passive park development;
- \$691k for the construction of changerooms/kiosk at Gumblossom Reserve, Quimms Rocks;
- \$701k for the construction of changerooms/kiosk at Kingsbridge Park, Butler;
- \$8.0m for the upgrade of Aquamotion Aquatic Centre, Wanneroo;
- \$700k additional funding for staged redevelopment of Kingsway Regional Sports Centre;
- \$16.7m for road reconstruction/construction;
- \$1.1m for traffic treatment at intersection of Hepburn Avenue/Giralt Road;
- \$3.5m for costs associated with the introduction of a cart recycling service.

Fees and Charges

A schedule of changes to the Fees and Charges for 2007/2008 was adopted by Council at its meeting of 5 June 2007 (CS03-06/07 refers), effective from 1 July 2007. A notice to this effect was published in the Wanneroo Times on 12 June 2007.

Subsequently, it has been identified that there are a number of further changes required. The changes summarised below have been detailed in Attachment 5:-

- *Planning fees*

In June 2007, the Western Australian Planning Commission in its Planning Bulletin 82, advised on amendments to the Town Planning and Development (Local Government Planning Fees) Regulations 2000.

Following a review of the regulations in 2007 the fees payable have been adjusted to reflect inflationary movement since gazettal of the regulations (approx. 17%).

- *Community Development Services*

HACC fee policy and charges advice effective from 1 July 2007 increasing maximum fee payable for aged care services and introducing an additional fee category for community based day care meals.

- *Other*

Freedom of Information fees reduced to reflect prescribed limits
Fee for sale of compost bins increased in accordance with cost
Introduction of a shopping trolley recovery charge

An allowance has been made in the draft budget for these fees to be introduced from 1 August 2007, with an estimated \$75,000 resulting, primarily from the increase in the planning fees.

The full Fees and Charges Schedule, including the amendments listed above is detailed in Attachment 6.

Reserves

In order to meet the funding requirements of the budget, a range of reserve transfers are proposed: from particular Reserves established for the relevant purpose. The following transfers are of note:-

- \$1.2m from *Section 20A Land Reserve* for the construction of an Accessible and Inclusive Playground (see Consultation section of this report).
- The return by the State Government of the \$3m loan into the City's *Refuse Reserves* to facilitate the \$3.5m introduction of the Cart Recycling Service.
- Subject to the approval of the Minister for Planning and Development, the application of \$485,000 from the *Cash in Lieu of Public Open Space Reserve* to fund passive park upgrades.
- Utilisation of the balance of the *City of Wanneroo Establishment Reserve* (\$95,700) for Wanneroo Townsite projects;

Rate and Rubbish Charges

An average rate increase of 6.9% is proposed for 2007/2008 reflecting the requirement to meet the expansion and increasing needs of the community together with the requirement to service a substantial capital works program.

Properties rated on an Unimproved Value (UV) basis are revalued annually, whereas Gross Rental Values (GRV) are revalued every three years (next due in 2007/08). The UV valuations have risen significantly, therefore in calculating the appropriate increase, the rate in the dollar has actually been reduced to retain relativity.

The following table demonstrates a comparison between the 2006/07 rates and the proposed rate for 2007/08:-

	2006/07 Rate in Dollar/Minimum	2007/08 Rate in Dollar/Minimum
<i>GRV</i>		
Residential	7.4035 / \$526	7.9143 / \$526
Commercial	7.4036 / \$947	7.9144 / \$847
Industrial	7.4036 / \$947	7.9144 / \$847
Rural	7.4035 / \$526	7.9143 / \$526
Caravan and Park Home Parks	7.4034 / \$247	7.9142 / \$247
<i>UV</i>		
Residential	0.4042 / \$526	0.2968 / \$526
Commercial	0.4043 / \$947	0.2969 / \$847
Industrial	0.4043 / \$947	0.2969 / \$847
Rural and Mining	0.4042 / \$526	0.2968 / \$526

The annual domestic refuse collection charge was increased in 2006/07 by \$30.00 to an annual charge of \$180.00, with a further rise in 2007/08 of \$30.00 to an annual charge of \$210.00. This staged increase is in recognition of increases in the cost of waste disposal, including costs levied by the Mindarie Regional Council and a 100% increase in the state government landfill levy. A proportion of the rate is being deposited into the Resource Recovery Domestic Refuse Reserve to offset expected increases in domestic refuse charges when the Resource Recovery Facility comes on stream.

As in recent years, the City will also be responsible for collecting the Emergency Services Levy (ESL) on behalf of the Fire and Emergency Services Authority (FESA). The ESL rate is determined each year by the Minister and is classified into five categories to reflect the level of emergency service response that is available in different areas. The City of Wanneroo levies the ESL for four of the categories in conjunction with the annual Rates charges.

Consultation

In accordance with the requirements of Section 6.36 of the Local Government Act 1995, the City is required to give notice of its intention to levy differential general rates and specified minimum payments. A notice to this effect was advertised on 28 June 2007. The City has received no submissions from electors or ratepayers in response to the advertisement.

In addition, a local notice was published in the Wanneroo Times on Thursday 5 July 2007, advising of the proposal to utilise funds from the City's Section 20A Land Reserve for the development of the Accessible and Inclusive Playground.

Comment

The 2007/2008 Budget continues to expand, with a 14% increase in operational income and similar increase in operating expenditure over the preceding budget.

This level of increase reflects the status of Wanneroo as a major growth council, with an annual growth rate in the order of 8% expected to continue into the immediate future. However, with this growth, the area of responsibility increases as infrastructure and public open space is handed over to the City to maintain and develop. In 2006/07, this equated to approximately 42 hectares of POS and 25 kilometres of roads/paths, with 2007/08 likely to be an increase on this amount.

The budget includes an unprecedented level of capital expenditure, including a number of major building and development projects, with the five-year program consistently higher than previous years. The City is fortunate that it will progressively have call on proceeds from the sale of land in Neerabup, Wangara and Tamala Park to assist in meeting the cost of future asset provision, however with the level of growth being experienced in Wanneroo, the issue of financial sustainability needs to be carefully managed.

The 2007/08 Budget provides for a range of funding sources to meet the proposed expenditure level, however despite the 6.9% rate increase, a \$4.0 million deficit is indicated for the end of year position. This level of deficit is within prescribed limits and is considered manageable given the unique level of expenditure proposed within the draft budget. In addition, it should be noted that any improvement in actual performance, as experienced in 2006/07 would positively influence that outcome.

Statutory Compliance

The accompanying Budget for 2007/2008 has been prepared in accordance with the Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.

Pursuant to Section 6.36(1) of the Local Government Act 1995, the City has given the appropriate notice of its intention to impose differential general rates and specified minimum payments in respect of each differential rate category. It was subsequently identified that the notice included a typographical error for the Caravan Parks rate, indicating 7.9192 instead of the intended 7.9142. In accordance with Regulation 56(4)(b) of the Local Government (Financial Management) Regulations 1996, the reasons for this reduction will be included in the information that will accompany the annual rate notice issued to all ratepayers.

Strategic Implications

The 2007/2008 Budget is framed around Outcome Objective 4.5 – Improve long-term financial viability.

Policy Implications

Nil

Financial Implications

The early adoption of the 2007/2008 Budget will facilitate opportunities in terms of investment revenue and allow the implementation of the Capital Works Programme and the various new initiatives contained within the budget.

Voting Requirements

Absolute Majority

Recommendation

That Council BY AN ABSOLUTE MAJORITY:-

1. **ADOPTS the Budget for the City of Wanneroo for the year ending 30 June 2008, incorporating:**
 - 1.1 **Operating Statements, showing a net result of \$38.87 million**
 - 1.2 **Statement of Cash Flows, showing a cash at end of year position of \$66.20 million**
 - 1.3 **Rate Setting Statement, showing the need to generate \$47.35 million in rates**
 - 1.4 **Notes To and Forming Part of the Budget**
 - 1.5 **Supplementary Information –**
 - 1.5.1 **Capital Works Programme**
 - 1.5.2 **Carry Forward Works Programme (including Vehicles/Plant)**
 - 1.5.3 **Schedule of Fees and Charges**
2. **Differential Rating**

In accordance with the provisions of Sections 6.32 and 6.33 of the Local Government Act 1995:

- 2.1 **IMPOSES differential rates for the 2007/2008 financial year; and**
- 2.2 **SETS the differential general rates in accordance with the following tables:**
 - 2.2.1 **General Rate – Gross Rental Value & Minimum Rates**

In accordance with the provisions of Sections 6.32 and 6.35 of the Local Government Act 1995, impose the 2007/2008 Gross Rental Value Rates and Minimum Rates as follows:-

	Gross Rental Value Rates (cents in the dollar)	Minimum Rates \$
Residential	7.9143	526
Commercial	7.9144	847
Industrial	7.9144	847
Rural	7.9143	526
Caravan and Park Home Parks	7.9142	247

2.2.2 General Rate – Unimproved Value & Minimum Rates

In accordance with the provisions of Sections 6.32 and 6.35 of the Local Government Act 1995, impose the 2007/2008 Unimproved Value Rates and Minimum Rates as follows:-

	Unimproved Value Rates (cents in the dollar)	Minimum Rates \$
Residential	0.2968	526
Commercial	0.2969	847
Industrial	0.2969	847
Rural and Mining	0.2968	526

3. Domestic Refuse Charges

Pursuant to the provisions of Division 5 of Part IV of the Health Act (as amended), impose the following domestic refuse charges for the 2007/2008 financial year:-

3.1 Per existing unit serviced	\$210.00
3.2 Collection from within the property boundary (Existing service - \$210.00 (Annual Charge) plus Additional cost \$50.00)	\$260.00
3.3 New Refuse Service (New service - \$210.00 (Annual Charge) pro rata plus Bin delivery \$43.00)	\$253.00
3.4 Existing Recycling Cart Annual Cartage	\$ 39.00
3.5 New or Additional Recycling Cart (New service \$39 (Annual Charge) pro rata plus Cart delivery \$43)	\$ 82.00

4. Emergency Services Levy

NOTES the Emergency Services Levy Rates and Minimum and Maximum Payments and Interest Penalty to be imposed in accordance with the Fire and Emergency Services Authority of Western Australia Act 1998 as follows:

ESL CATEGORY	ESL RATE
Category 1	\$0.0152 (per \$GRV)
Category 3	\$0.0076 (per \$GRV)
Category 4	\$0.0053 (per \$GRV)
Category 5	\$38.00 fixed (minimum)

PROPERTY USAGE	MINIMUM	MAXIMUM
Vacant, Residential & Farming	\$38.00	\$205.00 pa
Commercial, Industrial & Misc	\$38.00	\$120,000 pa

Interest penalty rate to apply on late payments 11%pa

4. Private Swimming Pool Inspection Fees

In accordance with the provisions of the Local Government (Miscellaneous Provisions) Act 1960, Section 245A, IMPOSES for the 2007/2008 financial year, a Private Swimming Pool Inspection Fee on construction of \$39.60 (inclusive of GST) and in each subsequent year thereafter a Private Swimming Pool Inspection Fee of \$13.20 (inclusive GST) for each property where there is located a private swimming pool.

5. Payment Incentives

In accordance with the provisions of Section 6.46 of the Local Government Act 1995, offer the following incentives for the payment of rates and charges:-

• Full payment

Full payment of all current and arrears of rates, domestic refuse charge and private swimming pool inspection fees (inclusive of GST) within 35 days of the issue date on the annual rate notice:-

- eligibility to enter the incentive draw.

• Two Instalments

The first instalment of 50% of the total current rates, domestic refuse charge, private swimming pool inspection fees (inclusive of GST) and instalment charge, plus the total outstanding arrears payable within thirty-five (35) days of date of issue of the annual rate notice:-

- eligibility to enter the early incentive draw.

• Four Instalments

The first instalment of 25% of the total current rates, domestic refuse charge, private swimming pool inspection fees (inclusive of GST) and instalment charge, plus the total outstanding arrears payable within thirty-five (35) days of date of issue of the annual rate notice:-

- eligibility to enter the early incentive draw.

The following providers have donated prizes to the City:-

- *Satterley Property Group*
- *Chocolate Drops*
- *Commonwealth Bank*
- *The Great Escape*
- *Indian Ocean Brewery, Mindarie*
- *Barbagello Raceway*
- *Mortgage Choice, Clarkson*
- *Zest Health Clubs*
- *AQWA*
- *DC Golf*
- *Aspen Parks*
- *Wanneroo Botanic Golf Gardens*
- *WASCO – Western Australian Symphony Orchestra*
- *The Maze*
- *Joondalup City Hotel*
- *Sorrento Beach Resort*
- *Sorbet Day Spa*

6. Payment Options

In accordance with the provisions of Section 6.45 of the Local Government Act 1995, offer the following payment options for the payment of rates, domestic refuse charge and private swimming pool inspection fees (inclusive of GST):-

- **One Instalment**

Payment in full within 35 days of the issue date of the annual rate notice.

- **Two Instalments**

The first instalment of 50% of the total current rates, domestic refuse charge, private swimming pool inspection fees (inclusive of GST) and instalment charge, plus the total outstanding arrears payable within 35 days of date of issue of the annual rate notice.

The second instalment of 50% of the total current rates, domestic, refuse charge, private swimming pool inspection fees (inclusive of GST) and instalment charge, payable 63 days after due date of first instalment.

- **Four Instalments**

The first instalment of 25% of the total current rates, domestic refuse charge, private swimming pool inspection fees (inclusive of GST) and instalment charge, plus the total outstanding arrears payable within 35 days of date of issue of the annual rate notice.

The second, third and fourth instalments each of 25% of the total current rates, domestic refuse charge, private swimming pool inspection fees (inclusive of GST) and instalment charge, payable as follows:-

- **Second Instalment 63 days after due date of first instalment**
- **Third Instalment 63 days after due date of second instalment**
- **Fourth Instalment 63 days after due date of third instalment**

7. Late Payment Interest

In accordance with the provisions of Section 6.13 and 6.51 of the Local Government Act 1995, impose interest on all arrears and current charges in respect of general rates, domestic refuse and private swimming pool inspection fees (including GST where applicable) at a rate of 8.45% per annum, calculated on a simple interest basis in arrears amounts that remain unpaid and current amounts that remain unpaid after thirty-five (35) days from the issue date of the original rate notice, or the due date of the instalment and continues until instalment is paid.

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.

Such interest is to be charged once per month on the outstanding balance on the day of calculation for the number of days, as previously detailed.

8. Instalment and Arrangements Administration Fees and Interest Charges

In accordance with the provisions of Section 6.45 of the Local Government Act 1995, for the 2007/2008 financial year, imposes the following administration fees and charges for payment of rates, domestic refuse charges and private swimming pool inspection fees (inclusive of GST):-

Two Instalment Option

An administration fee of \$5.00 for instalment two, together with an interest charge of 5.5% per annum, calculated on a simple interest basis on:

- 50% of the total current general rate, domestic refuse charge and private swimming pool inspection fees (inclusive of GST) calculated 35 days from the date of issue of the annual rate notice to 63 days after the due date of the first instalment.

Four Instalment Option

An administration fee of \$5.00 for each of instalment two, three and four, together with an interest charge of 5.5% per annum, calculated on a simple interest basis on:-

- 75% of the total current general rate, domestic refuse charge and private swimming pool inspection fees (inclusive of GST) calculated thirty-five (35) days from the date of issue of the annual rate notice to 63 days after the due date of the first instalment;
- 50% of the total current general rate, domestic refuse charge and private swimming pool inspection fees (inclusive of GST) calculated from the due date of the second (2nd) instalment to the due date of the third (3rd) instalment; and
- 25% of the total current general rate, domestic refuse charge and private swimming pool inspection fees (inclusive of GST) calculated from the due date of the third (3rd) instalment to the due date of the fourth (4th) instalment.