

SCS02-07/14 Annual Budget 2014/15 and Long Term Financial Plan 2014/15 - 2023/24

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Responsible Officer: Director, Corporate Strategy and Performance
Disclosure of Interest: Nil
Attachments: 5

Issue

To consider adoption of the City's Draft 2014/15 Annual Budget and Long Term Financial Plan 2014/15 – 2023/24.

Background

In recent years, the Council had adopted a series of Budget Principles to apply prudent financial management practices in guiding the development of the Annual Budget and Long Term Financial Plan. As the City has been continuously undertaking extensive work with regard to the newly introduced Integrated Planning & Reporting Framework (IPRF) requirements, these Principles were maintained during the current Budget development process. In addition, the following key economic parameters were recognised as part of the budget development:

- Forecast 2014/15 CPI 2.5%
- Forecast growth in service requirement 5%
- Forecast interest rate return on investments 3.5%

In relation to working towards the adoption of the annual budget, a consistent approach to that of the previous year was taken, however a separate report will also be presented to Council relating specifically to the Corporate Business Plan (CBP), being a key component supporting the City's Integrated Planning and Reporting Framework process. As an extension of the annual budget, the Long Term Financial Plan (LTFP) is also included as part of this annual budget report.

A series of Corporate Business Plan and Budget Workshops were arranged to involve and engage Elected Members as key stakeholders in the development process. The Workshops focused on various elements of the budget resulting from outcomes of the CBP as outlined below:

- Workshop 1 – Capital Works Program - Tuesday 15 April 2014
- Workshop 2 – Operating Budget - Tuesday 13 May 2014
- Workshop 3 – Preliminary Budget - Thursday 12 June 2014

In considering the 2014/15 Budget and subsequent reporting, it is also timely to consider Regulation 34(5) of the *Local Government (Financial Management) Regulations 1996*, which requires a local government to adopt a percentage or value, calculated in accordance with *Australian Accounting Standards*, to be used in statements of financial activity for reporting material variances. For 2013/14 the Council adopted 10% for the reporting of variances and the same percentage is proposed for 2014/15.

Detail

In developing the 2014/15 Budget, consideration has been given to the wider international economic context which remains relatively stable with no major changes indicated in the short to medium term. Australia's domestic growth is also expected to be quite stable, with inflation anticipated to continue in the target range of 2-3% in the 2014/15 financial year, supported by the record low interest rate environment (cash rate is currently 2.50%).

To inform the budget, Administration access and refer to other associated bodies relevant financial information or forecasts that may have an impact, such as the State and Federal Budgets. Both of these Budgets were released in May 2014 and provide for some uncertainties and challenges in the short to medium term on the City, its services and for our community in general. It is also recognised that investment returns will remain subdued while pressure on costs and the need to maintain and provide new infrastructure continues.

Administration has progressively monitored the City’s financial performance throughout the financial year to determine end of year forecasts and funding capacity for 2014/15. This process has identified that the current 2013/14 end of year position (Estimate), will be an operational improvement of \$3.292 million over that proposed in the original Adopted Budget. The current estimate is in line with that developed through the midyear budget review and whilst end of year processes will not be complete for some time, it is likely that the actual result will be a further improvement, with any end of year surplus to be transferred to the City's Strategic Initiatives Reserve for future application.

The following documents provide a comprehensive outline of the proposed 2014/15 Budget:

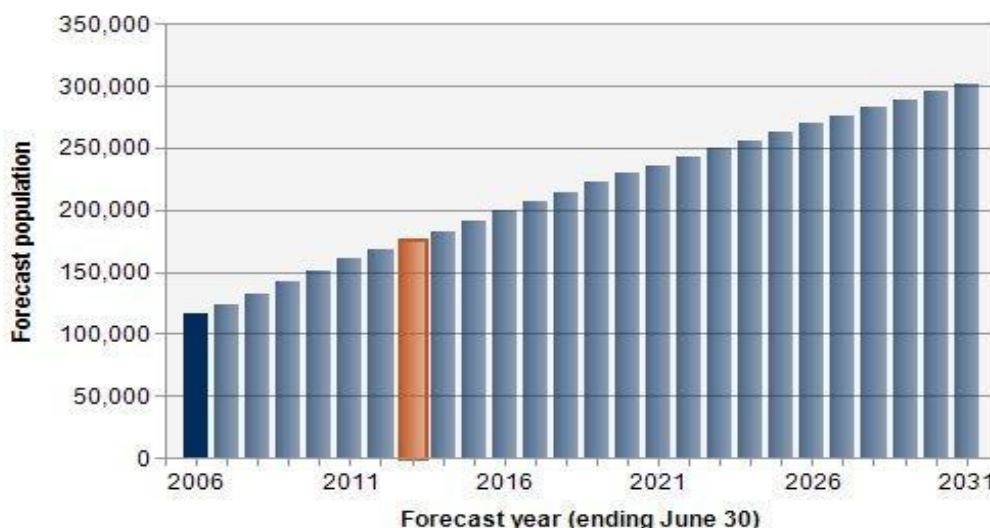
- 2014/15 Annual Budget Overview (**Attachment 1**)
- 2014/15 Statutory Budget (**Attachment 2**)
- 2014/15 Capital Works Program (including carry forwards) (**Attachment 3**)
- 2014/15 Schedule of Fees and Charges (**Attachment 4**)
- 2014/15 – 2023/24 LTFP (**Attachment 5**)

The City’s Budget has experienced continuous growth, primarily due to the following factors:

1. Growth in the service area and population (expansion of service);
2. Community expectation and needs; and
3. Cost factor movements, such as Consumer Price Index (CPI), inflation or labour cost movements (increase to cost of service).

The City's official population forecast (forecast.id) currently reflects the following growth:

Forecast population, City of Wanneroo



The above graph estimates a population at 30 June 2014 of 179,813, up from 172,896 the previous year (6,917 or 4.0%), with a projected population of 187,392 (7,579 or 4.2%) by 30 June 2015.

The growth factors experienced in 2013/14 have been slightly higher than the above projection anticipated, with the following table reflecting relevant growth statistics and projections to end June 2015:

	Actual 30/06/13	Actual 30/06/14	% Incr	Forecast 30/06/15	% Incr.
New Lots Created	2,855	4,119	6.2	3,000	4.2%
Residential Development Completed	2,182	2,853	4.3	3,200	4.7%
Population (based on new homes)	172,896	180,777	4.6	189,929	5.0%

It is of note that the ABS recently released its latest Estimate Resident Population (ERP) data showing that the City of Wanneroo at **30 June 2013** had an estimated population of **178,438**, which is 5,542 more residents than the City's forecast data reflects. Whilst the basis of this data is still to be validated by the City, it does hold the potential that the City's estimates may need to be indexed up in the order of 6,000 residents.

The 2014/15 Budget has been developed on the basis of a 5% growth factor, with reference to forecast.id growth being applied for the outer years of the Long Term Financial Plan.

The development of the 2014/15 Operating Budget is a direct outcome of the work undertaken through the review of the CBP as part of the Integrated Planning and Reporting Framework process.

Operating Budget Overview

Attachment 2 provides the detailed Annual Budget, with the Statement of Comprehensive Income (Nature and Type) reflecting the following totals in respect to the Operating position.

	2013/14 Adopted Budget \$ Million	2014/15 Budget \$ Million	Increase \$ Million	Increase %
Operating Income	149.805	167.084	17.279	11.53
Operating Expenditure	151.384	167.063	15.679	10.36

Comments relating to increases in the Operating Expenditure with comparison to 2013/14 Adopted Budget are:

- Employee Costs** **\$7.495 million (+11.61%)**
 Reflects increase in the establishment through the endorsed Workforce Plan, together with standard annual increments to pay rates endorsed in the various Collective Agreements, as well as an allowance for the 0.25% increase to the Superannuation Guarantee Levy.
- Materials and Contracts** **\$5.746 million (+13.09%)**
 Reflect CPI adjustments and ongoing expansion in asset maintenance costs and responsibilities together with the requirements relating to CBP Actions.
- Utility Charges** **\$0.206 million (+2.60%)**
 Forecasted increase in Electricity, Gas and Water charges, together with growth factor for new assets and expansion of street lighting network.
- Depreciation on Non-Current Assets** **\$2.421 million (+8.17%)**
 Increase in Depreciation associated with the City's continuously expanding asset base.

The Schedule of Fees and Charges for 2014/15 is included as **Attachment 4** for adoption by Council and to be effective in the new financial year (28 July 2014 or as soon as practicable). Details of all changes from those in 2013/14 are identified in the schedule.

Rate and Rubbish Charges

In developing the Rating strategy, Administration has endeavoured to retain equity and fairness in the process, by ensuring that the setting of the Minimum Rate and calculation of the Rate-in-the-Dollar only recovers an amount (referred to as the Budget Deficiency), which is considered essential to the running of Council activities as reflected in the long term financial plan.

As per previous years, the Domestic Refuse Collection service will form part of the normal activities of Council and is therefore included as part of the General Rates, which ensures that pensioners can obtain the maximum benefit from the State Government's Pensioner Rate Rebate Scheme.

In accordance with the requirements of Section 6.36(1) of the *Local Government Act 1995*, a local public notice was published on 10 June 2014, detailing proposed Differential and Minimum Rates for 2014/15, providing the opportunity for comments and questions from residents and ratepayers for a period of 21 days. The rates advertised were designed to meet a budget deficiency of approximately \$122 million, however a number of factors have been considered to reduce this funding requirement, including:

- A range of operational efficiencies;
- Further review of improvements to other income sources; and
- Reserve funding opportunities

As a consequence, the Rates modelling used in deriving the rates advertised have been subsequently updated with the latest data and funding considerations, with a lower Budget Deficiency and consequently lower average rate increase (approximately 4.2%) now being considered.

The largest single factor associated with this reduction is related to the disposal of waste and the significant cost increase being passed on from the State Government in 2014/15 through an increase to the Landfill Levy, which will increase from \$28/tonne to \$55/tonne from 1 January 2015. The estimated impact of this increase on the City's 2014/15 Budget is in the order of \$1.57 million. As this increase is directly related to the City's domestic waste collection service, to ease the burden of this substantial increase on Ratepayers, it is proposed to phase the funding demand from rates through part funding (\$1.074 million) the increase from Reserve Funds, specifically, the Domestic Refuse Reserve, which has the stated purpose of "*to be used for additional requirements specifically needed for the provision of the domestic collection service*".

It should be noted that properties rated on an Unimproved Value (UV) basis are revalued annually, whereas Gross Rental Values (GRV) are revalued every three years (a revaluation has recently been received and will apply in 2014/15). Overall, across the City, residential Gross Rental Valued (GRV's) properties have increased by approximately 13%, commercial GRV's have increased by approximately 19% and industrial GRV's have increased by approximately 24%.

The modified Differential and Minimum Rates are stated in the following table, with further information on the Rate Setting Strategy included in **Attachment 2 - Annual Budget Overview**.

Rate Category	Advertised		Final	
	Rate in the Dollar (Cents)	General Minimum Rate \$	Rate in the Dollar (Cents)	General Minimum Rate \$
Gross Rental Value:				
Residential Improved	7.3436	1,207	7.1662	1,205
Residential Improved - Lesser Minimum Starta Titled Caraven Parks	N/A	378	N/A	377
Commercial Improved	6.5636	1,186	6.5300	1,183
Industrial Improved	5.4888	1,186	5.3700	1,183
Industrial Improved - Lesser Minimum Strata Titled Storage Units	N/A	593	N/A	591
Residential Vacant	10.0560	688	9.3950	630
Commercial Vacant	5.8422	1,186	5.6640	1,183
Industrial Vacant	5.0281	1,186	4.7000	1,183
Unimproved Value:				
Residential Improved	0.3388	1,207	0.3375	1,205
Commercial Improved	0.2678	1,186	0.2631	1,183
Industrial Improved	0.2515	1,186	0.2498	1,183
Rural and Mining Improved	0.3321	1,196	0.3311	1,193
Residential Vacant	0.4445	688	0.4388	630
Commercial Vacant	0.2881	1,186	0.2873	1,183
Industrial Vacant	0.2841	1,186	0.2833	1,183
Rural and Mining Vacant	0.3724	805	0.3440	802

It should be noted that whilst the average category increase is proposed at 4.2%, for equity purposes the GRV category of Industrial Vacant is being levied a higher increase to bring it progressively in line with the comparable category of Commercial Vacant.

The City will also be responsible for collecting the Emergency Services Levy (ESL) on behalf of the Fire and Emergency Services Authority (FESA), which is determined each year by the Minister. The ESL is classified into five categories to reflect the level of emergency service response that is available in different areas.

In 2013/14 Council approved the waiver of Council Rates (excluding the Emergency Services Levy) for land leased by the City to Wanneroo community groups. The rating categories of 'Community Groups' is proposed to be removed, however this will be negated through the waiver of the 2014/15 rates for the groups listed below (the value of Rates revenues to be waived is approximately \$0.074 million):

- AJS Motorcycle Club of WA Inc
- Kingsway Football & Sporting Club Inc
- Kingsway Olympic Sports Club
- Pinjar Motorcycle Park Inc
- Quinns Mindarie Surf Lifesaving Club Inc
- Quinns Rocks Sports Club
- Tiger Kart Club Inc
- Wanneroo Agricultural Society
- Wanneroo Amateur Football Club Inc, Wanneroo Cricket Club, Wanneroo Junior Cricket Club Inc & Wanneroo Junior Football Club (Wanneroo Showgrounds Clubrooms)
- Wanneroo BMX Club
- Wanneroo City Soccer Club Inc
- Wanneroo Districts Cricket Club Inc (indoor facility)
- Wanneroo Districts Cricket Club Inc & Wanneroo Districts Hockey Association Inc
- Wanneroo Districts Netball Association
- Wanneroo Districts Rugby Union Football Club Inc
- Wanneroo Horse & Pony Club
- Wanneroo Racing Pigeon Club
- Wanneroo Shooting Complex Inc
- Wanneroo Sports & Social Club
- Wanneroo Tennis Club

- Wanneroo Trotting & Training Club Inc
- Yanchep Golf Club
- Yanchep Sports Club Inc
- Yanchep Surf Lifesaving Club Inc

Capital Works

The Capital Works Program (included in **Attachment 5**) is developed for a rolling 10 year period and reviewed annually as part of the LTFFP development cycle. The demands for new infrastructure are balanced against the needs to maintain and upgrade existing assets. Asset management plans have been developed for the different asset classes as an integral part of the Integrated Planning Framework to assist with the programming of maintenance, upgrade and replacement for existing assets.

The 2014/15 Budget provides a total of \$62.696 million Capital Works Program, excluding \$24.994 million carry forward capital projects from 2013/14 (**Attachment 3**). Major new projects included in the program for 2014/15 include:

- \$6.800 million Lenore Road Stage 2,
- \$5.787 million Plant and Vehicle Replacement Program,
- \$5.000 million Flynn Drive Neerabup Stage 2,
- \$4.291 million Waste Plant/Vehicle Replacement Program.
- \$3.600 million Civic Centre Extension, and
- \$2.997 million Yanchep/Two Rocks District Sports Facilities.

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. This includes transfers from the following Reserves:

- Asset Replacement Reserve,
- City of Wanneroo Townsite Reserve,
- Commercial Refuse - Plant Replacement Reserve,
- Domestic Refuse Reserve,
- Domestic Refuse - Plant Replacement Reserve,
- Golf Course Reserve,
- Heavy Vehicle Replacement Reserve,
- Light Vehicle Replacement Reserve,
- Materials Facility Upgrade Reserve,
- Neerabup Development Reserve,
- Plant Replacement Reserve,
- Resource Recovery Domestic Refuse Reserve,
- Strategic Projects/Initiatives Reserve, and
- Sustainability Investment Reserve,
- Yanchep/Two Rocks Community Facilities Reserve

Through prudent budgeting in accordance with the previously adopted Budget Principles and the current Long Term Financial Plan, it has been possible to improve the City's reserve funding capacity, which should enhance the City's ability to sustainably meet future demands and liabilities.

Furthermore, it is proposed that the following 4 reserves are to be closed due to either having a zero or immaterial balance or no longer specifically required. Any available funds will be transferred to the City's Strategic Projects/Initiatives Reserve:

- Quinns Rocks Caravan Park Reserve,

- City of Wanneroo Townsite Reserve,
- Materials Recovery Facility Upgrade Reserve, and
- Resource Recovery Domestic Refuse Reserve,

Loan Funding

In 2006, the City secured a \$60.778 million loan from Western Australia Treasury Corp, to be drawn down over five years to assist in funding major and strategic projects with the final drawdown of \$14.060 million having taken place in November 2010. Repayments are interest only, with the principal due for repayment in December 2026.

The application of the loans has been varied in successive Budgets to recognise changes in project costs, availability of alternative funding and changes in priorities and timing of projects. It is worth noting that the Loan Repayment Reserve is projected to have sufficient funds to fully repay the City's \$60.778 million loan back to State Treasury when it falls due (2026) through the previous annual transfers funded to 2011/2012 together with forecast sale of land proceeds from Tamala Park Regional Council.

Key Changes to Budget since Workshop 3

The development of the Annual Budget is informed and updated continuously to reflect the latest factors likely to influence the City's operations. As a result of a range of factors or clarification being obtained, the following adjustments have been made to the draft Budget since the final Budget Workshop (3) with Elected Members:

Statement of Operations			
Description	Draft Budget \$	Final Budget \$	Change \$
Revenues			
Rates	122,016,871	119,719,385	(2,297,486)
Operating Grants, Subsidies and Contributions	12,120,325	12,370,325	250,000
Fees and Charges	22,537,478	22,537,478	0
Interest Earnings	8,420,000	8,520,000	100,000
Other Revenue	3,936,884	3,936,884	0
Total Revenues	169,031,558	167,084,072	(1,947,486)
Expenses			
Employee Costs	(72,273,635)	(72,032,208)	241,427
Materials and Contracts	(50,190,327)	(49,657,347)	532,980
Utility Charges (electricity, gas, water etc)	(8,116,720)	(8,116,720)	0
Depreciation	(32,050,000)	(32,050,000)	0
Interest Expenses	(3,689,236)	(3,689,236)	0
Insurance	(1,690,405)	(1,517,528)	172,877
Total Expenses	(168,010,323)	(167,063,039)	947,284
Result from Operations	1,021,235	21,033	(1,000,202)

Revenues:**Rates -\$2.297 million**

The Rates income was adjusted to reflect the reduced Budget Deficiency, resulting in an overall average increase of 4.2% against the 2013/14 data.

Operating Grants, Subsidies and Contributions +\$0.250 million

The increase is based on recent advice received from the Grants Commission regarding the notional grant figure (+\$0.150 million), together with updated forecast projections for Contributions Income towards park maintenance (+\$0.100 million).

Interest Earnings +\$0.100 million

This adjustment to Non-Payment Penalty income is calculated on a review of year to date and historical data.

Expenses:**Employee Costs -\$0.241 million**

The reduction observed under the Employee Costs category is due to the Efficiency Dividend savings review sought by Council, together with adjustments between this category and Materials and Contracts.

Materials and Contracts -\$0.532 million

The reduction observed under the Materials & Contracts category is partly due to the Efficiency Dividend savings as well as reallocations to facilitate project work required by the CEO. Additionally, a decrease was reflected for Refuse Removal Costs (-\$0.100 million) together with increases identified for recoveries in Capital Project Administration (+\$0.050 million) and Town Planning Schemes Administration (+\$0.088 million).

Insurance -\$0.173 million

The City has recently received updated advice from its Insurer (LGIS) of the Premiums to apply for the new financial year, which is less than the original budget estimate used.

Capital:**New Capital +\$0.290 million**

Mainly due to the minor additions of a small number of projects resulting from the availability of updated information, namely:

- | | |
|---|-----------------|
| - Firebreak Access, Brazier Road Yanchep | \$0.130 million |
| - Solar Panels, Clarkson Library & Kingsway Stadium | \$0.080 million |
| - Children's Crossing, Southmead Drive Landsdale | \$0.050 million |

Carry Forward Capital +\$24.994 million

To recognise the forecast value of Capital Projects which are likely to remain unspent as at the end of the current financial year, to be finished in 2014/15. Major projects to be carried forward include:

- | | |
|--|-----------------|
| - Flynn Drive Neerabup | \$3.553 million |
| - Vehicle Replacement – Waste Mgt (Domestic) | \$2.917 million |
| - Kingsway Regional Sporting Complex | \$1.223 million |

The carry forward projects are supported by the following funding sources:

- | | |
|----------------------------|-----------------|
| - Grants and Contributions | \$1.952 million |
| - TPS | \$3.378 million |
| - Reserves | \$8.475 million |
| - Loans | \$2.630 million |
| - Municipal | \$8.558 million |

Rate Setting Statement:

The Rate Setting Statement represents a composite view of the finances of the City, identifying the movement in the surplus/(deficit), primarily based on the operations and capital works revenue and expenditure and resulting rating income required.

Documentation provided to Elected Members at Workshop 3 included a Rate Setting Statement presenting a Surplus of +\$0.508 million, supported by an amount to be raised through Rates of \$122.017 million. The initial basis for modelling was calculated on an increase of 4.5% to the 2013/14 Minimum Rates and an 'Equivalent' Rates-in-the-Dollar designed to neutralise the impact of the GRV Revaluation. It was noted however that the Equivalent Rates-in-the-Dollar factored in the additional impost on Council from the increase in the Landfill Levy, thereby representing an increase above the proposed percentage.

Subsequent to Workshop 3, Administration implemented the budget changes as previously noted and modelled a 4.2% average rate increase (other than for the Industrial Vacant category) and reviewed the outcome in the context of the Rate Setting Statement. This revealed that an overall Budget Deficit of \$1.074 million would exist without further funding considerations.

As indicated to Elected Members at Council Forum of 1 July 2014, given one of the major drivers to the increase in the Budget between Workshop 2 and 3 was the increase associated with the Landfill Levy, an appropriate funding strategy would be to draw on the Domestic Refuse Reserve to the value of \$1.074 million to part fund the \$1.57 million increase to Refuse Removal Expenses under the Budget category Materials and Contracts. By drawing on this Reserve the City is able to apply readily available funds set aside for a related purpose and achieve an average overall Rates increase of 4.2%, being a reduction to the rates advertised.

Long Term Financial Plan

The City's 10 year Long Term Financial Plan (LTFP) has been amended to reflect the following adjustments:

- Draft 2014/15 Operating Budget incorporated
- Added Year 10 – 2023/24
- Adjustments to the forecast parameters
- Revisions to the 10 Year Capital Works Program

The model increments Years 2 through 10, based on a range of parameters, utilising year 1 (2014/15) as the base for "business as usual" operating costs, together with costs associated with the 4 year Corporate Business Plan. In determining the factors likely to impact on the future budgets, the following consideration was given to each of the parameters:

Rates Base	A rate increase of 4.2% is indicated for 2014/15 with 5.5% rises for the remaining years of the plan.
Rate Growth	This parameter provides for the overall growth in the rate base (i.e. number of rateable assessments). Numerically, it is anticipated the growth will be reasonably stable, however as a percentage it declines as the base increases.
Operating Grants	As per CPI forecast.
Non-Operating Grants	Linked to the 10 Year Capital Works Program.

Fees and Charges	As per CPI forecast.
Interest Yield	Currently set at 3%.
Other Revenue	As per CPI forecast.
Employee - Establishment	Linked to the workforce plan but will need to be reviewed as the outcomes from the Operating Model Review are established.
Employee – Growth	Linked to the workforce plan.
Materials/Contracts	Maintained at a constant level, marginally above CPI.
Material/Contract - Growth	Maintained at constant level to reflect historical average for increase in assets under the care control and management of the City.
Utility Charges	A difficult area to forecast, given the significant cost increases that have been passed on over recent years. This includes increases in assets such as street lighting and new parks/facilities. Current information shows an increase to street lighting tariffs of almost 37% for 2015/16 alone.
Depreciation	Linked to the 10 Year Capital Works Program, but will need to be reviewed based on outcome of the Fair Value review.
Insurance	Maintained at constant level to reflect historical average.
Other	As per CPI forecast.

Overall, the LTFP (detailed in **Attachment 5**) reflects tight conditions, with small operating surpluses (except 2015/16) and significant capital works programs for most of the ten years. It is noted that based on the embedded assumptions and modelling, year 2 of the LTFP experiences a deficit Operating Result, the underlying position remains strong and years 3-10 return to positive results. In addition, it should be noted that the City is undertaking a comprehensive Operating Model Review, which will provide the opportunity to review cost drivers with the potential to impact positively on the operating costs of the City in out years.

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. Notices to this effect were advertised on 10 June 2014, open for a submission period of 21 days. No submissions were received within the submission period.

Comment

In developing the 2014/15 Budget, various non-controllable economic and legislative factors have been considered, however the most influential driver is recognised as being the linkage to the revised CBP, being an extension of the Strategic Community Plan. These factors, together with the compliance requirements of the Integrated Planning Framework, create a significant degree of complexity to the preparation of the 2014/15 Budget. Nonetheless, a prudent and responsible approach has been taken in forecasting revenues and activity levels for Wanneroo.

This approach results in an Operating budget that reflects an 11.53% increase in Operating Income and an increase in Operating Expenditure of 10.36% when comparing to the 2013/14 Adopted Budget. Furthermore, the following associated risks and opportunities affecting the City's Budget are noted:

1. Parks Maintenance Responsibilities.

Administration have used a conservative approach in developing the 2014/15 parks maintenance budget in view of the uncertainties as to the exact value and timing of the handing over of new parks assets from developers or transfer of the maintenance responsibilities. This will be monitored and addressed as necessary.

2. Wangara Recycling Centre

The City is considering, along with its partners (Joondalup and Swan) alternative modes of operation and has sought tender submissions from the market on alternatives to the current full in-house facility. The Tender closed on 20 May 2014, with the Tender outcome currently under review to ensure compliance to related legislation.

The 2014/15 Draft Budget includes a full year costing on the current operating model, however it is anticipated the Tender process will deliver a lower cost per tonne, therefore savings are anticipated in the longer term and potentially commencing in the current financial year. Once confirmed, this will be reflected through the Mid Year Budget Review.

3. Pensioner Rates Rebate

Indications are that the State Government may review the pensioner rebate scheme, due to related funding arrangements with the Federal Government, however should any changes be made they would not come into effect until the 2015/16 financial year. Administration will monitor the progress in this regard.

4. Fair Value Legislation

The outcome of the revaluation of the City's assets may reflect material adjustments through the accounts however this will not be known until the updated asset values are available and audited, likely to be September 2014.

The Budget provides a total of \$62.696 million Capital Works Program (excluding \$24.994 million Carry Forward Capital Projects from 2013/14), which will deliver significant improvements to the local community. It balances the real need for services and infrastructure in the City's North and Coastal growth corridors whilst recognising the need for new, renewal and upgrade of facilities and services in the City's established areas.

In light of the recent economic uncertainty, this Budget is considered to be financially prudent and responsible, providing efficiencies on the back of tough Federal and State budgets, whilst maintaining a high level of service and delivering on long-term sustainability.

The proposed level of overall average rate increase of 4.2% is below the Council's previously adopted Budget Principle (forecast CPI plus 2-3%), informed by the PWC report *Western Australian Local Government Association Rate Setting Processes, Funding Amenity and Service Sustainability of WA Outer Metropolitan Growth Councils*. Outer year calculations within the LTFP are based on assumptions in line with the approved parameter guidelines, which Administration recognise as a key element to achieving financial sustainability.

With careful consideration given to the City's ratepayers, the overall average rate increase has been achieved through the Budget presenting a strategy to supplement the rates with a transfer from the Domestic Refuse Reserve of \$1.074 million to offset the additional cost associated with the increase in the State Government's Landfill Levy of \$1.57 million.

Due to the timeline involved in preparing the comprehensive budget documentation, decisions made at the last Council meeting that have an impact on the 2014/15 Budget or LTFP have not been included in the relevant Attachments. In view of this, the Budget Adoption Recommendations include provisions to action the funding requirements of the Council decisions related to the following items:

- IN01-06/14 PT02-02/14 Request for Removal of Fig Trees in Russell Road, Madeley
- MN01-06/14 Request to Bring Forward Installation of Traffic Signals at the intersection of Joondalup Drive and Cheriton Drive, Carramar

Statutory Compliance

The accompanying Budget for 2014/15 has been prepared in accordance with the *Local Government Act 1995* (the Act), *Local Government (Financial Management) Regulations 1996* and *Australian Accounting Standards*.

Pursuant to Section 6.36(1) of the Act, the City has given the appropriate notice of its intention to impose Differential General Rates and Minimum Rates in respect of each Differential Rate Category. No submissions were received by close of submission period. In accordance with Section 6.36(5), the City may modify the proposed rates and minimum payments after considering any submissions, without the requirement for further local public notice. The final Differential General Rates and Minimum Rates to be applied in imposing the 2014/15 Rates are detailed in the table below:

Rate Category	Final	
	Rate in the Dollar (Cents)	General Minimum Rate \$
Gross Rental Value:		
Residential Improved	7.1662	1,205
Residential Improved - Lesser Minimum Starta Titled Caraven Parks	N/A	377
Commercial Improved	6.5300	1,183
Industrial Improved	5.3700	1,183
Industrial Improved - Lesser Minimum Strata Titled Storage Units	N/A	591
Residential Vacant	9.3950	630
Commercial Vacant	5.6640	1,183
Industrial Vacant	4.7000	1,183
Unimproved Value:		
Residential Improved	0.3375	1,205
Commercial Improved	0.2631	1,183
Industrial Improved	0.2498	1,183
Rural and Mining Improved	0.3311	1,193
Residential Vacant	0.4388	630
Commercial Vacant	0.2873	1,183
Industrial Vacant	0.2833	1,183
Rural and Mining Vacant	0.3440	802

Sub-regulation 56(4)(b) of the *Local Government (Financial Management) Regulations 1996* requires that the Rate Notices 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.

Section 6.11 of the *Local Government Act 1995* deals with reserve Accounts and includes the following provisions:

6.11. Reserve accounts

- (1) Subject to subsection (5), where a local government wishes to set aside money for use for a purpose in a future financial year, it is to establish and maintain a reserve account for each such purpose.
- (2) Subject to subsection (3), before a local government —
 - (a) changes* the purpose of a reserve account; or
 - (b) uses* the money in a reserve account for another purpose,
 it must give one month's local public notice of the proposed change of purpose or proposed use.
 * *Absolute majority required.*
- (3) A local government is not required to give local public notice under subsection (2) —
 - (a) where the change of purpose or of proposed use of money has been disclosed in the annual budget of the local government for that financial year; or
 - (b) in such other circumstances as are prescribed.

In addition to other operational reserve transfers, this report recommends the transfer of \$1.047 million from the Domestic Refuse Reserve to offset the additional cost directly associated with the increase in the Landfill Levy during 2014/15.

The Domestic Refuse Reserve has a stated purpose of:

"To be used for additional requirements specifically needed for the provision of the domestic collection service."

Due to the rationalisation of the number of Reserves operated by the City, in light of this proposed application during 2014/15, it is opportune to consider clarifying the purpose of the Reserve through broadening the defined purpose, to include:

"To be used for additional requirements and costs specifically needed for associated with the provision of the domestic collection, recycling and disposal service."

Strategic Implications

The proposal accords with the following Outcome Objective of the City's Strategic Plan 2006 – 2021:

"4 Governance

4.6 Provide and maintain a high standard of governance and accountability"

Policy Implications

Nil

Financial Implications

The timely adoption of the 2014/15 Annual Budget will facilitate opportunities in terms of investment revenue and allow the implementation of the Capital Program.

Voting Requirements

Absolute Majority

Recommendation

That Council by an ABSOLUTE MAJORITY:-

1. ADOPTS the Budget for the City of Wanneroo for the Financial Year Ending 30 June 2015, incorporating:

1.1 Statement of Comprehensive Income, showing Total Comprehensive Income of \$52,937,908 Surplus.

1.2 Statement of Cash Flows, showing cash at end of year position of \$198,098,924.

1.3 Rate Setting Statement, showing the need to generate \$119,719,385 through the levying of Rates, noting that the Budget Deficiency has been supported by a transfer from the Domestic Refuse Reserve of \$1,074,321 to offset the impact of the increase in the City's domestic rubbish collection service directly related to the increase in the State Government's Landfill levy.

1.4 Notes To and Forming Part of the Budget.

1.5 Attachments (3), (4) & (5) being –

(3) 2014/15 Capital Works Program (including Carry Forwards from 2013/14).

(4) 2014/15 Schedule of Fees and Charges.

(5) Long Term Financial Plan 2014/15 – 2023/24, including the 10 Year Capital Works Program.

subject to:

a) an increase in the 2013/14 Carry Forwards to reflect the Absolute Majority decision of Council (IN01-06/14) to authorise the removal of the Ficus trees in Russell Road, Madeley, estimated at \$52,000; and

b) amending the 10 Year Capital Works Program to transfer PR-2927 'Joondalup Drive/Cheriton Drive, Carramar – Traffic Signals' from Year 3 (2016/17) to Year 2 (2015/16) in accordance with Council Resolution MN01-0614 of 24 June 2014.

2. In accordance with Section 6.47 of the *Local Government Act 1995*, AGREES to waive the 2014/15 Council rates (excludes Emergency Services Levy) for land leased by the City to the following community groups:

- AJS Motorcycle Club of WA Inc**
- Kingsway Football & Sporting Club Inc**
- Kingsway Olympic Sports Club**
- Pinjar Motorcycle Park Inc**
- Quinns Mindarie Surf Lifesaving Club Inc**

- Quinns Rocks Sports Club
- Tiger Kart Club Inc
- Wanneroo Agricultural Society
- Wanneroo Amateur Football Club, Wanneroo Cricket Club, Wanneroo Junior Cricket Club and Wanneroo Junior Football Club (Wanneroo Showgrounds Clubrooms)
- Wanneroo BMX Club
- Wanneroo City Soccer Club Inc
- Wanneroo Districts Cricket Club Inc (indoor facility)
- Wanneroo Districts Cricket Club Inc & Wanneroo Districts Hockey Association Inc
- Wanneroo Districts Netball Association
- Wanneroo Districts Rugby Union Football Club Inc
- Wanneroo Horse & Pony Club
- Wanneroo Racing Pigeon Club
- Wanneroo Shooting Complex Inc
- Wanneroo Sports & Social Club
- Wanneroo Tennis Club
- Wanneroo Trotting & Training Club Inc
- Yanchep Golf Club
- Yanchep Sports Club Inc
- Yanchep Surf Lifesaving Club Inc

3 Differential Rating

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

- 3.1 IMPOSES Differential Rates and Minimum Rates for the 2014/15 Financial Year; and
- 3.2 NOTES that the Differential Rates and Minimum Rates for the 2014/15 Financial Year are inclusive of Domestic Rubbish Collection Charges where applicable, and
- 3.3 SETS the Differential General Rates in accordance with the following tables:

3.3.1 General Rate – Gross Rental Value & Minimum Rates

Subject to the provisions of Sections 6.32, 6.33 and 6.35 of the *Local Government Act 1995*, impose the 2014/15 Gross Rental Value Differential Rates and Minimum Rates as follows: -

GRV Category	Rate in the Dollar (cents)	General Minimum Rate \$
Residential Improved	7.1662	1,205
Residential Improved - Lesser Minimum Strata Titled Caravan Parks	N/A	377
Commercial Improved	6.5300	1,183
Industrial Improved	5.3700	1,183
Industrial Improved – Lesser Minimum Strata Titled Storage Units	N/A	591

Residential Vacant	9.3950	630
Commercial Vacant	5.6640	1,183
Industrial Vacant	4.7000	1,183

3.3.2 General Rate – Unimproved Value & Minimum Rates

Subject to the provisions of Sections 6.32, 6.33 and 6.35 of the *Local Government Act 1995*, impose the 2014/15 Unimproved Value Differential Rates and Minimum Rates as follows: -

UV Category	Rate in Dollar (cents)	General Minimum Rate \$
Residential Improved	0.3375	1,205
Commercial Improved	0.2631	1,183
Industrial Improved	0.2498	1,183
Rural and Mining Improved	0.3311	1,193
Residential Vacant	0.4388	630
Commercial Vacant	0.2873	1,183
Industrial Vacant	0.2833	1,183
Rural and Mining Vacant	0.3440	802

4. Domestic Refuse Charges

Pursuant to the provisions of Division 5 of Part IV of the *Health Act* (as amended) and Section 67 under Division 3, Part 6 of the *Waste Avoidance and Resource Recovery Act 2007*, impose the following Domestic Refuse Charges for the 2014/15 Financial Year: -

- 4.1 Standard Service Charge p.a. (one 240L recycling bin & one 240L rubbish bin) included within General Rates.
- 4.2 Additional Service Charge p.a. (one 240L recycling bin & one 240L rubbish bin) \$395.00.
- 4.2 Additional Recycling Service Charge Only p.a. (one 240L recycling bin) \$165.00.
- 4.3 Additional Rubbish Service Charge Only p.a. (one 240L rubbish bin) \$345.00.
- 4.4 Establishment Charge (per each new or additional service, one 240L recycling bin & one 240L rubbish bin) \$102.00.
- 4.5 Establishment Charge (per each new or additional 240L recycling bin or additional 240L rubbish bin) \$56.00.

5. Private Swimming Pool Inspection Fees

In accordance with the provisions of the *Local Government (Miscellaneous Provisions) Act 1960*, Section 245A, IMPOSES for the 2014/15 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 \$18.20 (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 Charges and Private Swimming Pool Inspection Fees (inclusive of GST) within 35 days of the issue date on the Annual Rate Notice (5/9/2014): -

- eligibility to enter the early incentive draw.

- **Two Instalments**

The first instalment of 50% of the total current Rates and Charges, 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 (5/9/2014): -

- eligibility to enter the early incentive draw.

- **Four Instalments**

The first instalment of 25% of the total current Rates and Charges, 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 (5/9/2014): -

- eligibility to enter the early incentive draw.

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 Charges 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 (5/9/2014).

- **Two Instalments**

The first instalment of 50% of the total current Rates and Charges, 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 (5/9/2014).

The second instalment of 50% of the total current Rates and Charges, Private Swimming Pool Inspection Fees (inclusive of GST) and Instalment Charge, payable 63 days after due date of first instalment (7/11/2014).

- **Four Instalments**

The first instalment of 25% of the total current Rates and Charges, 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 (5/9/2014).

The second, third and fourth instalments each of 25% of the total current Rates and Charges, Private Swimming Pool Inspection Fees (inclusive of GST) and Instalment Charge, payable as follows: -

- Second Instalment 63 days after due date of first instalment (7/11/2014).
- Third Instalment 63 days after due date of second instalment (9/1/2015).

- **Fourth Instalment 63 days after due date of third instalment (13/3/2015).**

8. Late Payment Interest

In accordance with the provisions of Sections 6.13 and 6.51 of the *Local Government Act 1995*, impose interest on all arrears and current charges in respect of Rates and Charges and Private Swimming Pool Inspection Fees (including GST where applicable) at a rate of 8.45% per annum, calculated on a simple interest basis on 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 (5/9/2014), 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 2014/15 Financial Year, the following Administration Fees and Charges are imposed for payment of Rates and 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 and Charges 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 Charges 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 Charges 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 Charges 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. ADOPTS the Significant Accounting Policies as detailed in Note 1 of Attachment 2 (2014/15 Statutory Budget).

11. ADOPTS a percentage of 10% for the purposes of the reporting of material variances by Nature and Type monthly for the 2014/15 Financial Year, in

accordance with Regulation 34(5) of the *Local Government (Financial Management) Regulations 1996*.

12. As part of the Budget **AUTHORISES** the closure of the following Reserves:
- Quinns Rocks Caravan Park Reserve;
 - City of Wanneroo Townsite Reserve;
 - Materials Recovery Facility Upgrade Reserve; and
 - Resource Recovery Domestic Refuse Reserve.
13. **APPROVES** in accordance with Section 6.11(3) of the Local Government Act 1995 the following amendment to the purpose of the Domestic refuse Reserve **"To be used for additional requirements and costs specifically needed for associated with the provision of the domestic collection, recycling and disposal service."**

Attachments:

- | | | |
|---|-----------|---------|
| 1. Annual Budget Overview 2014/15 | 14/174723 | |
| 2. Statutory Budget Report for The Period Ending 30 June 2015 | 14/185212 | Minuted |
| 3. Capital Works Budget 2014/15 | 14/185456 | Minuted |
| 4. Schedule of Fees and Charges 2014/15 | 14/185189 | Minuted |
| 5. Long Term Financial Plan 2014/15 to 2023/24 | 14/185423 | Minuted |