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## SCS02-07/08 2008/2009 Annual Budget

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File Ref: S13/0067V01  
Responsible Officer: Director, Corporate Services  
Disclosure of Interest: Nil  
Attachments: 4

### Issue

To consider adoption of the City's proposed 2008/2009 Budget.

### Background

The 2008/2009 Budget process commenced in January 2008. 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 2008/2009 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 2008/2009 Budget 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 2007/2008 to determine end of year forecasts and funding capacity for 2008/2009. This process has identified that our current 2007/2008 Actual (Estimate) position will be an operational improvement of \$6.96 million over that proposed in the 2007/2008 budget.

### Detail

The City continues to experience significant growth, albeit that a slow down in 2008 moderated the City's growth for 2007/2008. This growth, along with the triennial Gross Rental Value (GRV) revaluation by the Valuer General has resulted in a thirty-six percent (36%) increase in the valuation of the City's rate base in the past year. As an appropriate adjustment is made to the GRV and Unimproved Value (UV) rate in the dollar to counter the significant valuation increases, the additional revenue generated by growth is offset by the greater demand for expanded services and facilities. Developmental growth has necessitated additional staff resources, together with significant increases in contract costs to service this increasing demand.

In addition, labour costs increased significantly during 2007/2008 as a reflection of the tight labour market, adding approximately an additional 10% to the City's salary and wages budget.

The following documents provide a comprehensive summary of the proposed 2008/2009 Annual Budget:-

- Annual Budget Overview (**Attachment 1**)
- Statutory Budget (**Attachment 2**)
- Capital Works Program (including carry forwards) (**Attachment 3**)
- Schedule of Fees and Charges (**Attachment 4**)

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

- \$33.20 million on Recreation and Culture
- \$25.66 million on Transport
- \$25.33 million on Community Amenities
- \$6.50 million on Education and Welfare

### **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 2006/2007 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 in the longer term, 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 2008/2009 Budget to service the interest component of this debt.

The proposed capital works program listed in Attachment 3, reflects a lower, but still significant, level of spend than budgeted for 2007/2008. It includes a range of unique infrastructure projects and is recognised as an investment in the future. Key components include:-

- \$0.20m for foreshore management;
- \$6.10m (YR 2) for the construction of a new Cultural and Learning Centre in Wanneroo;
- \$1.60m to continue development at the Materials Recovery Facility;
- \$0.24m to complete the accessible and inclusive playground at Civic Drive, Wanneroo;
- \$0.36m to develop Gungurru park;
- \$4.5m for the upgrade of Aquamotion Aquatic Centre, Wanneroo;
- \$3.2m additional funding for staged redevelopment of Kingsway Regional Sports Centre;

- \$0.43m for the construction of a new entry statement and gatehouse for the Wanneroo Showgrounds;
- \$19.40m for road reconstruction/construction.
- \$1.00m for traffic treatments;

### **Fees and Charges**

A schedule of changes to the Fees and Charges for 2008/2009 has been included as Attachment 4 for adoption by Council to be effective from 4 August 2008. Key areas of change include:

- Fees associated with the new level of service provided at the Aquamotion Centre.
- Statutory fees and charges.
- Revised golf course playing fees.
- Commercial and Domestic waste services fees.
- Various Library, Heritage and Cultural Services fees.

### **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.

Given the City's sustainability factors are unlikely to improve over the next few years, ongoing constraint will be required, guided by sound financial management. To assist in this process and to manage expectations, there is merit in the establishment of 3 additional reserves to clarify funding capacity for relevant activities as follows:

- Land Acquisition Reserve – to set aside funds for the purchase of municipal land for roads and drainage purposes;
- Asset Rehabilitation Reserve – to fund “renew/rehabilitation” works and replacement of depreciated equipment;
- New Asset Works Reserve – to fund new capital works.

The application of the latter two proposed Reserves will be subject to a further position paper outlining a strategy for an appropriate level of funding linked to depreciation and future land sales. This strategy will ensure an appropriate balance between rehabilitation of assets and development of new assets.

### **Rate and Rubbish Charges**

To ensure that full benefit can be obtained from the State Government's Pensioner Rate Rebate Scheme, it is proposed to incorporate the Domestic Refuse Collection fee into the 2008/2009 property rates.

The development of the rating strategy has endeavoured to retain equity in the process, by ensuring that the setting of the minimum rate and calculation of the rate in the dollar only recovered the previously identified funding requirement.

The annual domestic refuse collection charge was increased in 2007/2008 by \$30.00 to an annual charge of \$210.00, with a further rise proposed in 2008/2009 of \$30.00 to an annual charge of \$240.00. This staged increase is in recognition of increases in the cost of waste disposal, including costs levied by the Mindarie Regional Council. A proportion of the rate (\$15.00) is being deposited into the Resource Recovery Domestic Refuse Reserve to offset expected increases in domestic refuse charges when the Resource Recovery Facility, currently under construction in Neerabup comes on stream.

Taking the above approach, the revenue gap to be funded through generation of rates is assessed at \$65.3 million, of which \$11.7 million equates to the rubbish charge. The balance when compared to 2007/2008 is an increase of 13%, which is contributed to by a growth factor of 4%.

Properties rated on an Unimproved Value (UV) basis are revalued annually, whereas Gross Rental Values (GRV) are revalued every three years (a revaluation having been carried out in 2007/2008). Valuations have generally risen, with the value assessed for vacant land increasing significantly. Therefore in calculating the appropriate increase, the rates in the dollar has actually been reduced to retain relativity.

In developing the budget, an average increase of 9% (8.5% for residential/rural and 9.5% for commercial/industrial) was proposed for 2008/2009 reflecting the requirement to meet the expansion and increasing needs of the community together with the requirement to service a substantial capital works program. In view of the significant variation in valuations, as an average, rates on developed properties will be increasing by 7%, with vacant land increasing at a significantly higher percentage, however as the same rate in the dollar is applied regardless of whether developed or vacant, then this is considered equitable.

Whilst a notice was published in the Western Australian on Saturday 28 June 2008 detailing proposed differential and minimum rates for 2008/2009, following further rate modelling, these rates are proposed to be amended to reflect the following:

- The incorporation of the rubbish charge into the rate and minimum rate for Residential and Rural properties (developed).
- A minor increase to Commercial/Industrial (GRV) to retain parity given the disproportionate increase in the revaluation of Residential land.
- Adjustment down of UV rates to counteract recent increases to the UV valuation, to retain parity.

The following table demonstrates a comparison between the 2007/2008 rates and the proposed rate for 2008/2009:-

	<b>2007/2008 Rate in Dollar/Minimum</b>	<b>2008/2009 Rate in Dollar/Minimum</b>
<b>GRV</b>		
Residential Improved	7.9143 / \$526 (+\$210)	7.3300 / \$835
Residential Vacant	7.9143 / \$526	5.4000 / \$615
Commercial	7.9144 / \$847	6.4500 / \$950
Industrial	7.9144 / \$847	6.4500 / \$950
Rural Improved	7.9143 / \$526 (+\$210)	7.3300 / \$835
Rural Vacant	7.9143 / \$526	5.4000 / \$615
Caravan and Park Home Parks	7.9142 / \$247	7.3353 / \$272

	<b>2007/2008 Rate in Dollar/Minimum</b>	<b>2008/2009 Rate in Dollar/Minimum</b>
<i>UV</i>		
Residential Improved	0.2968 / \$526	0.2374 / \$835
Residential Vacant	0.2968 / \$526	0.2373 / \$615
Commercial	0.2969 / \$847	0.2102 / \$950
Industrial	0.2969 / \$847	0.2102 / \$950
Rural and Mining Improved	0.2968 / \$526	0.2374 / \$835
Rural and Mining Vacant	0.2968 / \$526	0.2373 / \$615

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.

### **Reviews of Service Provision**

In preparing the draft 2008/2009 budget, many elements of service provision have been reviewed to establish their ongoing relevance and value to residents, and prioritisation as an ongoing program to be delivered by Council.

As a result, the budget has been developed on the basis of changes to the following services:

**Podiatry** In response to changing patterns of use and the increased number of options available to residents in accessing Podiatry services in the City, it is proposed to change the focus seeks to place the responsibility for the delivery of Podiatry Services with the relevant health authorities, whilst ensuring that those with genuine need are not further disadvantaged.

**Children's Services** Council has endorsed the introduction of a new model for Children's Services that sees the transfer of its Family Day Care Scheme within the City to other qualified service providers.

**Mobile Library** A review of this service has been undertaken. And whilst the service still fills a gap in the preferred model of service delivery, the economic issues associated with high capital costs of infrastructure replacements needed for the service, and changes in the patterns of usage of the mobile services has resulted in a recommendation for the staged closure of this service.

Further details on these proposals are included in the Annual Budget Overview (Attachment 1).

### ***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 2008. The City has received no submissions from electors or ratepayers in response to the advertisement.

### **Comment**

The 2008/2009 Budget continues to expand, with a 17% increase in operational income and a 13% increase in operating expenditure over the preceding budget. This level of increase reflects the status of Wanneroo as a major growth council. Until 2007/2008 the City has been experiencing growth rates around 8% per annum, however a slow down was experienced in 2007/2008 and consequently growth factors have been amended for 2008/2009. 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 2007/2008, this equated to approximately 42 hectares of POS and 25 kilometres of roads/paths, with 2008/2009 likely to be a similar amount.

Whilst the 2008/2009 Budget reflects a significant reduction in the draft Capital Works Program when compared with the 2007/2008 budget, the 2007/2008 Program included an unprecedented level of capital expenditure, including a number of major building and development projects. 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 the development timetable for this land is still uncertain, therefore with the level of growth being experience in Wanneroo, the issue of financial sustainability needs to be carefully managed particularly over the next 3-5 years.

The 2008/2009 Budget provides for a range of funding sources to meet the proposed expenditure level, with the proposed rate increase contributing to a forecast \$0.06 million operating surplus for the end of year position. This level of surplus 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 2007/2008 would positively influence that outcome.

The 2008/2009 Budget is considered to be a responsible and prudent budget balancing service provision with sustainable financial management. A key element of the 2008/2009 Budget is the provision for \$18 million income to be generated from the proceeds of sale of land. Given the current downturn in land sales and consumer confidence, there is an element of uncertainty regarding the ultimate performance of these sales. Fortunately, the 2007/2008 result is a significant improvement, therefore the reliance on the capital income in the short-term is somewhat diminished, however in the longer term, these funds are critical as they will be relied on for capital works as the loan funds are depleted. Accordingly, the majority of these funds will be transferred to Reserve, which will effectively return the City's reserve funds back to previous levels.

### **Statutory Compliance**

The accompanying Budget for 2008/2009 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.

Sub regulation 56 (4)(b) of the Local Government (Financial Management) Regulations 1996 requires that the Rate Notice provide details and reasons for any variation in the minimum rate and differential rate from that proposed in the notice published in accordance with section 6.36 of the Act.

### **Strategic Implications**

The 2008/2009 Budget is framed around Outcome Objective 4.5 – Improve long-term financial viability.

### **Policy Implications**

Nil

### **Financial Implications**

The early adoption of the 2008/2009 Budget will facilitate opportunities in terms of investment revenue and allow the implementation of the Capital Works Program 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 2009, incorporating:**
  - 1.1 Operating Statements, showing a net result of \$49.44 million**
  - 1.2 Statement of Cash Flows, showing a cash at end of year position of \$93.37 million**
  - 1.3 Rate Setting Statement, showing the need to generate \$65.32 million in rates**
  - 1.4 Notes To and Forming Part of the Budget**
  - 1.5 Attachments (3) & (4)–**
    - (3) Capital Works Program (including carry forwards)**
    - (4) Schedule of Fees and Charges**

## 2. Differential Rating

In accordance with the provisions of Sections 6.32, 6.33 and 6.35 of the Local Government Act 1995:

2.1 IMPOSES differential rates and minimum rates for the 2008/2009 financial year; and

2.2 NOTES that the differential rates and minimum rates for the 2008/2009 financial year are inclusive of Domestic Rubbish Collection Charges where applicable, and

2.3 SETS the differential general rates in accordance with the following tables:

### 2.3.1 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 2008/2009 Gross Rental Value Rates and Minimum Rates as follows:-

	Gross Rental Value Rates (cents in the dollar)	Minimum Rates \$
Residential Improved	7.3300	835
Residential Vacant	5.4000	615
Commercial	6.4500	950
Industrial	6.4500	950
Rural Improved	7.3300	835
Rural Vacant	5.4000	615
Caravan and Park Home Parks	7.3353	272

### 2.3.2 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 2008/2009 Unimproved Value Rates and Minimum Rates as follows:-

	Unimproved Value Rates (cents in the dollar)	Minimum Rates \$
Residential Improved	0.2374	835
Residential Vacant	0.2373	615
Commercial	0.2102	950

	<b>Unimproved Value Rates (cents in the dollar)</b>	<b>Minimum Rates</b> \$
<b>Industrial</b>	<b>0.2102</b>	<b>950</b>
<b>Rural and Mining Improved</b>	<b>0.2374</b>	<b>835</b>
<b>Rural and Mining Vacant</b>	<b>0.2373</b>	<b>615</b>

### 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 2008/2009 financial year:-

- 3.1 Existing Service Charge (1 recycling & 1 standard rubbish bin) \$incl. in rates
- 3.2 Additional Service Charge p.a. (1 recycling & 1 standard rubbish bin) \$240
- 3.2 Additional Service Charge p.a. (1 recycling bin only 240L&yellow lid) \$50
- 3.3 Additional Standard Charge p.a. (1 rubbish bin only 240L&green lid) \$210
- 3.4 Establishment Charge (per each new or additional service, 1 recycling & 1 standard rubbish bin) \$80
- 3.5 Establishment Charge (per each new or additional recycling bin or additional rubbish bin) \$45

### 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:

<b>ESL CATEGORY</b>	<b>ESL RATE</b>
<b>Category 1</b>	<b>\$0.0117 (per \$GRV)</b>
<b>Category 3</b>	<b>\$0.0059 (per \$GRV)</b>
<b>Category 4</b>	<b>\$0.0041 (per \$GRV)</b>
<b>Category 5</b>	<b>\$40.00 fixed (minimum)</b>

<b>PROPERTY USAGE</b>	<b>MINIMUM</b>	<b>MAXIMUM</b>
<b>Vacant, Residential &amp; Farming</b>	<b>\$40.00 pa</b>	<b>\$215.00 pa</b>
<b>Commercial, Industrial &amp; Misc</b>	<b>\$40.00 pa</b>	<b>\$125,000 pa</b>

Interest penalty rate to apply on late payments 11%pa

## 5. Private Swimming Pool Inspection Fees

In accordance with the provisions of the Local Government (Miscellaneous Provisions) Act 1960, Section 245A, IMPOSES for the 2008/2009 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.

## 6. 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 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, 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, 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*
- *Sorrento Beach Resort*
- *The Great Escape*
- *Commonwealth Bank*
- *The Maze*
- *Kingsway City Shopping Centre*
- *Mindarie Marina Hotel*
- *WA Sporting Car Club*
- *Bendigo Bank*
- *City of Wanneroo, Aquamotion*
- *DC Golf – Marangaroo Golf Course*
- *DC Golf – Carramar Golf Course*
- *Joondalup City Hotel*

- *WASCO – Western Australian Symphony Orchestra*
- *Sorbet Day Spa*
- *Aspen Parks*

## **7. 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 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, 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, 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, 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, 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**

## **8. 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 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.

**9. 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 2008/2009 financial year, imposes the following administration fees and charges for payment of rates 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 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 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 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 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.

**10. ENDORSES the withdrawal of the Mobile Library service and the revised format of the Podiatry Service.**

**11. As part of the Budget AUTHORISES the establishment of three new reserves for the following purposes:-**

- Land Acquisition Reserve – to set aside funds for the purchase of municipal land for roads and drainage purposes;
- Asset Rehabilitation Reserve – to fund “renew/rehabilitation” works and replacement of depreciated equipment; and
- New Asset Works Reserve – to fund new capital works.