



## LATE ITEM C22/6191 - CONSIDERATION AND ADOPTION OF THE 2022-2023 BUDGET (AMREC) (ATTACHMENTS)

### KEY ISSUES / SUMMARY

- The 2022-2023 Budget document (including the Schedule of Fees and Charges) is presented for consideration and adoption by the Council.
- A 3.5% increase has been applied to the rate in the dollar and minimum rates for all rating categories when compared to 2021-2022, resulting in \$4.4m increase in general rates yield.
- The budget contains a 7.4% increase in employment costs and 6.2% increase in materials and contracts costs.
- The Budget still contains a few elements of the Melville Community Stimulus Package to support ratepayers and the community.
- The Budget provides for a \$54.6m investment in the City's assets.
- Overall the Budget has been informed by the City's financial principles which were reviewed by Elected Members as part of a series of Long Term Financial Planning (LTFP) and budget workshops.
- Following the EMES on 14 June 2022 the income from interest has been increased by \$500,000. The additional interest has been set aside in the Infrastructure Asset Management Reserve.
- The 2022-2023 budget documents will also include the first carbon budget in line with the City's Climate Action Policy. This is a significant first step in providing science-based targets for carbon emission reductions by service area.

### BACKGROUND

The City of Melville is required to prepare an Annual Budget in accordance with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*. The purpose of an Annual Budget, in simplistic terms, is to outline the various revenue and expenditure streams and the required rating levels to achieve a balanced and sustainable financial position.

The financial principles of the City were reviewed by Elected Members and management during workshops held between October 2021 and June 2022. These workshops have guided the current review of the City's LTFP and the development and preparation of the 2022-2023 Annual Budget. In accordance with this review and relevant Council policies, the 2022-2023 Budget has been drafted with a long term view of the ongoing and potential needs of the City and its residents in mind.

Further workshops are planned, after the budget is adopted, to finalise the review of the LTFP and will be presented to Council for adoption early in the 2022-2023 financial year. The City is also working on a service catalogue and a workforce strategy which will be key inputs in finalising the LTFP.

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### **DETAIL**

The City of Melville commenced its formal Budget preparation in February 2022. Inputs into the budget formulation process included:

- Budget responsible officers and the Management and Executive Leadership teams;
- Feedback and direction received from the Council arising out of Elected Member Information Sessions and workshops held during 2021 and 2022 specifically on Long Term Financial Planning/Budget; and
- Specific requests arising from resolutions of the Council during the 2021-2022 financial year or prior.

Key aspects of the Budget are as follows:-

- The Total Rates income budget is \$96.2m, an increase of \$4.4m when compared to the previous year's budget mainly due to the application of a 3.5 % increase to the rate in the dollar and minimum rates for all rating categories. The composition of the rate yield remains consistent to previous years with approximately 80% relating to Residential properties and 20% relating to Commercial and Industrial properties.
- The budget for operating revenue excluding rates is \$27.3m, and is consistent with previous year. This is the net result of reduction in service charges income from underground power projects offset by higher fees and charges income from higher activity levels in recreational services and higher interest income.
- The 2022-2023 budget still contains some measures introduced in the first Covid related budget. These measures include the continued removal of both the surcharge for payment by credit card and the instalment administration fee, a reduced interest rate for instalments and late payments and the continuation of one hour free parking across the City.
- The budget for operating expenditure including non-cash amounts is \$122.8m, an increase of \$3.2m to the previous year. A \$3.9m increase in the employment cost budget is required to support retention of skilled staff, service level improvements, digital transformation and environmental sustainability initiatives. Materials and contracts costs have also increased by \$2.1m as a result of higher operating costs related to software licencing, organisational contingency funding, fleet, infrastructure and environmental maintenance and sustainability, rangers and emergency management, building maintenance, insurance and fuel. The aforementioned increases are partially offset by reductions to costs related to underground power projects and the Smart LED street lights project.
- The budget for net capital expenditure from investing activities is \$48.1m. This includes the 2022-2023 net capital works program of \$26.1m, with significant spends on buildings (\$8.5m), roads (\$6.3m), parks (\$1.2m), drainage (\$2.5m), foreshore facilities (\$2.4m), footpaths (\$1.6m) and irrigation (\$1.2m). It also includes an estimated \$16.4m in the form of carry forwards of the previous year's capital works program and purchases of furniture, plant and equipment estimated at \$5.4m.

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- The capital budget contains projects that span multiple financial years and therefore need to be cash flowed accordingly. An extract of the capital works program is contained in attachment [6191C June 2022](#) and lists the overall net project cost and the net budget required in 2022-2023.
- The budgeted net income from financing activities is \$24.9m, an increase of \$7.4m when compared to previous year. This is due more funds being released from the Community Facilities and Infrastructure Asset Management reserves to fund the capital works program and more funds being released from the Rates Equalisation reserve to fund general operations.
- It is also noted that the City has developed its first carbon budget in line with the City's Climate Action Policy. This is a significant first step in providing science-based targets for carbon emission reductions by service area. The carbon budget is based on scope 1 and 2 emissions, with scope 3 emissions expected to be completed next year.

The Budget Book [6191A June 2022](#) outlines key information including:

- The Budget Certification
- A Budget Overview
- The Budget set out in the "Statutory" format as per legislation and regulations including:-
  - Rate Setting Statement by Nature & Type
  - Statements of Comprehensive Income by Nature & Type
  - Statement of Cash Flows
  - Statement of Financial Position
  - Statement of Changes in Equity
- Extensive notes to and forming part of the Budget including details of cash backed specific purpose reserve accounts, detailed rating information and information on other charges such as the Property Surveillance and Security Service levy, Underground Power etc.
- The Schedule of Fees and Charges for 2022-2023.

Attachment [6191B June 2022](#) provides a Ratepayer Profile for the City. There are no major changes to the Ratepayer Profile compared to last year.

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### **STAKEHOLDER ENGAGEMENT**

#### **I. COMMUNITY**

A notice of intention to impose Differential Rates was featured on the City of Melville's noticeboard, website and in the Perth Now Melville newspaper on Thursday 26 May 2022. The notice was also advertised on e-news on Friday, 27 May 2022. The minimum rate advertised for Residential Unimproved Land in the Notice of Intention to Levy Differential Rates was \$847.28 and was based on the preliminary estimated cost of \$481.07 per property for the domestic refuse collection service. The final budget proposal indicated that the estimated cost per property of the domestic refuse collection service would be \$431 and therefore the differential minimum rate to be adopted by Council for the Residential Unimproved Land rating category is \$897.35.

The public comment period (minimum of 21 days) ends on Thursday 16 June 2022. The Council is required to consider any submissions received before imposing the proposed rate or minimum payment.

Whilst no other specific public consultation has taken place in regard to the 2022-2023 Budget, community consultation has occurred for a number of the major projects identified within the budget document.

#### **II. OTHER AGENCIES / CONSULTANTS**

- Talis Consulting – with respect to asset management. As part of the 2022 revision of the Long Term Financial Model, external consultants were engaged to assess the City's asset management processes and associated reserve levels. The review determined the City has a sound and prudent approach to asset management, with reserve levels being slightly below the desired level for its asset base. The City needs to closely monitor asset management funding in relation to the age profile of its assets to ensure they can be renewed when required, particularly building assets;
- Department of Fire and Emergency Services with respect to the Emergency Services Levy;
- Landgate (The Valuer General) in relation to the Gross Rental Valuations used as a basis for calculation of Municipal General Rates;
- Resource Recovery Group (RRG) in relation to the recycling, composting, green waste and residual waste disposal operations run by them on behalf of the City and two other local authorities.

### **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.*

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2.7. Role of council

(1) *The council —*

(a) *governs the local government's affairs; and*

(b) *is responsible for the performance of the local government's functions.*

(2) *Without limiting subsection (1), the council is to —*

(a) *oversee the allocation of the local government's finances and resources; and*

(b) *determine the local government's policies.*

3.1. General function

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

6.36 Local Government to give notice of certain rates.

(1) *Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so.*

(4) *The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification."*

Divisions 5 and 6 of the *Local Government Act 1995* refer to the setting of budgets and the raising of rates and charges and fees and charges.

The 2022-2023 Budget as presented meets these statutory obligations.

**FINANCIAL IMPLICATIONS**

Specific financial implications are as detailed in the attached 2022-2023 budget document. The Budget has been achieved without resorting to external loan borrowings to fund any operating or capital programs.

Implications for City of Melville ratepayers will include the following;

- 3.5% increase in the rate in the dollar and minimum rate across all rating categories;
- Minimal increases to existing user fees and charges as detailed in the 2022-2023 Fees and Charges Schedule;
- The Property Surveillance and Security Service Charge remains at \$57.00;
- The Swimming Pool Inspection Fee remains at \$49.00;
- No administration charge for payment by instalments in 2022-2023;
- Instalment interest charge remains at 2%;
- Late payment penalty interest remains at 3.5%;
- No Credit/Debit Card Surcharge Fee;

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**STRATEGIC, RISK AND ENVIRONMENTAL MANAGEMENT IMPLICATIONS**

<b>Risk Statement</b>	<b>Level of Risk</b>	<b>Risk Mitigation Strategy</b>
Insufficient budget funding achieved to carry out works and 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 the Council and that the consequences of insufficiently funding the City's operations are well understood.
Funding is directed towards areas of expenditure that are not a priority of the Community and the Council or required to address 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 and subject to independent review by all Managers, Finance and the Council to ensure funding requests are directed at meeting the Community Plan and Corporate Plan objectives.
Significant variations to budget due to the subjectivity of the underlying budget assumptions as a result of the highly dynamic domestic and global economic environment.	Major consequences which are almost certain, resulting in a <b>High</b> level of risk.	Ensure sound Financial policy positions are adopted by the Council and that the consequences of insufficiently funding the City's operations are well understood.

**POLICY IMPLICATIONS**

The budget has been developed on the principles outlined in the Council's policies

- CP-008 Financial Sustainability – Forward Financial Planning and Funding Allocation Policy,
- CP-024 Borrowings and Asset Financing Policy
- CP-031 Asset Management Policy
- CP-091 Elected Members Allowances and Expenses
- CP-092 Elected Members Professional Development
- CP-025 Accounting Policy - As per this Policy, interest earned from investing monies held in reserve accounts is to be classified as operating revenue and then transferred to the particular reserve accounts in proportion to the average balance of the particular reserves over the interest earning period. However in the 2022-2023 Budget interest has been transferred only to the asset management reserve accounts and amount to approximately 67% of the budgeted interest earned from investing monies held in reserve accounts.

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### **ALTERNATE OPTIONS AND THEIR IMPLICATIONS**

The Council may choose to adopt a rate increase of greater or less than the recommended amounts. However, in doing so it would need to identify which Operating Programs it wishes to see amended or what Capital Works it wishes to be added to or does not wish to proceed with. In regards to the renewal component of the Capital Works Program, reductions in the quantum of the program are likely to result in a deferment of expenditure to future years at an increased cost and a further exacerbation of the City's asset management deferred liability. In order to be sustainable in the longer term the City should maintain and improve the level of asset refurbishment and renewal funding that will enable it to refurbish and renew its assets when the need arises.

The projects presented to the Council for funding are considered to be priority projects.

Prudent financial management practices take into account the needs of current and future generations and support the need to build reasonable levels of cash backed specific purpose reserves to enable it to do so. The City is faced with many cost increases that exceed the increase in its revenue. These cost increases are absorbed by implementing cost saving measures in a manner that does not reduce service levels.

Reductions in the level of rate increase, whilst possible using short term measures such as deferment of asset maintenance or renewal, are not recommended as this simply creates a greater financial burden for future generations. Such action is also a departure from Council Policy CP-008 and the good governance provisions of the *Local Government Act 1995* referred to earlier in this report.

In order to ensure that the best possible options that support the long term and ongoing needs of the City are included in the 2022-2023 budget, numerous rate increase options ranging from 0% to 5% and their implications to council policies and sustainability in the future, have been examined and discussed in detail with Elected Members.

A rate increase of 5%, was recommended by the Administration, as the preferred option as this level of increase was considered financially sustainable and required no deviation from Council Policy. The 3.5% rate increase is not sustainable and does require some temporary deviations from Council Policy. The deviations from Council Policy relate to the use of earned interest and the reduction in transfers to asset-based reserves. This is considered reasonable given the financial sustainability of the City will be addressed in the current review of the LTFP.

### **CONCLUSION**

In accordance with the principles expressed in the Financial Sustainability Policy and other relevant Council Policies, the 2022-2023 Budget has been drafted with the long term view of the needs of the City and its residents in mind.

The Budget Papers for 2022-2023 form part of the Attachments to the Agenda, which was distributed to the Members of the Council on 17 June 2022. [6191A June 2022](#)

In accordance with Section 6.2 of the Local Government Act 1995 the 2022-2023 Budget is recommended to the Council for adoption by Absolute Majority Decision.

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### 1. BUDGET ADOPTION AND ASSOCIATED RESOLUTIONS

#### COMMENT

The following matters require a decision by Absolute Majority as per the requirements of the *Local Government Act 1995* in regard to the Budget process.

- Adoption of the Annual Budget
- Granting of discount or other incentives for early payment
- Granting of any concessions on rates
- Setting the penalty interest rates 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 Rates on rateable land in the district
- Imposing a service charge e.g. Property Surveillance and Security Services and Underground Power network and connection charges.

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.

The Act also outlines procedures by which a local government can impose differential rates. 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. The Council is required to consider these submissions received before imposing the proposed rate or minimum payment. 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 Ratepayer Profile

The Ratepayer Profile which shows rating outcomes for different property types forms part of the Attachments to the Agenda, which was distributed to the Members of the Council on 17 June 2022. Attachment [6191B June 2022](#)

#### OFFICER RECOMMENDATION (6191-1)

**NOTING**

**That the 2022-2023 Ratepayer Profile as detailed in Attachment [6191B June 2022](#) be noted.**

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**1.2 Adoption of 2022-2023 Budget and Setting of 2022-2023 Rates and Charges**

**OFFICER RECOMMENDATION (6191-2)**

**NOTING**

That the submissions received in respect of the differential rates in relation to the proposed rate and minimum payment be noted.

**OFFICER RECOMMENDATION (6191-3)**

**ABSOLUTE MAJORITY APPROVAL**

- 1) That by Absolute Majority Decision of the Council the 2022-2023 Municipal Fund Budget as detailed in Attachment [6191A June 2022](#) (inclusive of the Capital Works Program listing the total cost of projects to be cash flowed over multiple financial years as detailed in Attachment [6191C June 2022](#)) be adopted.
- 2) That by Absolute Majority Decision of the Council the following general rates applicable to the 2022-2023 financial year i.e. for the period 1 July 2022 to 30 June 2023, be adopted:
  - a. All Improved Residential Land  
7.604795 cents in the dollar of gross rental value applicable to each property, residence, unit, strata, location or other residential property subject to a minimum rate of \$1,328.35 per assessment;
  - b. All Unimproved Residential Land  
6.890588 cents in the dollar of gross rental value applicable to each property, location or other piece of land subject to a minimum rate of \$897.35 per lot;  
noting that Residential Land includes general residential, duplex, multi-unit, residential strata properties and Department of Housing properties.
  - c. All Commercial Land including Strata Storage Units 8.009442 cents in the dollar of gross rental value applicable to each assessment, lot, location, strata, or other piece of land subject to a minimum rate of \$1,030.46 per assessment;  
noting that Commercial/Industrial land includes general industrial, commercial including retail, professional and office uses, service station, hotel / tavern, strata storage units and hospitals.
- 3) That by Absolute Majority Decision of the Council the following general rates concessions for the 2022-2023 financial year, be adopted:
  - a. Strata storage units - Appropriately zoned and used strata titled storage units of 18m<sup>2</sup> or smaller, granted a concession of \$515.23 each, it being noted that the value of this concession is approximately \$29,368.
  - b. Melville Glades Golf Club - 100% concession from general rates, it being noted that the value of this concession amounts to approximately \$10,537.22.

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**1.2 Adoption of 2022-2023 Budget and Setting of 2022-2023 Rates and Charges  
(Continued)**

**4) That by Absolute Majority Decision of the Council the following refuse waste charges be adopted, for the 2022-2023 financial year where these services are charged via the City of Melville rates system/notice:**

**A) Additional Residential Waste, FOGO and Recycling Service**

a.	Domestic waste 140L bin	\$207.00 per annum
b.	Domestic waste 240L bin	\$352.90 per annum
c.	Domestic recycling bin	\$136.30 per annum
d.	FOGO 240L bin	\$207.00 per annum

**B) Residential Non Rateable Properties Waste, FOGO and Recycling service**

	One standard domestic refuse service	\$470.70 per annum
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**C) Commercial and Non-Rateable (Non Residential) Properties Waste Service**

a.	240L capacity bin	\$639.50 per annum
b.	660L capacity bin (inc.GST)	\$29.60 per service
c.	1,100L capacity bin (inc. GST)	\$41.80 per service

**E) Commercial and Non Rateable (Non Residential) Recycling Services**

a.	240L capacity bin	\$627.00 per annum
b.	660L capacity bin (inc. GST)	\$26.90 per service
c.	1,100L capacity bin (inc. GST)	\$35.40 per service

**F) Commercial Bin Services**

a.	One mobile garbage bin of 240L capacity (inc. GST) per service	\$12.30
b.	One recycling bin of 240L capacity (inc. GST) per service	\$12.30

**Note: - Additional residential services are collected during the standard collection round. A service is rendered each time a bin is emptied. Only bins provided, or approved by, the City of Melville will be collected.**

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**1.2 Adoption of 2022-2023 Budget and Setting of 2022-2023 Rates and Charges  
(Continued)**

**5) Swimming Pool Inspection Fee**

**That by Absolute Majority Decision of the Council a Swimming Pool Inspection Fee of \$49.00 for the 2022-2023 year be adopted.**

**Note: - The Swimming Pool Inspection Fee is charged in each year of the four yearly inspection cycle. Should the total revenue raised exceed the actual total costs of conducting all pool inspections in any one year the surplus is transferred to a restricted reserve account and used to offset the costs of inspections in the following year's budget.**

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

**That by Absolute Majority Decision of the Council a Property Surveillance and Security Charge of \$57.00 for the 2022-2023 year be adopted.**

**1.3 Rates Incentives**

**OFFICER RECOMMENDATION (6191-4)**

**ABSOLUTE MAJORITY APPROVAL**

**That by Absolute Majority Decision of the Council the following rates incentives be offered to those ratepayers who pay their rates by the instalment dates and using BPAY.**

**First prize draw: Three prizes worth \$1,000 donated from Westpac for anyone who pays in full or their 1st instalment by the due date using BPAY.**

**Bonus Draw: \$750 cash prize for anyone who has paid in full or instalments by due date using BPAY. Drawn after the first and final instalment date.**

**2nd 3rd and 4th prizes: Small business credit spend of \$250 and a Leisurefit Healthy Life PLUS membership, eligible for all ratepayers who have paid in full or by the instalment date. One prize drawn after the 2nd, 3rd and 4th instalment.**

**1.4 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. A new self-supporting loan for Shirley Strickland Reserve Sporting Association is included in the 2022-2023 Budget.

**OFFICER RECOMMENDATION (6191 -5)**

**ABSOLUTE MAJORITY APPROVAL**

**That by Absolute Majority Decision of the Council the 2022-2023 Loan Fund Budget as detailed in Attachment [6191A June 2022](#) be adopted.**

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### **1.5 Reserve Account Budgets**

Reserve accounts form part of the Municipal Fund and equity of the City. Specific purpose cash backed reserve accounts have been created for various reasons such as meeting legislative requirements, replacement of assets and ensuring availability of funds for known and unknown events in order to help reduce the variability of General Rates.

In the budget for 2022-2023, the following measures have been taken in relation to reserves;

- a) As per CP- 025 Accounting Policy, interest earned from investing monies held in reserve accounts is to be classified as operating revenue and then transferred to the particular reserve accounts in proportion to the average balance of the particular reserves over the interest earning period. However in the 2022-2023 Budget interest has been transferred only to the asset management reserve accounts and amount to approximately 67% of the budgeted interest earned from investing monies held in reserve accounts.
- b) The purpose of the Refuse Bins Reserve has been amended to include the purchase and replacement of any non-commercial refuse, recycling or Food Organics Garden Organics bins or receptacles.
- c) The purpose of the Refuse Facilities Reserve has been amended to include additional costs such as decommissioning, associated liabilities arising from waste management and major pollution events.
- d) The purpose of the Parking Management - Canning Bridge Activity Centre has been amended to fund a place based grant program.

The stated purpose of each reserve is outlined in the recommendation below. As indicated above, there are proposed changes to existing Reserve purposes in the 2022-2023 Budget.

#### **OFFICER RECOMMENDATION (6191-6)**

#### **ABSOLUTE MAJORITY APPROVAL**

**That by Absolute Majority Decision of the Council the 2022-2023 Reserve Accounts (Fund) Budget as detailed in Attachment [6191A June 2022](#) be adopted for the following reserve accounts and purposes:**

- 1) Melville North Underground Power & Streetscape Enhancement Reserve  
To be used for underground power projects and streetscape enhancements in the Melville North Underground Power project area.**
- 2) Melville South Underground Power & Streetscape Enhancement Reserve  
To be used for underground power projects and streetscape enhancements in the Melville South Underground Power project area.**
- 3) 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 (Melville City Centre).**
- 4) Commercial Refuse Reserve  
To be used for the acquisition and replacement of commercial refuse bins, vehicles, plant and equipment used for commercial waste operations and the development of commercial waste collection opportunities.**

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**1.5 Reserve Account Budgets (Continued)**

- 5) **Community Facilities Reserve**  
To be used for the provision of new, renewed or upgraded community facilities/buildings.
- 6) **Community Centre Fitout, furniture and Equipment Reserve**  
To be used to fund the acquisition and replacement of the fitouts, furniture and specialised equipment requirements for the Community Centres and multipurpose rooms at venues owned by the City of Melville.
- 7) **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 years Property Surveillance and Security Service Charges or for the purchase of plant and equipment used for community surveillance and security services.
- 8) **Fleet Services Vehicles, Plant and Equipment Replacement Reserve**  
To be used to fund the purchase of replacement vehicles, plant and equipment.
- 9) **Funds in lieu of Development on Public Open Space Reserve**  
Maintained for the purpose of retaining and using funds in accordance with section 154 (2) of the Planning and Development Act 2005.
- 10) **Information Technology Reserve**  
To be used to fund the acquisition and replacement of computer software, information technology hardware and costs of utilisation of service based and emerging technologies.
- 11) **Infrastructure Asset Management Reserve**  
To be used to fund infrastructure asset management projects including the construction, maintenance and renewal of the City of Melville's road, path, kerbing, street furniture, park structures, playground, irrigation/reticulation and drainage infrastructure assets.
- 12) **Land and Property Reserve**  
To be used to:
  - a) fund the acquisition or construction of commercial revenue earning land and/or buildings, or
  - b) fund the acquisition of land and buildings in structure plan areas to help encourage of the redevelopment of those structure plan areas by assembling developable land parcels and fund with Council approval infrastructure and other developments in line with structure plan principles; or
  - c) internally fund the purchase or construction of City of Melville community facilities or infrastructure assets, on the basis that those funds will be returned to the Land and Property Reserve over a predetermined period of time with interest, with the interest rate being set at what would have been charged by the Western Australian Treasury Corporation for the term of the borrowing using the Semi Annual Annuity interest rate.

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**1.5 Reserve Account Budgets (Continued)**

- 13) Leave Entitlements Reserve**  
To be used to fund the non-current liability amount of annual, sick and long service leave entitlements accrued in previous financial years beyond the amount provided for in the Provision for Leave current liability account.
- 14) Libraries, Art Centres and Museums Equipment, Furniture and Specialised Fit Out Reserve**  
To be used to fund the acquisition and replacement of the fit outs, furniture and specialised equipment for art centres, museums and libraries.
- 15) New/Upgrade Works Reserve (previously Future Works Reserve)**  
To be used to fund the "New" and "Upgrade" components of the costs of Infrastructure Capital Works and Buildings as opposed to renewal of existing assets as per Asset Management Plans.
- 16) Organisational Environmental Sustainability Initiatives Reserve**  
To be used to fund environmental initiatives which are intended to reduce the energy usage and/or carbon footprint of the corporation of the City of Melville or for debt servicing costs associated with any loan borrowings taken out for such purposes.
- 17) Parking Facilities Reserve**  
To be used to fund the provision, refurbishment or improvement of parking facilities and equipment.
- 18) Parking Management Reserve – Canning Bridge Activity Centre**  
To fund public place improvement, business improvement, place activation and encourage a safer, more active and vibrant community and business precinct, through a place based grant program at the discretion of an internal assessment committee.
- 19) Parking Management Reserve - Riseley Activity Centre**  
To fund public transport, car parking, streetscape upgrades that improve opportunities for walking and cycling, footpaths and other pedestrian-related infrastructure, cycle paths and other cycling-related infrastructure, street trees, plants and landscaping that improves pedestrian amenity and/or Travelsmart programs and initiatives at the Riseley Activity Centre, or as per the discretion of the Council under the advice of a Parking Fund Advisory Committee.
- 20) Private Swimming Pool Inspection Fee Reserve**  
To temporarily retain any surpluses that may arise from the Swimming Pool Inspection fees to be used to offset any deficits that may occur in future year's operations of the Private Swimming Pools Inspection Program.
- 21) Public Open Space and Urban Forest Reserve**  
To be used to fund the purchase, development and re-development of public open spaces, including streetscapes, bushlands, parks and reserves and to fund initiatives to enhance and improve the urban forest or for debt servicing costs associated with any loan borrowings taken out for such purposes.

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**1.5 Reserve Account Budgets (Continued)**

**22) Rates Equalisation Reserve**

To temporarily retain any surplus carried forward funds as shown in the audited Annual Financial Report Rate Setting Statement in excess of the estimated surplus funds brought forward amount identified in the following years Annual Budget Rate Setting Statement to subsequently be used to reduce the need to raise rates in future years or to meet any budget shortfalls identified during budget reviews.

**23) Recreation Centres Specialised Plant, Equipment and Structures Reserve**

To be used to fund the acquisition, repair, upgrade and replacement of Recreation Centres specialised plant, equipment and structures.

**24) Refuse Bins Reserve**

To be used for the purchase and replacement of any non-commercial refuse, recycling or Food Organics Garden Organics bins or receptacles.

**25) Refuse Facilities Reserve**

To be used for payments relating to the establishment, operation and decommissioning of waste management facilities, funding associated costs and liabilities, and the cost of landscaping, environmental and rehabilitation works of former refuse tip sites operated or funded by the City of Melville. The reserve is also used for any additional waste collection, management and disposal costs of waste associated with storm, disaster or major pollution events.

**26) Risk Management and Insurance Equalisation Reserve**

To be used to fund prior years insurance premium contingencies, the self insured element of insurance claims, risk reduction initiatives or projects, losses arising from investment activities and discretionary expenditure required as a consequence of unforeseen events beyond the control of the City.

**27) Special Projects Reserve**

To be used to fund costs associated with City of Melville Council Elections, infrastructure asset condition surveys, asset valuations and gross rental value revaluations and strategic planning projects.

**28) Unexpended Works and 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.

## **LATE ITEM C22/6191 - CONSIDERATION AND ADOPTION OF THE 2022-2023 BUDGET (AMREC) (ATTACHMENTS)**

### **1.6 2021-2022 Surplus Funds**

The actual surplus/deficit will be finally determined following receipt of the 2021-2022 audited financial statements. Should, following receipt of the 2021-2022 audited financial statements, any budget surplus be identified, this will be reported to the Council with a recommendation that the funds be transferred into the Rates Equalisation Reserve. Should the 2021-2022 audited financial statements reveal a budget deficit amount, direction will be sought from the Council as to which projects or programs it wishes to be curtailed or to transfer funds from the Rates Equalisation Reserve.

#### **OFFICER RECOMMENDATION (6191-7)**

#### **ABSOLUTE MAJORITY APPROVAL**

**That the Council notes that the final actual net closing surplus/deficit will be determined following receipt of the 2021-2022 audited financial statements and approves the transfer of any net closing surplus for the completed 2021-2022 financial year to the Rates Equalisation Reserve.**

### **1.7 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.

#### **OFFICER RECOMMENDATION (6191-8)**

#### **ABSOLUTE MAJORITY APPROVAL**

**That by Absolute Majority Decision of the Council, in accordance with Section 6.16 of the *Local Government Act 1995*, the 2022-2023 Schedule of Fees and Charges included in the attached budget papers [6191A June 2022](#) be adopted and the new fees be applicable from 1 July 2022.**

### **1.8 Payment and Instalment Due Dates**

#### **OFFICER RECOMMENDATION (6191-9)**

#### **ABSOLUTE MAJORITY APPROVAL**

**That by Absolute Majority Decision of the Council in accordance with Section 6.45 of the *Local Government Act 1995* and applicable Regulations, due dates for payment of rates and the instalment due dates be as follows:-**

<b>Full payment and 1<sup>st</sup> instalment due date</b>	<b>25 August 2022</b>
<b>2<sup>nd</sup> Instalment due date</b>	<b>27 October 2022</b>
<b>3<sup>rd</sup> Instalment due date</b>	<b>5 January 2023</b>
<b>4<sup>th</sup> and final instalment due date</b>	<b>7 March 2023</b>

## **LATE ITEM C22/6191 - CONSIDERATION AND ADOPTION OF THE 2022-2023 BUDGET (AMREC) (ATTACHMENTS)**

### **1.9 Administration and Interest Charge for Rates and Services Charges**

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.

In 2022-2023 it is proposed to not charge an instalment administration charge where a person pays their rates by the four instalment option. The instalment interest charge is recommended to be 2% so as to ensure an undue burden is not placed on ratepayers choosing to pay by instalments.

Section 6.13 of the *Local Government Act 1995* provides the opportunity for a Local Government to impose a maximum interest rate which aligns with the interest rate charged by the Australian Taxation Office, on amounts owing by those who are not considered to be in financial hardship.

An interest rate of 3.5% will be imposed in 2022-2023 on all rates and service charges, including the refuse charge, swimming pool inspection fee, property surveillance and security service charge and underground power and streetscape service charges or specified area rate debts that are not paid by the due date.

No credit card surcharge fees will be charged in 2022-2023.

#### **OFFICER RECOMMENDATION (6191-10)**

#### **ABSOLUTE MAJORITY APPROVAL**

- 1) That by Absolute Majority Decision of the Council where, a property owner has elected to, and is adhering to, paying rates and service charges through an instalment program, no instalment administration charges be charged and an instalment interest charge of 2% per annum, as provided for in Section 6.45 of the Local Government Act, be imposed.**
- 2) That by Absolute Majority Decision of the Council, an interest charge of 3.5% 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, as provided for in Section 6.13 of the Local Government Act.**

**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.**

- 3) That by Absolute Majority Decision of the Council, an interest charge of 3.5% be imposed, as provided for in Section 6.13 of the Local Government Act on all outstanding underground power and streetscape service charges or specified area rate debts that remain unpaid and this interest charge be applicable for a period of five years from 1 July in the year in which the specified area rate or service charge was first levied, after which time the standard interest charge is to be applied.**

**LATE ITEM C22/6191 - CONSIDERATION AND ADOPTION OF THE 2022-2023 BUDGET  
(AMREC) (ATTACHMENTS)**

**1.10 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 provides an added incentive for people to meet their obligations to the City of Melville.

In keeping with the practice of previous years it is recommended that the maximum amount permitted under the *Local Government Act 1995* as an interest charge be imposed for amounts outstanding on commercial activities and for that to be applied thirty five days after the date which is stated on the account for payment. 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 1995* should be applied where the amount owing to the Council has been outstanding for a period of sixty days after the payment was due.

To enable this differentiation to occur a Delegated Authority is 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.

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 (6191-11)**

**ABSOLUTE MAJORITY APPROVAL**

- 1) **That by Absolute Majority Decision of the Council, in accordance with Section 6.13 of the *Local Government Act 1995*, 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 commencing thirty five days after the date which is stated on the account for payment.**
- 2) **That by Absolute Majority Decision of the Council, in accordance with Section 6.13 of the *Local Government Act 1995*, 50% of the maximum interest charge permitted under the *Local Government (Financial Management) Regulations 1996* will be imposed on all outstanding accounts in respect to community clubs and organisations sixty days after the date which is stated on the account for payment.**
- 3) **That by Absolute Majority Decision of the 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 the Council, the Chief Executive Officer be granted delegated authority to determine which category a particular debt falls within.**

**LATE ITEM C22/6191 - CONSIDERATION AND ADOPTION OF THE 2022-2023 BUDGET  
(AMREC) (ATTACHMENTS)**

**1.11 Elected Members Allowances and Sitting Fees**

Section 5.98 of the Act states as follows: *Fees etc. for council members*

*“(1A). In this section — determined means determined by the Salaries and Allowances Tribunal under the Salaries and Allowances Act 1975 section 7B.*

Subsection (5) states: *The mayor or president of a local government is entitled, in addition to any entitlement that he or she has under subsection (1) or (2), to be paid —*  
*(a) the annual local government allowance determined for mayors or presidents; or*  
*(b) where the local government has set an annual local government allowance within the range determined for annual local government allowances for mayors or presidents, that allowance.*

Section 5.99 of the Act states as follows:

*5.99. Annual fee for council members in lieu of fees for attending meetings A local government may decide\* that instead of paying council members a fee referred to in section 5.98(1), it will instead pay all council members who attend council or committee meetings —*

*(a) the annual fee determined by the Salaries and Allowances Tribunal under the Salaries and Allowances Act 1975 section 7B; or*

*(b) where the local government has set a fee within the range for annual fees determined by that Tribunal under that section, that fee.”*

*\* Absolute majority required.*

Due to the scale, volume and complexity of the matters dealt with by the Elected Members of the City it is recommended that the fees and allowances continue be set at the top of the range determined by the Salaries and Allowances Tribunal.

In April 2022 the Salaries and Allowances Tribunal advised that they had determined that a 2.5% increase in fees, and allowance for elected members would apply from 1 July 2022. Elected Member were advised of this increase in the Elected Member Bulletin of 6 May 2022.

Sufficient funds have been provided in the 2022-2023 Budget for this to occur.

Council Policy CP-091 Elected Member Allowances and Expenses will be updated accordingly, depending on the Council resolution.

**OFFICER RECOMMENDATION (6191-12)**

**ABSOLUTE MAJORITY APPROVAL**

**That by Absolute Majority Decision of the Council all Elected Members allowances and sitting fees be paid at the maximum rate as determined by the Salaries and Allowances Tribunal.**

**LATE ITEM C22/6191 - CONSIDERATION AND ADOPTION OF THE 2022-2023 BUDGET  
(AMREC) (ATTACHMENTS)**

**1.12 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 rates payment incentive prizes. It is proposed to continue with that practice for 2022-2023.

**OFFICER RECOMMENDATION (6191-13)**

**APPROVAL**

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

**1.13 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 (AASB), to be used in statements of financial activity for reporting material variances. The AASB 1031 Materiality refers to the publication *Framework for the Preparation and Presentation of Financial Statements* in which it is stated that information is material if its omission or misstatement could influence the economic decisions of users of the financial statements

It is proposed that a level of 10.0% or \$100,000 whichever is the greater be adopted for the reporting of material variances for 2022-2023.

**OFFICER RECOMMENDATION (6191-14)**

**APPROVAL**

**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 2022-2023 for reporting material variances, be 10% or \$100,000, whichever is the greater.**