



— *City of* —  
***Melville***

**AGENDA**

**FOR THE**

**SPECIAL MEETING OF THE COUNCIL**

**TO BE HELD ON**

**TUESDAY 23 JUNE 2009**

**AT 6.30PM IN THE COUNCIL CHAMBERS**

**MELVILLE CIVIC CENTRE**

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## NOTICE OF MEETING

I respectfully bring to the attention of Elected Members that a Special Meeting of the Council will be held in the Council Chambers, Melville Civic Centre, 10 Almondbury Road, Booragoon commencing at 6.30pm on Tuesday, 23 June 2009.

The business paper for the Meeting is scheduled below and your attendance is requested.

19 JUNE 2009

DR SHAYNE SILCOX  
CHIEF EXECUTIVE OFFICER

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## AGENDA

### 1. OFFICIAL OPENING

The Presiding Member will cause the Disclaimer to be read aloud by the Governance and Compliance Program Manager.

The Presiding Member will cause the Affirmation of Civic Duty and Responsibility to be read aloud by an Elected Member.

#### Affirmation of Civic Duty and Responsibility

I make this Affirmation in good faith on behalf of Elected Members and Officers of the City of Melville. We collectively declare that we will duly, faithfully, honestly, and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the City's Code of Conduct and Standing Orders to ensure the efficient, effective and orderly decision making within this forum.

### 2. PRESENT

### 3. IN ATTENDANCE

- 4. APOLOGIES AND APPROVED LEAVE OF ABSENCE**
  
- 5. PUBLIC QUESTION TIME**
  
- 6. DISCLOSURES OF INTEREST**
  
- 7. APPLICATIONS FOR NEW LEAVES OF ABSENCE**
  
- 8. IDENTIFICATION OF MATTERS FOR WHICH MEETING MAY BE CLOSED**

# **DISCLOSURE OF FINANCIAL INTERESTS LOCAL GOVERNMENT ACT 1995**

## **Members' interests in matters to be discussed at meetings to be disclosed**

S.5.65 (1) A member who has an interest in any matter to be discussed at a Council or Committee meeting that will be attended by the member must disclose the nature of the interest -

- (a) in a written notice given to the Chief Executive Officer before the meeting; or
- (b) at the meeting immediately before the matter is discussed.

Penalty: \$10,000 or imprisonment for 2 years.

## **Meeting to be informed of disclosures**

**S.5.66** If a member has disclosed an interest in a written notice given to the Chief Executive Officer before a meeting then before the meeting -

- (a) the Chief Executive Officer is to cause the notice to be given to the person who is to preside at the meeting; and
- (b) the person who is to preside at the meeting is to bring the notice to the attention of the persons who attend the meeting.

## **Disclosing members not to participate in meetings**

**S.5.67** A member who makes a disclosure under Section 5.65 must not -

- (a) preside at the part of the meeting relating to the matter; or
- (b) participate in, or be present during, any discussion or decision making procedure relating to the matter,

unless, and to the extent that, the disclosing member is allowed to do so under Section 5.68 or 5.69.

Penalty: \$10,000 or imprisonment for 2 years.

**Please refer to your Handbook for definitions of interests and other detail.**

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**9. REPORTS OF THE CHIEF EXECUTIVE OFFICER**

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

Ward	:	All
Category	:	Operational
Subject Index	:	Budgeting Estimates, Operational & Forward Works Programme
Customer Index	:	Impacts on all Ratepayers of City of Melville
Disclosure of any Interest	:	No Officer involved in the preparation of this report has a declarable interest in this matter
Previous Items	:	Nil.
Works Programme	:	As detailed in attachments
Funding	:	As per 2009/2010 budget document
Responsible Officer	:	Marten Tieleman Director Corporate Services

**AUTHORITY / DISCRETION**

<b>Definition</b>		
<input type="checkbox"/>	Advocacy	<i>when Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>
<input checked="" type="checkbox"/>	<b>Executive</b>	<b><i>the substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i></b>
<input type="checkbox"/>	Legislative	<i>includes adopting local laws, town planning schemes &amp; policies.</i>
<input type="checkbox"/>	Review	<i>when Council review decisions made by Officers.</i>
<input type="checkbox"/>	Quasi-Judicial	<i>when Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i>

**KEY ISSUES / SUMMARY**

- The 2009/2010 Budget Document is presented for consideration & adoption by Council.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)****BACKGROUND**

The Budget has been prepared after careful consideration of the strategic and operational needs of the City on behalf of the Community of the City of Melville. The Council is extremely aware of the impact the current Global Financial Crisis (GFC) has had on its residents. Unfortunately the GFC has also impacted heavily on the City of Melville's income and expenditure resulting in a large reduction in investment income and planning and building fee income. There has also been very significant increases in State Government charges for electricity and waste which had to be dealt with in the process of formulating the budget, whilst still maintaining our commitment to delivering the City's portfolio of more than 200 different products and services to the Community.

The City has reviewed its organisational structure and administrative budgets during the year and has reduced discretionary expenditures in light of the GFC. The budget has provided for a modest increase in salaries and wages for employees when compared to State Government agencies.

The Council is also conscious of the need to maintain its natural and built assets in a manner that minimises their whole of life costs whilst presenting them to a standard expected by the Community.

The Council could deliver a budget with no rate or service charge increases. To do this however it would be required to reduce service levels, reduce expenditure on capital works or defer maintenance of its assets to future years. This would however create a false sense of economy as it would simply mean that in future years ratepayers would be subjected to very high increases in order to pay for deferred maintenance liabilities that have accumulated due to under funding in prior years. Alternatively the Council could borrow in order to meet any funding shortfalls. Borrowing for recurrent expenditure or to replace assets already owned by Council is however not considered to be sound financial management practice.

The City is also developing a broad and focused approach to community development by implementing more cohesive neighbourhood/local plans and actions which will address current and future needs. Hence the 2009/2010 budget [6022A June 2009](#) has been developed with the following issues in mind:-

- The well documented need to address asset maintenance & financial sustainability issues i.e. redress the historical under funding of asset maintenance and renewal as highlighted in the report of the Local Government Advisory Board's inquiry into Structural and Electoral Reform in Western Australia, the Western Australian Local Government Associations Systemic Sustainability Study report, various similar studies that have been conducted in each State and the Australian Local Government Association's study and report National Financial Sustainability Study of Local Government conducted by Price Waterhouse Coopers (The PWC Report);
- The need to maintain the real value of works and services in the face of rapidly escalating costs passed on by the State Government as well as the disposal of waste, which has been significantly greater than the Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS).

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

- The need to “lift the bar” in relation to meeting increasing community expectations, and safety and quality standards as promulgated via statute or as benchmarked in various Australian Standards.

The 2009/2010 Budget as presented will result in an overall rate in the \$ increase of 4.8%. In addition to this, total rate revenue will increase by a further 1.55% due to growth in the property base that has taken place over the past year. It is acknowledged that this is significantly greater than the Consumer Price Index for Perth which at March 2009 was 2.2%. This level of revenue increase is required however to offset major cost increases such as electricity cost increases of approximately \$400,000 p.a. plus a reduction in Municipal Fund investment income of some \$1.43 million and planning and building fee income of \$610,000 as well as other cost increases.

In addition to the rate increase there has been an \$80 increase in the domestic refuse charge. This large increase is required to pay for the increased costs of refuse disposal. The City’s 100,000 residents accommodated in 38,000 homes generate nearly 51,000 tonnes of waste, which equates to 1.3 tonnes per household per annum. The increase costs are as a result of the 300% increase in the State Government’s Landfill Levy, from \$7 to \$28 per tonne, as well as the extra costs of disposal due to a collapse in the prices obtained for recyclable waste products, the increased costs associated with the fire at the Materials Recovery Facility at the Canning Vale Regional Resource Recovery Centre and the extra costs associated with ensuring the operation of the waste composting plant and green waste processing plant do not emit odours that impact on residential areas in the vicinity of the facility.

As noted earlier, whilst it would be possible to draft a budget that increases rates at a level equivalent to or less than the CPI, this would represent a short term approach that would necessitate a reduction in service levels and provide insufficient funding for asset maintenance and renewal. In effect such action would result in intergenerational inequities by deferring expenditures to future generations of ratepayers and is not considered by officers, the Australian and Western Australian Local Government Associations and best practice literature to constitute good governance. Section 1.3 of The Local Government Act 1995 (the Act) stipulates at subsection (3) that “*In carrying out its functions a local government is to use its best endeavours to meet the needs of current **and future generations** through integration of environmental protection, social advancement and economic prosperity.*” Further Section 3.1(1) of the Act stipulates that “*The general function of a local government is to provide for the good government of persons in its district.*”

The 2009/2010 Budget has therefore been drafted with a long term view of the needs of the City and its residents in mind. A lower level of rate increase would jeopardise the future financial sustainability of the City of Melville.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)****DETAIL**

The 2009/2010 Budget seeks to provide additional funds, not only to cope with rapidly increasing costs, but also to address deferred asset maintenance and renewal liabilities that have been identified as a result of applying improved asset management principles and activities in regards to the assessment of infrastructure and building asset conditions. It should be noted that the City of Melville has a significant pool of assets that it owns and manages and from which it provides the over 200 products and services offered by it. These assets carry with them substantial asset management costs including maintenance, operational, periodic refurbishment and end of life renewal costs. Estimated asset replacement values and depreciation (i.e. renewal liability accruing each year on the basis of replacing like for like) include:-

- Buildings \$300,000,000 – 50 Year Average Life – Depreciation = \$ 6,000,000pa
- Roads/Kerbs \$300,000,000 – 40 Year Average Life – Depreciation = \$ 7,500,000pa
- Street Furniture \$ 15,000,000 – 10 Year Average Life – Depreciation = \$ 1,500,000pa
- Drains \$ 55,000,000 – 80 Year Average Life – Depreciation = \$ 687,500pa
- Footpaths \$ 26,000,000 – 30 Year Average Life – Depreciation = \$ 867,000pa
- Irrigation \$ 12,000,000 – 15 Year Average Life – Depreciation = \$ 800,000pa
- Plant \$ 12,500,000 – 5 Year Average Life – Depreciation = \$2,500,000pa
- IT Equipment \$ 3,395,000 – 3.5 Year Average Life – Depreciation = \$ 970,000pa

It should be noted that Depreciation is based on averages and individual assets may deteriorate more or less quickly than indicated by the straight-line depreciation rate. The objective of Council is to match the consumption of assets, as indicated by their depreciation, with sufficient funding in each year in each asset class, to ensure that renewal of those assets can occur as and when required. Whilst partly addressing these issues the 2009/2010 Budget does not include sufficient funding to achieve this objective to the full extent required. Once detailed asset management plans are completed, Council will further refine its long term financial plan to ensure that sufficient replacement and renewal funding will be achieved in future years budgets.

In addition to funding renewal/replacement of assets on a like for like basis, funding is also required to enable the periodic refurbishment and upgrading of assets and the purchase or construction of new assets not, currently in Council's asset pool. The 2009/2010 Budget and Capital Works Programme distinguishes between renewal, upgrade or new assets. These distinctions will be included in the 2009/2010 Budget documents together with a reconciliation of expenditure needs and funding applied to each asset class.

There is however currently a significant gap between what is spent on the renewal of assets and what should be spent for some Council Asset classes.

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(ATTACHMENT)**

The strategies that will be deployed to address these gaps include:-

1. Rationalise the pool of assets i.e. reduce the number of assets owned;
2. Ensure the level of maintenance of assets is carefully managed so as to optimise their useful life;
3. Ensure when assets are acquired or constructed that they are of an appropriate quality so as to ensure minimum whole of life cost and maximum life span;
4. Only undertake the provision of services where absolutely required i.e. if the need could be met by other external parties whether commercial private businesses, other levels of government or non government agencies Council should act as a facilitator not a provider;
5. Ensure where possible that an income stream is derived from assets so as to offset the cost of maintaining them and reducing the reliance on rates;
6. Source external grant income;
7. Increase funding from Council revenue streams other than rates e.g. lease income;
8. Ensure the appropriate use of Reserve Funds and or Loan Borrowings;
9. Increase funding from rates.

Specific allocations made in the \$24.8m Capital Works Program are detailed in the attached budget and include:-

- \$3.2m for development of the Melville Primary School;
- \$2m for the Melville Aquatic gym extensions;
- \$515,000 for information technology hardware and software replacements;
- \$50,000 Community Sport and Recreation Facilities funding to assist clubs with upgrading their facilities;
- \$200,000 for the replacement of Recreation equipment;
- \$110,000 for continuation of the Public Arts Program;
- \$1.3m for replacement of motor vehicles and plant;
- \$140,000 for replacement of rubbish bins;
- \$1.5m for major maintenance of various buildings;
- \$510,000 for drainage works;
- \$234,000 for environmental works in Council's foreshores, lakes, parks and bush lands;
- \$1.1m for new and replacement footpaths;
- \$405,000 for lighting including \$55,000 for lighting public access ways;
- \$965,000 on park improvements and renewals of assets;
- \$161,500 for parking improvements including Archibald Street Precinct, Beasley Reserve, Blaikie Street, Burke Drive, Kintail/McClenan Church Verge;
- \$298,500 on various precinct improvement initiatives including \$163,000 for verge upgrades and street tree plantings;
- \$4.1m for road resurfacing projects;
- \$1.01m on various road improvements including \$220,000 for Bull Creek Drive Roundabout, \$260,000 for Cranford Road and Bateman Road Roundabout and \$150,000 for Queens Road and Bateman Road Roundabout Mt Pleasant;
- \$130,000 on the bus shelter replacement program.

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(ATTACHMENT)**

The 2009/2010 budget also continues funding for the recently launched Community and Neighbourhood Planning initiatives which envisages the creation of community hubs from which community based programmes can be run. The City's existing community facilities such as the libraries, community halls and recreation centres are an important asset base to support these programmes.

Whilst Council pays close regard to the Consumer Price Index (CPI) it has been unable to contain the level of rate increase to the same amount as the Perth CPI which was 2.2% in the period March 2008 to March 2009.

If the budget amounts were simply increased by the March Perth CPI year on year increase of 2.2%, this would necessitate a decrease in the amount of work that could be undertaken and a further slippage in Council's ability to maintain its assets at an appropriate standard.

In view of the above factors the 2009/2010 budget has provided for significant increases in the operational and maintenance costs.

**PUBLIC CONSULTATION/COMMUNICATION**

Whilst no specific public consultation has taken place in regards to the 2009/2010 Budget, community consultation has occurred for a number of the major projects identified within the budget document. A notice of intention to impose differential rates was also advertised in the Melville Times on Tuesday, 5 May 2009 and the 21 day public comment period ended on Wednesday 27 May 2009. No public comments were received.

Following consideration by the Southern Metropolitan Regional Council (SMRC) of their budget it appears that there will again be significant increases in the gate fees charged by that organisation to the City of Melville. As these costs form part of the Waste Services budget these additional costs have been factored into the Waste Services domestic refuse charges.

**CONSULTATION WITH OTHER AGENCIES / CONSULTANTS**

Fire and Emergency Services Agency in relation to collection of the Emergency Services Levy;

Landgate (The Valuer General) in relation to the Gross Rental Valuations used as a basis for calculation of Municipal General and Specified Area Rates;

Southern Metropolitan Regional Council (SMRC) in relation to the Waste Disposal operation run by them on behalf of the City and six other local authorities.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)**  
**(ATTACHMENT)**

**STATUTORY AND LEGAL IMPLICATIONS**

Local Government Act 1995

**1.3. Content and intent**

Section 1.3 (3) In carrying out its functions a local government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity.

**3.1. General function**

- (1) The general function of a local government is to provide for the good government of persons in its district.

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

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

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

**6.47. Concessions**

“Subject to the Rates and Charges (Rebates and Deferments) Act 1992, a local government may at the time of imposing a rate or service charge or at a later date resolve to waive\* a rate or service charge or resolve to grant other concessions in relation to a rate or service charge. \* Absolute majority required”.

The 2009/2010 budget as presented is considered to meet these statutory obligations.

**FINANCIAL IMPLICATIONS**

Specific financial implications are as detailed in the forgoing Detail section of this report and the attached 2009/2010 budget document.

Implications for City of Melville ratepayers will include:-

- Various increases in the levels of user fees and charges as detailed in the Fees and Charges Schedule 2009/2010 as previously adopted by the Council on Tuesday 19 May 2009;
- An increase in the general improved rate of approximately 4.8% from 5.599 cents in the \$ of gross rental value to 5.87 cents;
- An increase in the residential unimproved rate of approximately 4.8% from 4.362 cents in the \$ of gross rental value to 4.573 cents.
- An increase in the commercial/industrial unimproved rate of approximately 33.2% from 4.362 cents in the \$ of gross rental value to 5.87 cents.
- An \$80 increase in the domestic refuse charges from \$265.00 to \$345.00 pa with the concessional pensioner’s residential charge also rising by \$80.00 from \$225.00 to \$305.00 pa. The large percentage increases are due to increased disposal charges passed on by the SMRC as well as fuel and labour cost increases as a result of the extra distance and time taken to travel to alternative disposal sites due to the Material Recovery Facility at Canning Vale having been destroyed by fire.
- There has been no change in the Community Security & Liaison Service Charge which stays the same at \$44.50.
- The removal of the 3% discount for early payment. This has been implemented due to the current economic conditions and is in line with most other councils.
- An increase in the charge for payment by instalments from \$15.00 to \$16.00 an increase of 6.66%;
- Maintenance of the Direct Debits administration fee at \$30.00.
- The introduction of a Credit Card Surcharge Fee of 0.77% to offset bank fees associated with credit card payments by ratepayers. This is also in line with most other councils.

In the May 2009 State Government Budget it was announced that the Emergency Services Levy (ESL), which is used to fund the State Fire and Emergency Services Agency (FESA) and is collected on behalf of FESA being the State Government agency responsible for the provision of fire and emergency services by all Western Australian Local Government Authorities, will be as follows:-

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(ATTACHMENT)**

**ESL Rates and Minimum and Maximum Thresholds**

ESL CATEGORY	ESL Rate (per \$GRV)	MINIMUM AND MAXIMUM ESL CHARGES BY PROPERTY USE			
		Residential, Farming and Vacant Land		Commercial, Industrial and Miscellaneous	
		Minimum	Maximum	Minimum	Maximum
1	0.123	\$43	\$225	\$43	\$130,000

The ESL rate in the \$ has increased by 5.1%, the minimum ESL levy has increased by 7.5%, the maximum for residential and vacant land by 4.6% and the Commercial, Industrial & Miscellaneous by 4%. The overall amount of levy that will be raised from City of Melville property owners and remitted to FESA, will be approximately \$8.37m. The total amount estimated to be raised for the ESL levy in 2009/2010 is higher than the actual amount collected in 2008/2009.

**STRATEGIC AND RISK MANAGEMENT IMPLICATIONS**

Risk Statement	Level of Risk*	Risk Mitigation Strategy
Insufficient budget funding achieved to carry out works & services and maintain the City's assets.	Major consequences which are almost certain, resulting in a <b>High</b> level of risk.	Ensure sound Financial policy positions are adopted by Council and that the consequences of insufficiently funding the City's operations are well understood.
An excessive quantum of funding is requested by some officers and directed towards areas of expenditure that are not a priority of the Community and Council or a Technical or Statutory requirement.	Minor consequences which might occur at some stage, resulting in a <b>Medium</b> level of risk.	Ensure budget development process is sound & subject to independent review by all Managers, Finance & Council. Unexpended excess funds will be declared as surplus & used to offset next year's rates or transferred to an appropriate reserve fund. Ensure that the wishes of the Community and Council are well understood, that Asset Management planning is based on sound principles and that a robust project prioritisation methodology is used.

\* As derived from using the Risk Assessment Matrix

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)**  
**(ATTACHMENT)****POLICY IMPLICATIONS**

The budget has been developed on the principles outlined in Council's policies 13-PL-001 Financial Sustainability – Forward Financial Planning and Funding Allocation Policy and 13-PL-008 Borrowings & Asset Financing Policy.

Variation from policy 13-PL-001 has occurred in respect to policy clause 2.2 in that the Annual 2009/2010 Budget does **not** include a 2 year budget, but it is intended that this will be presented next year. The budget **does not** fully address the estimated asset maintenance and renewal funding shortfall/gap however makes further modest progress towards that objective.

**ALTERNATE OPTIONS AND THEIR IMPLICATIONS**

Council may chose to adopt a rate increase of greater or less than the recommended 4.8% however in doing so it would need to identify which Operating Programme it wishes to see increased or removed or what Capital Works it wishes to be added to or does not wish to proceed with. In regards to the Capital Works Programme, reductions in the quantum of the programme are likely to result in a deferment of expenditure to future years at an increased cost and a further exacerbation of Council's asset management deferred liability. The projects presented to Council for funding are considered to be the priority ones however there are many more that are also worthy of funding that would be suggested for inclusion should others be removed. Council needs to establish a level of asset refurbishment and renewal funding that will enable it to refurbish and renew its assets when they reach the end of their useful lives and will need to build reserves to enable it to do so.

An increase or decrease of 1% of rates equates to approximately \$420,000.

**CONCLUSION**

The 2009/2010 Budget is a responsible budget with a view to the long rather than short term financial position of the City of Melville. In the course of formulating the draft budget the officers of Council have taken into account a broad range of factors with the emphasis being on ensuring that:-

- appropriate levels of service are maintained,
- increased costs of operating are provided for, and
- increased, albeit not yet optimal, funding is provided for asset maintenance, refurbishment and renewal and that operational capacity is maintained.

In contrast to various State and the Federal Governments this has been achieved without resorting to loan borrowings.

Reductions in the level of rate increase, whilst possible using short term measures such as deferment of asset maintenance or renewal, is not recommended as this simply creates a greater financial burden for future generations. Such action would also be a departure from Council policy 13-PL-001 and the good governance provisions of the Local Government Act referred to earlier in this report.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

**OFFICER RECOMMENDATION (6022)**

**ABSOLUTE MAJORITY**

**1.1 Consideration and Adoption of the 2009/2010 Budget (ATTACHMENT)**

The Budget Papers were distributed to Elected Members under separate cover on Friday, 19 June 2009.

[6022A June 2009](#)

**1.1.1 Carry Forward Projects and Unexpended Specific Purpose Grants (ATTACHMENT)**

[6022B June 2009](#)

The draft list of projects and unexpended specific purpose grants funded but not completed in 2008/2009 forms part of the Attachments to the Agenda, which was distributed to the Members of the Council on Friday, 19 June 2009.

**OFFICER RECOMMENDATION (6022)**

**ABSOLUTE MAJORITY**

**That the list of works in progress and unexpended specific purpose grants (as per above attachment 6022B\_June\_2009) be included within the 2009/2010 Budget.**

**1.1.2. Ratepayer Profile (ATTACHMENT)**

[6022C June 2009](#)

The Ratepayer Profile forms part of the Attachments to the Agenda, which was distributed to the Members of the Council on Friday, 19 June 2009.

**OFFICER RECOMMENDATION (6022)**

**ABSOLUTE MAJORITY**

**That the 2009/2010 Ratepayer Profile (as per above attachment 6022C\_June\_2009) be noted.**

**1.1.3 Differential Rating Submissions & Other Rates & Charges (ATTACHMENT)**

[6022D June 2009](#)

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)**  
**(ATTACHMENT)****Background**

The Local Government Act 1995 outlines procedures by which a local government can impose differential rates.

**Detail**

Section 6.36 of the Act requires that all local governments, which impose differential rates or a differential minimum, must give prior notice of its intention and invite submissions from electors and ratepayers. Consideration of all submissions is then to be undertaken.

The Act requires that information regarding differential rates be included with the Rate Notice detailing all rates imposed, together with a summary of the Objects and Reasons for those rates.

**1.1.3 Differential Rating Submissions & Other Rates & Charges (continued)**

A Notice of Intention to Impose Differential Rates was advertised in the Melville Times on Tuesday, 5 May 2009.

The Notice of Intention to Levy Differential Rates forms part of the Attachments to the Agenda, which was distributed to the Members of the Council on 19 June 2009. The 21 day submission period closed on Wednesday, 27 May 2009 with no submissions having been received by the close of business on that date or subsequently.

Unless amended by the Council, the rates in the dollar and minimum rates will be 5.87 cents in the \$ (08/09 5.599 cents) with a minimum rate of \$575.00 (08/09 \$545.00) for all Improved Land and 4.5735 cents in the \$ (08/09 4.362 cents) with a minimum rate of \$585.00 (08/09 \$555.00) for all Unimproved Residential Land and 5.87 cents in the \$ (08/09 4.362 cents) with a minimum rate of \$585.00 (08/09 \$555.00) for all Unimproved Commercial/Industrial Land.

The property surveillance and security service charge remains the same as 2008/09 at \$44.50.

To cover the cost of collection and disposal of household refuse as well as the pensioner concession the domestic refuse charges is required to be \$345.00 (08/09 \$265.00) an increase of \$80. For the 5,500 City of Melville registered pensioners the concessional domestic refuse charge will be \$305.00 (08/09 \$225.00) which is also an increase of \$80.00. The cost of this concession, which is funded by the revenue earned from domestic refuse collection charges and not the State Government's pensioner subsidy scheme, is estimated to be \$223,000.

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**(ATTACHMENT)**

The pool inspection charge of \$16.60 (GST Incl.) is designed to recover the cost of all inspections over a four-year inspection cycle, so that the inspection cost per pool is \$66.40 (GST Incl) each four years, but paid in annual instalments.

**OFFICER RECOMMENDATION (6022)****ABSOLUTE MAJORITY**

**That the Differential Rating Submissions Report (as per above attachment 6022D\_June\_2009) be noted.**

**1.1.4 Adoption of Percentage for Reporting of Material Variances**

Each financial year, a local government is 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. The level adopted for the year 2008/2009 was 10.0% or \$20,000 whichever is the greater. It is however proposed that the level adopted for the reporting of material variances for 2009/2010 should be 10.0% or \$50,000 whichever is the greater.

**OFFICER RECOMMENDATION (6022)****ABSOLUTE MAJORITY**

**That in accordance with Regulation 34 of the Local Government (Financial Management) Regulations 1996, the level to be used in statements of financial activity in the year 2009/2010 for reporting material variances, be 10% or \$50,000, whichever is the greater.**

**1.1.5 Process of Imposing Rates and Adoption of 2009/2010 Budget****COMMENT**

Before proceeding to the recommendations with respect to the 2009/2010 Budget, it is appropriate to identify requirements of the Local Government Act 1995 in regard to the Budget process.

The following matters require a decision by Absolute Majority:

- Adoption of the Annual Budget
- Granting of discount or other incentives for early payment
- Granting a concession on refuse to pensioners
- Setting the interest rate on outstanding debts
- Imposing any fees or charges for goods or services other than a service for which a service charge is imposed
- Imposing the General Rate and Differential Rate on rateable land in the district
- Imposing a service charge i.e. Property Surveillance and Security Services.
- Imposing a specified area rate.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)**  
**(ATTACHMENT)****1.1.5 Process of Imposing Rates and Adoption of 2009/2010 Budget (Continued)**

The Local Government Act 1995 enables service charges to be imposed equally across assessments including non-rateable properties for the purpose of property surveillance, security service and underground electricity.

**OFFICER RECOMMENDATION (6022)                      ABSOLUTE MAJORITY**

1.     **That by Absolute Majority Decision of Council the 2009/2010 Municipal Fund Budget (as per attachment 6022A\_June\_2009) be adopted.**

2.     **That by Absolute Majority Decision of Council the following rates for the 2009/2010 financial year, be adopted:**

**All Improved Land**

**5.87 cents in the dollar on gross rental values subject to a minimum rate of \$575.00 per lot, location or other piece of land;**

**All Unimproved Residential Land**

**4.5735 cents in the dollar on gross rental values subject to a minimum rate of \$585.00 per lot, location or other piece of land;**

**All Unimproved Commercial/Industrial Land**

**5.87 cents in the dollar on gross rental values subject to a minimum rate of \$585.00 per lot, location or other piece of land;**

3.     **That by Absolute Majority Decision of Council the following rates concessions for the 2009/2010 financial year, be adopted:**

**A. General Rate Concessions**

**Strata storage units - appropriately zoned and used strata titled storage units of 18m<sup>2</sup> or smaller, whereby the minimum rate charged be \$287.50; The value of this concession amounts to \$14,375.**

**Melville Glades Golf Club – 100% concession from general rates. The value of this concession amounts to \$12,150.**

4.     **That by Absolute Majority Decision of Council the following waste charges be adopted, for the 2009/2010 financial year:**

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

**1.1.5 Process of Imposing Rates and Adoption of 2009/2010 Budget (Continued)**

- A) Residential Properties (Including Community Groups)**
- **\$345.00 per annum for one standard service; (this amount is exclusive of GST for the first bin however GST would be added for any additional bins)**
  - **Eligible pensioners are entitled to a concessional rate of \$305.00 per annum for one standard service; (this amount is exclusive of GST for the first bin however GST would be added for any additional bins) and it be noted that the estimated cost of this concession, which is funded from other waste service fees is \$223,000.**

**(Note - a standard service includes weekly domestic collection and disposal of one 240 litre City of Melville approved bin, fortnightly recycling collection and disposal of one 240 litre City of Melville approved bin, one junk goods and three green waste kerbside collections per annum.**

- B) Commercial Properties**  
**\$465.00 per annum for one standard removal and disposable of refuse in a 240 litre City of Melville approved bin; (this amount is exclusive of GST for the first bin however GST would be added for any additional bins)**
- C) Non-Rateable Properties (Excluding Community Groups)**  
**\$465.00 per annum for one standard service; (this amount is exclusive of GST for the first bin however GST would be added for any additional bins)**

**Note:- a standard service includes the removal and disposable of refuse in a 240 litre City of Melville approved bin;**

- D) Bulk Refuse Collection and Disposal**
- \$50.85 including GST per service – one bin of 1.5 cubic metre capacity;**
- \$63.55 including GST per service – one bin of 3.0 cubic metre capacity;**
- \$112.45 including GST per service – one bin of 4.5 cubic metre capacity.**

**Note:- a service is rendered each time a bin is emptied.**

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

1.1.5 Process of Imposing Rates and Adoption of 2009/2010 Budget (Continued)

**5. Swimming Pool Inspection Fee**

That by Absolute Majority Decision of Council a swimming pool inspection fee of \$66.40 including GST be adopted for 2009/2010 with one quarter of the charge, being \$16.60 including GST applied in this rating year, reflecting the recovery of the amount of \$66.40 during the course of the four yearly inspection cycle.

**6. Property Surveillance and Security Service Charge.**

That by Absolute Majority Decision of Council the property surveillance and security charge for the 2009/2010 year of \$44.50 excluding GST be adopted.

1.1.6 Early Payment Incentives

**OFFICER RECOMMENDATION (6022)**

**ABSOLUTE MAJORITY**

1. That by Absolute Majority Decision of Council the following early payment incentives be granted provided all 2009/2010 rates and charges (including refuse service charge, property surveillance and security charge and swimming pool inspection fee) are paid in full on or before close of business (i.e. 5.00pm) by the due date shown on the rate notice.

Major Prize

One \$3,000 Bonus Saver Account from Westpac Bank.

Other Prizes

- One Vmoto scooter including accessory pack provided by American Express for payments made using an American Express charge/credit card.
- Four weekly, chance prize draws of up to \$300 at Stockland, Bull Creek Shopping Centre.

The winners for the major prize will be drawn by random computer selection of valid properties. The winner of the American Express prize will be drawn from those ratepayers who pay their rates account in full by the early payment date using their American Express card. The winners of the Stockland prize will be drawn from entry forms placed in the entry barrel at Stockland Bull Creek Shopping Centre.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)**  
**(ATTACHMENT)****1.1.7 Loan Capital Fund Budget**

This budget includes self-supporting loans raised on behalf of other organisations that are responsible for meeting the loan repayment costs. The Council is effectively the guarantor of these loans. The Budget additionally allows for a short term facility of \$5,000,000 to be raised in respect of an overdraft facility which may or may not be required during the year.

**OFFICER RECOMMENDATION (6022)****ABSOLUTE MAJORITY****That by Absolute Majority Decision of Council the 2009/2010 Loan Fund Budget (as per attachment 6022A\_June\_2009) be adopted.****1.1.8 Reserve Account Budgets**

Reserve accounts form part of the Municipal Fund and equity of Council. Specific Purpose cash backed reserve accounts have been created for various reasons as detailed below.

In some cases e.g. the Community Security Service Reserve they are specifically required by legislation to record any surpluses arising from Service Charges or Specified Area Rates.

Other reserves such as the Leave Entitlement Reserve are created to ensure that funds are available to meet future known liabilities.

Some such as the Risk Management Reserve are created to provide for contingent future liabilities the extent of which cannot yet be accurately assessed.

Reserves such as the Civic Centre Precinct Improvements Reserve, Information Technology Reserve, Community Facilities Reserve, Plant Replacement Reserve, Road Asset Management Reserve and the Parking Facilities Reserve are set aside to save for the future replacement of assets that are currently being consumed. It should be noted that Councils in Western Australia are required to exclude depreciation expenses when setting rates however they are required to include capital expenditure and transfers to/from reserves and other forms of non-operating revenues.

Other forms of funding such as General Rates and Loan Borrowings are available to fund the replacement of assets. However due to:-

- a) the very large value of assets owned by Council the replacement of which, if achieved solely through reliance on loan borrowings, would quickly result in unacceptable debt service, debt to equity and debt to revenue ratios being encountered,
- b) the desire to ensure that rate levels do not unduly fluctuate each year depending on whether or not a major expenditure is incurred or asset purchase/replacement is made and

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

1.1.8 Reserve Account Budgets (Continued)

- c) the need to ensure that ratepayers meet their equitable share of the cost of consumption of assets (as recognised by the application of condition based depreciation calculations) each financial year rather than deferring the liability to future years ratepayers reserves are used.

Reserve accounts therefore represent the “savings accounts” of Councils and represent funds that have been set aside for future known and unknown events in order to help reduce the variability of Municipal rates.

Funds held in reserve accounts are invested and the interest earned is reinvested in those reserves, so as to, as far as is possible, maintain the real value of those savings.

**OFFICER RECOMMENDATION (6022)**

**ABSOLUTE MAJORITY**

**That by Absolute Majority Decision of Council the 2009/2010 Reserve Accounts (Fund) Budget (as per attachment 6022A\_June\_2009) be adopted for the following reserve accounts and purposes:**

**A) Applecross Underground Power & Streetscape Enhancement Reserve**

**To be used for underground power projects and streetscape enhancements in the suburb of Applecross.**

**B) Civic Centre Precinct Improvements Reserve**

**To be used for improvements to the buildings and associated landscaping and car parking located within the Civic Centre Precinct.**

**C) Community Facilities Reserve**

**To be used for the provision, refurbishment or improvement of community facilities located in the City of Melville.**

**D) Community Surveillance and Security Service Reserve**

**To temporarily retain any surpluses that may arise from the Property Surveillance and Security Service Charge to be used to offset future year’s property surveillance and security service charges or for the purchase of plant and equipment used for community surveillance and security services.**

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

1.1.8 Reserve Account Budgets (Continued)

**E) Information Technology Reserve**

To be use to fund the acquisition and replacement of computer software and information technology hardware.

**F) Land & Property Reserve**

To be used to fund land and property purchases within the City of Melville.

**G) Leave Entitlements Reserve**

To be used to fund annual, sick and long service leave entitlements accrued in previous financial years.

**H) Mount Pleasant North Underground Power & Streetscape Enhancement Reserve**

To be used for underground power projects and streetscape enhancements in the suburb of Mount Pleasant.

**I) Parking Facilities Reserve**

To be used to fund the provision, refurbishment or improvement of parking facilities and equipment.

**J) Plant Replacement Reserve**

To be used to fund the purchase of replacement motor vehicles and plant, including domestic waste collection trucks.

**K) Public Open Space Reserve**

To be used to fund the purchase and development of public open space, parks and reserves.

**L) Refuse Bins Reserve**

To be used for the purchase and replacement of domestic refuse bins.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

1.1.8 Reserve Account Budgets (Continued)

**M) Commercial Refuse Reserve**

To be used for the acquisition and replacement of commercial refuse bins, motor vehicles, plant and equipment used for commercial waste operations and the development of commercial waste collection opportunities.

**N) Refuse Facilities Reserve**

To be used for payments relating to the establishment and operation of waste management facilities, funding associated costs, and the cost of landscaping, environmental and rehabilitation works of former tip sites operated by the City of Melville.

**O) Risk Management Reserve**

To be used to fund prior years insurance premium contingencies, the self-insured element of insurance claims, risk reduction initiatives or projects and losses arising from investment activities.

**P) Road Asset Management Reserve**

To be used to fund road asset management projects within the road reserve including the maintenance and renewal of the City of Melville's existing road network, kerbing and street furniture.

**Q) Unexpected Capital Works & Specific Purpose Grants Reserve**

To be used to carry forward available funding for uncompleted projects and specific purpose grants, that will be completed and expended in ensuing financial years.

**1.1.9 Trust Fund Budget**

**OFFICER RECOMMENDATION (6022)**

**ABSOLUTE MAJORITY**

**That by Absolute Majority Decision of Council the 2009/2010 Trust Fund Budget as detailed (as per attachment 6022A\_June\_2009), be adopted.**

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)**  
**(ATTACHMENT)****1.1.10 2008/2009 Surplus Funds**

The 2009/2010 Budget has been formulated on the basis that a surplus of \$1,621,000 will be carried forward from the 2008/2009 financial year. Additionally the monies required to fund the carried forward projects and unexpended specific purpose grants previously identified in Item 1.1.1 will be transferred from the 2008/2009 surplus and placed in the Unexpended Capital Works and Specific Purpose Grants Reserve. This amount will then be offset by the addition of carried forward projects to the expenditure side of the 2009/2010 Budget equalling the amount transferred in 2008/2009 to the Unexpended Capital Works and Specific Purpose Grants Reserve.

It should be noted that the final surplus/deficit position will be established and reported to the Council after completion of the 2008/2009 audit in October 2009.

**OFFICER RECOMMENDATION (6022)****ABSOLUTE MAJORITY**

**That by Absolute Majority Decision of Council any surplus remaining in the Municipal Fund as at 30 June 2009, after allowing for the budgeted surplus of \$1,621,000 and the final net actual amount represented by carried forward projects and unexpended specific purpose grants as shown in the 2009/2010 budget document, be transferred to the Community Facilities Reserve.**

**1.1.11 Imposition of Fees and Charges**

Section 6.16 of the Local Government Act 1995 allows a Local Government to impose by absolute majority decision a fee or charge for any goods or services it provides or proposes to provide other than a service for which a service charge has been imposed.

The fees are to be imposed when adopting the annual budget but may, subject to giving local public notice, be imposed or amended from time to time during the financial year.

With the exception of the Waste Charges section of the Fees and Charges manual the Fees and Charges for 2009/2010 were adopted by absolute majority decision of the Council on Tuesday, 19 May 2009 and advertised on Tuesday, 5 May 2009 to take effect from 1 July 2009.

**OFFICER RECOMMENDATION (6022)****ABSOLUTE MAJORITY**

**That by Absolute Majority Decision of Council, in accordance with Section 6.16 of the Local Government Act 1995, the 2009/2010 Schedule of Fees and Charges adopted by the Council on 19 May 2009, be confirmed as those to apply for the 2009/2010 financial year.**

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

1.1.11 Imposition of Fees and Charges (Continued)

**That the Waste Fees and Charges for 2009/10 shown on attachment 6022E be adopted.**

**That Council note that at the stage of setting the budget there is still some uncertainty as to the level of impact on Fees and Charges for Waste as a result of the fire at the Materials Recovery Facility at Canning Vale. Any discrepancies will be resolved by reserve transfers at budget reviews and/or in the 2010/2011 budget.**

1.1.12 Administration and Interest Charge for Rates and Services Charges

Sections 6.45 and 6.51 of the Local Government Act detail the methods by which the Council can impose an administration charge and interest charge in respect to payment of Rates and Service Charges.

Section 6.45 allows a person to pay their rates and service charges by four equal instalments and provides that the Council can impose an administration charge as well as an interest component.

This year it is proposed to maintain an administration charge where a person pays their rates by no more than four instalments. As outlined in the budget overview, the original reason for introducing this charge was to cover some of the cost of ratepayers using the range of alternative payment options including, Bill Express, Australia Post, BPay and credit card payments.

Council levies an administration charge to residents taking advantage of the payments by instalments option. In 2009/2010 it is proposed that it should be set at \$16.00. (2008/2009 \$15.00).

Section 6.45 of the Local Government Act provides the opportunity for a Local Government to impose an additional charge over and above the administrative charge, where payments of rates or service charges are made by instalments. Effectively this is an interest charge which has been set at a maximum amount of 5.5% to enable a Local Government to recover some of the lost investment revenue that would have been earned had the payment of rates or service charges been made in one lump sum by the first due date. The City of Melville has not to this time imposed this charge as it was considered that the ratepayers who were paying by instalments had already missed out on the early payment discount so in effect it was considered that they had already paid a penalty. As the early payment discount has been discontinued it is considered that the imposition of this charge at this time would impose further hardship on ratepayers. As a result of this it is not proposed to recommend the introduction of this charge for 2009/2010.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)****1.1.12 Administration and Interest Charge for Rates and Services Charges  
(Continued)**

Legislative changes introduced from 1 May 2005 meant that Council could not recover the full costs of any legal debt recovery processes that become necessary to ensure that Rates are properly paid. In order to minimise this new cost, a Legal Action Administration fee of \$100.00 was introduced. This fee is levied on overdue accounts that require legal debt recovery action. It is proposed that the amount of this fee will not be increased in 2009/2010.

Section 6.51 of the Local Government Act provides the Council with the legislative power to raise a penalty interest where rates and service charges remain unpaid by the due date and the ratepayer has not entered into an instalment program. During the 2008/2009 financial year the City of Melville imposed an interest rate of 11% being, the maximum interest rate permitted by the regulations. This rate is considered reasonable in the light of interest rates charged by credit card providers.

In respect to interest charged on underground power and streetscape enhancement amounts that remain unpaid, it is proposed to continue the imposition of interest at 5.5% per annum for 2009/2010, which is 0.5% less than the previous year.

A credit card surcharge fee of 0.77% has been recommended to offset the cost of bank fees associated with credit card payments by ratepayers.

**OFFICER RECOMMENDATION (6022)****ABSOLUTE MAJORITY**

- 1. That by Absolute Majority Decision of Council, an instalment administration charge of \$16.00 be imposed for 2009/2010 where a property owner is paying rates and service charges through the instalment program of not more than four instalments as set out in Section 6.45 of the Local Government Act.**
- 2. That by Absolute Majority Decision of Council, a legal action administration fee of \$100.00 be imposed for 2009/2010 on overdue accounts where legal debt recovery action becomes necessary.**
- 3. That by Absolute Majority Decision of Council, an interest charge of the maximum amount permitted under the Local Government Act and Regulations (currently 11%) be imposed on all rates and service charges including the refuse charge, swimming pool inspection fee and property surveillance and security service charge, but excluding any outstanding amounts relating to underground power and streetscape service charges or specified rates, that are not paid by the due date.**

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

1.1.12 Administration and Interest Charge for Rates and Services Charges  
(Continued)

**This charge applies to non payment at the completion of the first instalment or payment in full period and if the payment by instalment option is chosen, any subsequent instalment payments that are not made by the due dates.**

- 4. That by Absolute Majority Decision of Council, an interest charge of 5.5% be imposed on all outstanding underground power and streetscape service charges or specified area rate debts that remain unpaid and this concessional interest charge be applicable for a period of three years from 1 July in the year in which the specified area rate or service charge was first levied, after which time the standard maximum interest charge permitted under the Local Government Act and Regulations (currently 11%) is to be applied.**

**1.1.13 Interest Charge on Money Owing to Local Government**

Each year a local government may resolve by absolute majority decision to require a person to pay interest at a particular rate, as set out in the annual budget, on any amount of money other than rates and service charges which is owed to the local government and has been owed for a period of not less than thirty five days.

This interest charge was imposed for the first time in the 2001/2002 financial year and provides an added incentive for people to meet their obligations to the City of Melville.

The Council must determine by Absolute Majority decision during the annual budget process to impose this interest charge and must determine a rate and the period of time after which the interest is applied.

The regulations provide that the maximum amount of interest that can be charged is 11% and in keeping with last year's practice it would seem reasonable that this should be applied to commercial transactions only and a lesser rate be applied in respect to community groups and organisations. To enable this differentiation to occur it is proposed that Delegated Authority be granted to the Chief Executive Officer to determine which category a particular debt falls with the consequence that the relevant interest charge is then applied.

It should be noted that the Local Government is not able to impose any interest until thirty five days after the date of payment has elapsed. On that basis if fourteen days is allowed for payment the earliest that the interest can be applied is on the forty ninth day.

In respect to commercial activities it is, therefore, proposed to introduce the maximum amount permitted under the Local Government Act Regulations as an interest charge and for that to be applied thirty five days after the date which is stated on the account for payment.

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

**1.1.13 Interest Charge on Money Owing to Local Government (Continued)**

In respect of the various community clubs and organisations, it is suggested that 50% of the maximum interest charge permitted under the Local Government Act should be applied (i.e. 5.5%) where the amount owing to the Council has been outstanding for a period of sixty days after payment was due. This would generally mean that these clubs and organisations would have about seventy five days to make the payment before any interest charges were considered.

With respect to both of the arrangements any account under \$50.00 will not have interest applied to it due to the significant administration costs involved in the process.

**OFFICER RECOMMENDATION (6022)**

**ABSOLUTE MAJORITY**

- 1. That by Absolute Majority Decision of Council, in accordance with Section 6.13 of the Local Government Act, the maximum interest charge permitted under the Local Government (Financial Management) Regulations 1996 be imposed on all outstanding accounts in respect to commercial activities with such interest being charged thirty five days after the date which is stated on the account for payment.**
- 2. That by Absolute Majority Decision of Council, in accordance with Section 6.13 of the Local Government Act, 50% of the maximum interest charge permitted under the Local Government (Financial Management) Regulations 1996 be imposed on all outstanding accounts in respect to community clubs and organisations with such interest being charged sixty days after the date which is stated on the account for payment.**
- 3. That by Absolute Majority Decision of Council, the interest charges outlined in recommendations 1 and 2 will not apply where the account outstanding is \$50.00 or less.**
- 4. That by Absolute Majority Decision of Council, the Chief Executive Officer be granted delegated authority to determine whether an outstanding debt is classified as a commercial activity or as community clubs and organisations.**

**C09/6022 - CONSIDERATION AND ADOPTION OF THE 2009/2010 BUDGET (AMREC)  
(ATTACHMENT)**

**1.1.14 Eligibility for Rate Prize**

In previous years, the Council has determined that Elected Members and Staff are ineligible to be chosen as a winner of any of the early rate payment incentive prizes.

It is proposed to continue with that practice for 2009/2010.

**OFFICER RECOMMENDATION (6022)**

**ABSOLUTE MAJORITY**

**That all Elected Members and staff of the City of Melville be ineligible to be chosen as a winner of the early rate payment incentive prizes either as a sole or part owner of any property.**

**CO9/8016 – LEASE OF LEEMING RECREATION CENTRE (REC)**

Ward : All  
 Category : Operational  
 Subject Index : Tenders  
 Customer Index : City of Melville  
 Disclosure of any Interest : No Officer involved in the preparation of this report has a declarable interest in this matter.  
 Previous Items : Not Applicable  
 Works Programme : Not Applicable  
 Funding : 2009/2010 Budget  
 Responsible Officer : Todd Cahoon  
 Manager Health & Lifestyle Services

**AUTHORITY / DISCRETION**

<b>Definition</b>		
<input type="checkbox"/>	Advocacy	<i>when Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.</i>
<input checked="" type="checkbox"/>	<b>Executive</b>	<b><i>the substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.</i></b>
<input type="checkbox"/>	Legislative	<i>includes adopting local laws, town planning schemes &amp; policies.</i>
<input type="checkbox"/>	Review	<i>when Council review decisions made by Officers.</i>
<input type="checkbox"/>	Quasi-Judicial	<i>when Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</i>

**CO9/8016 – LEASE OF LEEMING RECREATIONAL CENTRE (REC)****KEY ISSUES / SUMMARY**

- To recommend acceptance of a tender proposal for the Lease of Leeming Recreation Centre.

**BACKGROUND**

At the Ordinary Council Meeting held in December 2008 the following recommendations were made regarding Leeming Recreation Centre and Melville Aquatic Fitness Centre.

*OFFICER RECOMMENDATION & COUNCIL RESOLUTION (8010)                      APPROVAL*

*THAT FOR THE REASONS OUTLINED IN REPORT C08/8010 LEEMING RECREATION CENTRE OPTION REVIEW NO FURTHER ACTION BE UNDERTAKEN IN RESPECT TO COUNCIL'S PREVIOUS RESOLUTION MADE ON 17 JULY 2007 ARISING FROM REPORT C07/8002 LEEMING RECREATION CENTRE;*

- 1. THAT THE ARCHITECTS BOLLIG DESIGN GROUP ARE NOTIFIED IN WRITING OF THIS DECISION AND REQUESTED FOR A FINAL INVOICE OF ANY AMOUNTS OWING FOR WORKS COMPLETED;*
- 2. THAT NEGOTIATIONS ARE COMMENCED WITH THE DEPARTMENT OF EDUCATION AND TRAINING (DET) FOR THE MANAGEMENT AND COMMUNITY ACCESS OF THE LEEMING RECREATION CENTRE AND THE RESULTS OF THOSE NEGOTIATIONS BE REPORTED TO COUNCIL FOR APPROVAL;*
- 3. THAT COUNCIL INSTIGATE A PLANNED WITHDRAWAL OF COUNCIL PROVIDED PROGRAMS FROM THE LEEMING RECREATIONAL CENTRE INCLUDING THE DECOMMISSIONING OF THE POOL;*
- 4. THAT COUNCIL ENDORSE THE MELVILLE AQUATIC FITNESS CENTRE IMPROVEMENT CONCEPT PLAN AS OUTLINED IN OPTION 4 OF REPORT C08/8010 AND AUTHORISES THE SELECTION BY TENDER PROCESS OF SUITABLY QUALIFIED AND EXPERIENCED ARCHITECTS FROM COUNCIL'S PANEL OF ARCHITECTS TO PREPARE DETAILED DESIGN, DOCUMENTATION AND COST ESTIMATES;*
- 5. THAT FUNDING OPTIONS FOR THE MELVILLE AQUATIC FITNESS CENTRE IMPROVEMENT PROJECT BE SUBMITTED TO COUNCIL FOR CONSIDERATION FOLLOWING RECEIPT OF DETAILED DESIGN, DOCUMENTATION AND COST ESTIMATES;*
- 6. THAT COUNCIL ENDORSE THE PHYSICAL ACTIVITY INITIATIVES AS OUTLINED IN OPTION 4 OF REPORT C08/8010 AND OFFICER'S COMMENCE A CONSULTATIVE PLANNING PROCESS TO IDENTIFY THE MOST SUITABLE LOCATIONS AND OBTAIN DETAILED DESIGN, DOCUMENTATION AND COST ESTIMATES FOR THE PHYSICAL ACTIVITY INITIATIVES.*

**FOOTNOTE**

*IT WAS NOTED THAT THE DRAFT REPORT WAS CONFIDENTIAL BUT THE FINAL REPORT IS NOT CONFIDENTIAL AND IS AVAILABLE TO THE PUBLIC.*

*CARRIED (9/3)*

**CO9/8016 – LEASE OF LEEMING RECREATIONAL CENTRE (REC)**

As a result of the above recommendation discussions with the Department of Education and Training (DET) were undertaken. In line with previous discussions with DET the primary objective was that the Leeming Recreation Centre (LRC) would become a school facility with negotiated community access. Discussions failed to realise a satisfactory outcome, albeit Council had a documented in-principle agreement prior to discussions. Subsequently, as the City was interested to explore all opportunities for the provision of recreation activities to the community from the LRC, an Expression of Interest (EOI) was called.

Two submissions were received in response to the EOI from:

- YMCA WA
- Striker Melville Indoor Sports

The submissions were evaluated and Striker Melville Indoor Sports were deemed the most advantageous particularly in regards to the financial impact on the City and continuation of programs and services to the community. Therefore on 20 April 2009 the Contract and Tender Advisory Unit meeting passed a recommendation to proceed to closed tender with one of those submissions namely Striker Melville Indoor Sports..

A tender document CO15/08 was subsequently prepared. Prior to the document being sent however, a letter was received from Striker Melville Indoor Sports withdrawing their Expression of Interest due to an extension of lease being offered to them at their existing site. The City had no choice other than to accept the withdrawal and in order to progress the matter further decided to proceed to an open tender. Tender CO17/08 was duly advertised in The West Australian on Saturday 23 May 2009 and Wednesday 27 May 2009, closing at 4.00 pm on Thursday 11 June 2009.

Letters were sent to YMCA WA and Striker Melville advising of the tender.

**Price Schedule**

The Price Schedule of the response to tender C015/08 forms part of the Attachments to the Agenda, which was distributed to Members of Council on Friday 19 June 2009 under confidential cover.

**Tender Evaluation Process**

The single tender response was evaluated using a weighted attribute method. It was assigned a score from 0 to 5 on each criterion, then multiplied by the weighting and totalled to give a final score. The tenderer achieved a satisfactory score across all the attributes and has therefore been recommended.

The Evaluation Sheet forms part of the Attachments to the Agenda, which was distributed to the Members of Council on Friday 19 June 2009 under confidential cover.

The Evaluation Committee consisted of the Purchasing Coordinator, the Manager Health & Lifestyle Services, the Business Development Manager, the Manager Information, Technology and Support. In attendance was the Executive Manager Organisational Development, the Risk Management Coordinator and the Director Community Development.

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The criteria for this tender were based on the following specific attributes:

1. Relevant Experience
2. Organisational Capacity to Deliver
3. Management Plan
4. References
5. Price

**DETAIL**

17 sets of tender documents were issued and 1 tender was received as follows:

Leeming Recreation and Indoor Sports (LRIS)

The submission received from LRIS was a proposal to lease the LRC for the purposes of commercial recreational purposes. The organisation has been created recently for this purpose.

The proposal indicated a proposed offer to lease approximately 2,000m<sup>2</sup> of building space known as Part A and 4,600m<sup>2</sup> known as Part B of the LRC building plan. The intention was to offer the Department of Education and Training total use of an accompanying office and change room area adjacent to the courts, with the formation of a Leeming Recreation Sporting Association to maintain this area.

Capital works generally included complete replacement of the pool area with 3 indoor cricket courts, inclusion of a cricket coaching facility on the mezzanine, upgrade of the squash courts, relocation of the Gymnasium to the current meeting room and crèche and general upgrade of the interior painted surfaces. The proposed expenditure of these works by LRIS is indicated at \$807,000.

Recreational activities proposed at LRC are as follows:

- Indoor Netball and Soccer will continue to be offered;
- Squash courts will be refurbished with the possibility of reinstating courts previously converted to program spaces;
- A Gymnasium will continue to be provided. The company also proposes to introduce facilities and programs that will enable children's use of the gymnasium;
- Circuit and Group Training in small groups run by Personal Trainers will be offered, with the withdrawal of Group Fitness classes;
- Facility Hirers/Clubs will continue to be accommodated where possible.
- Indoor Cricket competitions will be introduced;
- Professional Cricket Coaching – Coachmedirect which is an established cricket coaching business run by Luke Wimbridge (who is also one of the Directors of the Tenderer, Leeming Recreation and Indoor Sports) will provide cricket coaching services from LRC;
- A sports store will be introduced – Sporting merchandise shop selling cricket equipment and other sporting equipment/clothing related to other sports played at the centre;

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- Kiosk – basic kiosk facility service (light refreshments)
- Bar – it is intended that a Special Facility Liquor License application will be applied for;
- Holiday Camps will be introduced;
- Specialist programs – proposed additional programs to be offered ie: Diabetes Participation. Other programs are proposed that may involve Notre Dame University.

The continued provision of indoor sports competitions and squash court hire are in keeping with the identified demand at the facility. Sports competitions are currently at capacity and the proposed inclusion of 3 extra courts will allow growth in the existing sports as well as enable the introduction of new sports, namely indoor cricket. The squash courts are heavily used with the use trending upwards. LRIS's proposal to reinstate previously converted courts as demand increases will create more opportunities for schools, pennants and casual users.

Annual lease offer is \$1,000.00 per annum with no market rent review and the offer to purchase existing Gym Equipment for an amount of \$70,000. Additionally the City will receive rates (previously not collected) estimated at \$43,000.

The lease is dependent on works to be completed by the City of roof rectification at an anticipated cost of \$450,000. It is indicated that the City would be responsible under a lease agreement for structural repairs and upkeep.

In order to proceed to a lease agreement the City would require a specific commitment in the form of a business plan from LRIS, which would then be attached to the lease agreement as a defined performance outcome. The business plan would also need to include details of risk assessment, customer service charter and a detailed costing breakdown of the capital works proposed and a demonstrated commitment and capacity to undertake all of the works stated. Negotiations will also be required in regards to specifics such as the offer on existing City of Melville gym equipment and plant and responsibilities of the lessee and lessor.

The tender proposal submitted by LRIS appears to provide a positive outcome for the community in retaining the LRC as a recreational provider of a range of sporting activities and it is recommended that the City continue its negotiations to achieve a satisfactory outcome for both the community and the City.

**PUBLIC CONSULTATION/COMMUNICATION**

There has been ongoing comment received from Residents which has been noted and used to inform the Officers' Recommendation. Additionally, Council has regularly updated the Community on the LRC review. The Mayor has attended and addressed issues raised at a public forum and Ward Councillors have had a number of meetings with concerned residents.

**CONSULTATION WITH OTHER AGENCIES / CONSULTANTS**

Officers have consulted with representatives from the Department of Education and Training on numerous occasions in regards to the current and ongoing use of the Leeming Recreation Centre.

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**STATUTORY AND LEGAL IMPLICATIONS**

Section 3.57 of the Local Government Act states “A Local Government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods or services”.

**FINANCIAL IMPLICATIONS**

Roof replacement is envisaged to be in the vicinity of \$450,000 and funding is currently available in Leeming Recreation Centre capital account 320-80014-1525-000.

When compared to the current financial year (2008/2009) the proposal to lease the LRC would provide savings in recurrent operating budgets in the vicinity of \$436,000 per annum (excluding depreciation, pool running costs and internal corporate allocations). Further savings in corporate overheads may be realised through efficiencies created by leasing LRC.

Additional to the \$1,000 per annum rent payment the City will also collect an additional estimated \$43,000 in rates from leasing LRC.

Summary of Financial impact

Item	Year 1	10 year Projection
Capital improvements by Lessee	\$807,000	\$ 807,000
Roof replacement by the City	(\$450,000)	(\$ 450,000)
Savings to recurrent operating budgets	\$436,000	\$4,360,000
Rent	\$1,000	\$ 10,000
Rates received	\$43,000	\$ 430,000
<b>Total value to the City</b>	<b>\$837,000</b>	<b>\$5,157,000</b>

\* The above projected figures are representative of the current 2008/2009 budget, note however, these figures do not include the previous ongoing losses of the full operations of the centre including the pool.

If these were included the actual savings from recurrent operating to Council using the 2007/2008 financial year actuals would be in the vicinity of **\$799,000** (excluding building depreciation and internal corporate charges). This equates to a total value to the City of **\$1,200,100** in year 1 or **\$8,788,000** over the ten year period.

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**STRATEGIC AND RISK MANAGEMENT IMPLICATIONS**

<b>Risk Statement</b>	<b>Level of Risk*</b>	<b>Risk Mitigation Strategy</b>
Risk of increased and further operating deficit	Moderate consequences which are almost certain, resulting in an <b>Extreme</b> level of risk.	Undertake recommendation to lease facility.
Risk of Lessee's ability to remain financially viable to deliver recreation services from LRC	Moderate consequences which is possible, resulting in a <b>Medium</b> level of risk.	Ensure fair and equitable lease negotiations to result in a 'win/win' result for the Lessee and the City.
Risk of community backlash if LRC was to close	Minor consequences which are likely, resulting in a <b>Moderate</b> level of risk.	Undertake recommendation to lease facility.

\* As derived from using the Risk Assessment Matrix

For further information on risk management [http://melvillenet/risk/risk\\_intro.html](http://melvillenet/risk/risk_intro.html)

**POLICY IMPLICATIONS**

Procurement of Goods and Services Through Direct Purchasing and Public Tendering Policy 13-PL-005.

**ALTERNATE OPTIONS AND THEIR IMPLICATIONS**

1. For the City to continue to run the operations of the centre at a substantial deficit to Council and its ratepayers. The proposed lease provides a greater financial outcome for the City while still catering for the demand of specific recreation programs and services in the local area.

2. Demolish the centre and no longer provide the service to the Community. When compared to the benefits of the proposed lease, closing the centre does not provide the same beneficial outcomes to the council and its community. The tender allows substantial products and services to still be delivered in the locality at a greatly reduced cost to the City.

**CO9/8016 – LEASE OF LEEMING RECREATIONAL CENTRE (REC)****CONCLUSION**

It is the opinion of the Evaluation Panel that the tender proposal submitted by Leeming Recreation Indoor Sports provides a positive outcome for the community and the City by retaining the LRC as a recreational provider of a range of sporting activities. It is therefore recommended that Council endorse the actions taken by the City to date and provide approval to the City's representatives to continue negotiations towards finalising a lease agreement of the site. Council approval to enable His Worship the Mayor and the Chief Executive Officer to execute the final lease agreement under the Common Seal of the City of Melville is also recommended.

**OFFICER RECOMMENDATION (8016)****APPROVAL**

- 1. That Council endorse the actions to date taken by the City's Officers and Representatives in its efforts to enable the continuation of community access to Leeming Recreation Centre.**
- 2. That Council approve continued negotiations with the Tenderer with the view to finalising a lease agreement between the City and Leeming Recreation Indoor Sports.**
- 3. That Council approve of His Worship the Mayor and the Chief Executive Officer to execute the lease agreement under the Common Seal of the City of Melville.**
- 4. That the City write to local State members of parliament to formally request that they honour previous commitments for funding the capital works to be completed on the Leeming Recreation Centre.**

**10. CLOSURE**