

MINUTES

OF THE

SPECIAL MEETING OF COUNCIL

HELD ON

28 JUNE 2011

AT 6.30PM IN THE COUNCIL CHAMBERS

MELVILLE CIVIC CENTRE

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MINUTES OF THE SPECIAL MEETING OF THE COUNCIL HELD IN THE COUNCIL CHAMBERS, MELVILLE CIVIC CENTRE, 10 ALMONDBURY ROAD, BOORAGOON, COMMENCING AT 6.30PM ON TUESDAY, 28 JUNE 2011.

1. OFFICIAL OPENING

The Presiding Member welcomed those in attendance to the meeting and declared the meeting open at 6:30pm. Mr J Clark the Governance and Compliance Program Manager read aloud the Disclaimer and then His Worship the Mayor, Russell Aubrey, read aloud the Affirmation of Civic Duty and Responsibility.

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

His Worship the Mayor, Russell Aubrey

COUNCILLORS

Cr M Reynolds (Deputy Mayor)
Cr C Robartson, Cr R Subramaniam
Cr N Pazolli, Cr P Reidy
Cr A Nicholson, Cr A Ceniviva
Cr G Wieland, Cr J Barton
Cr C Halton, Cr B Kinnell
Cr N Foxtton

WARD

University
Bull Creek/Leeming
Applecross/Mount Pleasant
City
Bicton/Attadale
Palmyra/Melville/Willagee
University

3. IN ATTENDANCE

Dr S Silcox	Chief Executive Officer
Mr M Tieleman	Director Corporate Services
Ms C Young	Director Community Development
Mr S Cope	Director Urban Planning
Mr J Christie	Director Technical Services
Mr L Hitchcock	Executive Manager Legal Services
Ms D Whyte	Senior Management Accountant
Mr B Taylor	Manager Information, Technology & Support
Mr J Clark	Governance & Compliance Program Manager
Ms C Rourke	Minute Secretary

At the commencement of the meeting there was one member of the public, three staff, Mr K Yeoh, Senior Financial Accountant, Mr T Capobianco, Manager Building Services, and Mr G Ponton, Manager Strategic Urban Planning and one member from the Press in the Public Gallery.

4. APOLOGIES AND APPROVED LEAVE OF ABSENCE**4.1 APOLOGIES**

Nil

4.2 APPROVED LEAVE OF ABSENCE

Nil

5. ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION) AND DECLARATIONS BY MEMBERS**5.1 DECLARATIONS BY MEMBERS WHO HAVE NOT READ AND GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPERS PRESENTED BEFORE THE MEETING.**

Nil

5.2 DECLARATIONS BY MEMBERS WHO HAVE RECEIVED AND NOT READ THE ELECTED MEMBERS BULLETIN.

Nil

6. QUESTION TIME

Nil

7. DECLARATIONS OF INTEREST**7.1 FINANCIAL INTERESTS**

Nil

7.2 DISCLOSURE OF INTEREST THAT MAY CAUSE A CONFLICT

Nil

8. APPLICATIONS FOR NEW LEAVES OF ABSENCE

Nil

9. IDENTIFICATION OF MATTERS FOR WHICH MEETING MAY BE CLOSED

10. REPORTS OF THE CHIEF EXECUTIVE OFFICER

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

Ward	:	All
Category	:	Operational
Subject Index	:	Budgeting Estimates, Operational & Forward Works Programme
Customer Index	:	Impacts on all Ratepayers of the City of Melville
Disclosure of any Interest	:	The responsible officer and Elected Members are property owners / ratepayers in the City of Melville however this is an exempt interest in accordance with Section 5.63 (1) (a) & (b) of the Local Government Act 1995.
Previous Items	:	C11/6041 – Annual Review – Schedule Of Fees and Charges – Ordinary Meeting of Council 17 May 2011
Works Programme	:	As detailed in attachments
Funding	:	As per 2011/2012 budget document
Responsible Officer	:	Marten Tieleman Director Corporate Services

AUTHORITY / DISCRETION

DEFINITION

<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"/>	Executive	<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>
<input type="checkbox"/>	Legislative	<i>includes adopting local laws, town planning schemes & 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>

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****KEY ISSUES / SUMMARY**

- The 2011/2012 Budget Document is presented for consideration and adoption by Council.

BACKGROUND

Significant challenges were experienced in preparing the 2011/2012 Budget due to major cost increases faced in electricity (up to 29.8%), gas and fuel costs along with increases in insurance costs in response to the high claims experience in the industry due to natural disasters throughout Australia. In addition to this the tight labour market in Western Australia has placed pressure on the cost of labour whether employed directly by the City or reflected in pricing from contractors. In spite of these cost increases, the weighted average increase impact of which is estimated to be in excess of 6% when taken across the entire budget, has been contained to an effective increase of general residential rates of 4.3%. Increases in income from sources other than rates, along with efficiency and productivity improvements have enabled this result to be achieved.

The 2011/2012 Budget (the Budget) has been prepared after careful consideration of the strategic, asset management, community and operational needs of the City. The City is 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. During the 2010/2011 financial year, the City refined its Long Term Financial Model and has used this as a guide in the preparation of the Budget. The Long Term Financial Model uses a combination of historical data/trends, input from various independent plans (including the Asset Management Plans) and assumptions to forecast income and expenditure for the next ten years. The Model allows the City to forecast and track the financial impact of various scenarios and ensure ongoing sustainability.

To calculate rates charges the Gross Rental Value (GRV) of properties is multiplied by a rate in the dollar set by Council. The GRV is the yearly income the property would be expected to generate if rented. This valuation is provided by the Valuer Generals Office and updated every three years. The 2011/2012 Budget is based on new valuations which have resulted in some significant increases in GRV across the City. On average the GRV of residential properties has increased thirty percent and commercial properties an average of twenty percent. If the rates in the dollar remained the same as they were in 2010/2011 and were applied to the new GRV's then the rate yield (the total amount of rates raised by the City) would have been \$59.5 million an increase of \$12.9 million or 27.7%. As an increase in rate revenue of this size is not required to fund the operations of the City reductions to the rates in the dollar have been made accordingly. The resulting increase in total rate revenue yield is 4.3% for residential properties and 8.65% for Commercial Properties due to the application of the new GRV's and differential rating. The total increase in rate yield was \$2.46 million or 5.28% when compared to last years budget. This increase includes the growth in rates experienced during the 2010/2011 due to the addition of new land parcels as a result of subdivision and improvements to existing properties.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

In simplistic terms, a balanced budget is achieved when:

Estimated Opening Surplus (Deficit) from Prior Financial Year
Plus Estimated Revenues Earned During the Year
Minus Estimated Operational & Capital Expenditure
Minus Transfers to Financial Reserves
Plus Transfers from Financial Reserves
Minus Loan Borrowings (not applicable)
Totals \$0

The City could theoretically deliver a budget with no rate increases. To accomplish this however, after incorporating productivity/efficiency improvements which are a feature of each year's budget, the City would be required to reduce service levels, programs run by the City, reduce expenditure on capital works or defer maintenance of its assets to future years. These actions simply create a false sense of economy as they result in liabilities being passed on to future years ratepayers or place the cost of running programs on other organisations. 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"*. Timely proactive maintenance regimes, whilst appearing to be more costly in the short term, generally result in a lower whole of life cost, as reactive intervention costs associated with inappropriate periods of deferred maintenance are high. The 2011/2012 Budget has therefore been formulated on the basis of maintaining service levels and maintaining acceptable standards of asset maintenance as desired by the community or required to avoid failure of assets.

In accordance with the principles expressed in the above function, the 2011/2012 Budget has been drafted with a long term view of the needs of the City and its residents in mind. A lower level of rate increase could jeopardise the future financial sustainability of the City of Melville. The City of Melville believes that its community is best served by it taking long term decisions that take into account the real impacts of rising costs in order to ensure current residents pay an equitable contribution towards the consumption of services and future residents are protected from price shocks which would arise if this approach was not taken.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****DETAIL**

The 2011/2012 budget [6042A June 2011](#) has been developed with the following issues in mind:-

- The well documented need to address asset maintenance and financial sustainability issues;
- The need to maintain the real value of works and services in the face of rapidly escalating costs (including those passed on by the State Government); and
- 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 2011/2012 Budget maintains the City of Melville’s commitment to the delivery of the City’s portfolio of more than 200 different products and services to its Community. In recognition of the fact that the delivery of services can be achieved through the use of appropriately resourced and qualified not for profit or for profit organisations the City has negotiated the transfer of HACC services to other well qualified providers as well as the operation of the former Leeming Recreation Centre. The 2011/2012 Budget reflects the financial results of these actions and has enabled the City to reduce its costs whilst ensuring that the services continue to be delivered at high standards.

The City of Melville, like other local governments, has a significant portfolio of assets of approximately \$650 million in replacement value (\$500 million in depreciated value) that support the maintenance of a high quality lifestyle in our community. These assets support the delivery of the over 200 products and services offered by the City. Local government assets however carry with them substantial asset management costs including planning, design, construction, maintenance, operational expenditure, renewal and disposal. Unlike private sector assets, local government assets in most instances generate a low level of return and therefore funding for asset management costs must be derived from other sources such as grants or rates.

The City has completed and refined Asset Management Plans for the majority of its assets and this work has identified whole of life cycle costs and, in particular, the annual renewal expenditure required to ensure they continue to deliver the level of service the community expects. Failure to adequately fund asset renewal risks asset failure, deferred liabilities, personal injury and reputation amongst other things.

Asset Management Plans exist for the following asset classes:

- Buildings
- Roads
- Drainage
- Paths
- Park Structures
- Irrigation
- Playgrounds
- Fleet
- Information Technology

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

These Asset Management Plans serve as valuable informing documents for the Long Term Financial Plan and ultimately this Budget.

Based on currently available data, the officers are comfortable that the Fleet Replacement and Information Technology assets are adequately funded now and into the future. However, a funding gap has emerged in the other infrastructure asset classes. Overall, the Asset Management Plans calculate that \$14.8m should be spent on capital asset renewal. When compared to the Budget of \$14.35m, there was a funding shortfall of approximately \$450,000. This gap has been addressed with a transfer of \$450,000 to the Infrastructure Asset Management Reserve. It should be noted that this is a net result of the asset classes, a shortfall in capital expenditure budgets for buildings, drainage, irrigation and playgrounds has been partially offset by adequate funding in roads, paths and park structures. The gap would be far greater if external sources of income were not available and hence stresses the importance of securing government road grants etc.

Action to eliminate asset funding gaps will continue as the City improves its knowledge of its assets, particularly their condition and ongoing renewal costs. We will continue to implement a number of strategies to ensure ratepayers receive maximum value from their assets including:

1. Maximising the life of assets by ensuring the level of maintenance of assets is carefully managed and continually reviewing the useful life and remaining life of assets,
2. Reviewing draft renewal plans in the field (condition, service level, non asset solutions),
3. Investigating low cost renewal methods,
4. Investigating alternative methods of service delivery,
5. Facilitating services rather than providing them,
6. Rationalising the pool of assets i.e. reduce the number of assets owned e.g. disposals of surplus or low use assets,
7. Increasing the income stream from property assets so as to offset the cost of maintaining them and to reduce the reliance on rates,
8. Seeking additional funding e.g. through grants,
9. Placing a higher priority on renewal as opposed to new and upgraded assets,
10. Ensuring the appropriate use of Reserve Funds and or Loan Borrowings, and finally as a last resort
11. Increasing funding from rates.

The City's Capital Works Program focuses on the maintenance, renewal or upgrade of existing assets as a matter of priority. For all major asset classes the expenditure is in accordance with an Asset Management Plan.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

Specific allocations made in the \$19.3m Capital Works Program are detailed in the attached budget and include:-

- \$5.0 million for road and car park resurfacing projects;
- \$3.15 million for various road, car park and traffic management improvement projects;
- \$2.72 million for plant and vehicle replacements;
- \$1.96 million for various major maintenance works on City owned buildings;
- \$1.35 million for new and replacement footpaths;
- \$1.01 million for information technology hardware and software purchases and replacements;
- \$795,000 for environmental and foreshore improvement projects;
- \$680,000 for renewal of reticulation and pumps;
- \$560,000 for streetscapes and precinct improvement;
- \$473,000 for park improvements;
- \$442,000 for the replacement of furniture and equipment;
- \$300,000 for replacement playground equipment;
- \$200,000 for jetties and boardwalks refurbishment works.

The 2011/2012 Budget as presented will result in an average rate increase of \$39.00 or 4.2% from \$909 to \$948 and an overall rate yield increase of \$1,557,600 or 4.3% for residential properties. Minimum residential rates have increased \$600 to \$625.50, a 4.25% increase. When compared to comparative rate increase data for other Local Governments, this level of increase appears to be at the lower end of the scale of increases for the second year running. Estimated Residential rates of \$37.74 million to be raised in 2011/2012 represent 76.87% of total general rate income compared to 77.58% in 2010/2011.

A Differential Rate has also been maintained for Commercial Properties. The Differential Rating methodology, which recognises the additional cost burden placed on the City by the Commercial sector, has been adopted by numerous other Local Authorities throughout Australia. The proposed Commercial Rate in the \$ of 5.572325 cents compares favourably to those of a large adjoining local government whose differential Commercial Rates in the \$ range from 6.97 to 11.12 cents in the \$. The total increase in rate yield achieved from the commercial sector is \$903,250 or 8.64%. Estimated Rates of \$11.36 million to be raised from Commercial properties in 2011/2012 represents 23.13% of total general rate income compared to 22.42% in 2010/2011.

As a result of the above increases, and the growth in the property base that has taken place over the past year, total income from General Rates will increase from last years budgeted \$46.89 million to \$49.34 million or 5.28% including growth in the property data base that took place during the 2010/2011 financial year. This level of increase is modest when compared to the revenue increases experienced by other growth Councils which are in the order of 10% achieved through the creation of new lots and the building of new homes.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

The City's approximately 100,000 residents accommodated in 38,000 homes generate 32,000 tonnes of waste, equating to 0.84 tonnes per household per annum. Following consideration by the Southern Metropolitan Regional Council (SMRC) of their draft budget, it appears that there will be increases in the waste disposal gate fees charged by that organisation to the City of Melville from \$183 per tonne to \$194 per tonne, an increase of \$11 per tonne or \$352,000 per annum. The cost of disposal of the 15,000 tonnes of kerbside domestic recycling materials collected has remained the same at \$85.00 per tonne. These net additional costs have been factored into the Waste Services domestic refuse charges resulting in a \$9 increase in the domestic refuse charge from \$365 to \$374.

A review of the Swimming Pool Inspection program as part of the Budget preparation process indicates that the charge for inspecting the 8,928 swimming pools in the City, which occurs once in each four year period, needs to increase from \$25.60 to \$27.00 per annum. Should the fee remain constant the fee paid over four years would be \$108.00 which, after paying the Goods and Services Tax, results in net revenue per inspection of \$98.18 being received by the City. Full cost recovery has not been achieved resulting in the inspection program being partly cross subsidised by non pool owning ratepayers to the value of \$32,200. This subsidy equates to \$3.61 per pool without which the inspection fee would be \$30.61 per pool. All fees raised for levies and service charges are used solely for the purposes they are raised. Any surplus funds are quarantined and placed in an appropriate reserve or restricted fund account at the end of the year to be used to offset costs of pool inspections in future years.

The Property Security and Surveillance Service Charge will remain unchanged at \$48.50 per property. Like the Swimming Pool Inspection fee above, all fees raised by this charge are used solely for the purposes they are raised. Any surplus funds are quarantined and placed in an appropriate reserve or restricted fund account at financial year end and used to offset future year's costs. \$51,500 has been transferred from this reserve to subsidise the charge.

The Emergency Services Levy, which is a State Government charge, is collected on behalf of FESA by all Western Australian Local Government Authorities.

In the May 2011 State Government Budget it was announced that the State Government's Emergency Services Levy (ESL), which is used to fund the State Fire and Emergency Services Agency (FESA) will be as follows:-

ESL Rates and Minimum and Maximum Thresholds

ESL Rate per \$ of GRV ESL Category 1	MINIMUM AND MAXIMUM ESL CHARGES BY PROPERTY USE			
	Residential, Farming and Vacant Land		Commercial, Industrial and Miscellaneous	
	Minimum	Maximum	Minimum	Maximum
\$0.0114 (\$0.0145 10/11)	\$55 (\$50 10/11)	\$280 (\$260 10/11)	\$55 (\$50 10/11)	\$160,000 (\$150,000 10/11)

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

Due to the revaluation of properties the ESL rate in the \$ has decreased by 21.4%, the minimum ESL levy has increased by 10.0%, the maximum for residential and vacant land by 7.69% and the Commercial, Industrial & Miscellaneous by 6.67%. The overall amount of levy that will be raised from City of Melville property owners and remitted to FESA, will be approximately \$10.08 million. The total amount estimated to be raised for the ESL levy in 2011/2012 is \$0.178 million or 1.79% higher than the actual amount raised in 2010/2011.

Schedule of Fees and Charges

The Schedule of Fees and Charges was presented to and noted by Council at its Ordinary meeting held on Tuesday 17 May 2011. Since the report and agenda was prepared, new fees have been introduced in the Development Assessment Panel Regulations. The May report to Council on the review of the City's Fees and Charges did not include fees and charges for Development Assessment Panel Applications, lodged to the Local Government with the Planning Application fee, but then forwarded on to the Department for Planning.

The Annual Inspection fee for private swimming pools was also updated following subsequent amendments to the service budget. The fee was amended from \$25.60 (10/11 fee) to \$27.00.

Considerable work was also undertaken on the Waste budget and as a result a number of the Waste charges were updated. Costing estimates from the Southern Metropolitan Regional Council had not been received prior to the initial collation of the Fees and Charges. The term "awaiting SMRC prices" has been removed and the fee/charge inserted. The fees for Bulk Bins were originally not shown, but have since been included at the same amounts as were charged in 2010/2011.

Concessions

At the time of adopting the budget it is appropriate for Council to also disclose any waivers or concessions granted to rateable organisations and to disclose the financial impact of those concessions. The following concessions have previously been granted by the Council and are recommended to also be adopted in the 2011/2012 budget.

General Rates Concessions

Following representations from owners of individually strata titled and therefore rated storage units Council reviewed the impact of the overall rates applied to these properties when compared to similar storage units located on land that remained as one large title. As it was evident that the rating outcome was substantially greater where the units were individually strata titled Council decided to apply a concession so that the rating outcome yielded a result similar to if they were located on a single lot. The 2011/2012 Budget proposes to continue this concession, with the concession applying to appropriately zoned and used strata titled storage units of 18m² or smaller. The minimum rate for the eligible storage unit properties is \$330.00, with the value of this concession amounting to \$19,500.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

The Council has, over the past few years commenced rating the Melville Glades Golf Club so as to recognise the Crown land on which the Club is situated and which is vested in the City in fact rateable land. At the time of implementing the correct rating of this property it was recognised however that the Club pays a lease fee of approximately \$22,145 per annum. The concession has been provided on the basis of recognising their substantial contribution to the community by maintaining the vested golf course land at a high level of presentation, the substantial self supporting loan contribution of \$259,500 per annum the proceeds of which were used to construct improvements on the vested land. The concession also recognises the fact that a high proportion of members are also City of Melville residents and ratepayers. The value of the concession from general rates is approximately \$14,765. The Club continues to pay all other charges applicable to the property.

Domestic Refuse Charge Concession

A pensioner concession has historically been provided to City of Melville pensioners who, through the criteria applied by Centrelink, are eligible for a full pension paid by the Federal Government. Note it does not apply to part owners, those who only qualify for part pension eligibility or those who are only entitled to seniors or healthcare cards. The concession is a \$40.00 per annum reduction in the Domestic Refuse Charge representing a reduction from the proposed \$374.00 per annum charge in the draft 2011/2012 budget to \$334.00. It is estimated that this concession will be applied to 4,858 eligible pensioners at a total cost of \$194,320. The cost of this concession is borne by other ratepayers who are paying the full Domestic Refuse Charge of \$374.00 per annum. It is estimated that should the concession not be granted the Domestic Refuse Charge would be \$369.00 per annum. It should be noted that if the revenue required to fund waste services operations was raised as a part of General Rates the State Government funded rebates available under the Rates and Charges (Rebates and Deferments) Act 1992 would apply. This would mean that not only would the eligibility criteria increase, but the cost would be borne by the State not the City. Many representations have been made to the State Government to amend the legislation to remove this inequity but all attempts to date have failed.

Attadale South Underground Power Project

The Attadale South project is broadly defined as the portion of Attadale south of Wichmann Road, a portion of east Bicton and a small number of properties fronting Canning Highway in Alfred Cove.

Western Power have estimated the project cost to be \$13,502,060 excluding GST. Property owners in the Attadale South Underground Power project areas are required to contribute 50% of the cost of the project being an estimated \$6,751,030. The project is being funded over the two financial years 2010/2011 and 2011/2012. Approximately two thirds of the project cost being \$4,456,400 was raised in 2010/2011 leaving a balance of approximately \$2,295,000 to be raised in 2011/2012.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

Underground Power projects consist of two major elements being;

1. the construction of the network including underground cable laying and placement of transformers and switch gear; and
2. the connection from the network to each individual property.

The amount raised in 2010/2011 was limited to funding the installation of the network component via a specified area rate. In 2011/2012 the balance of the network component funding will be again be raised by way of a specified area rate and the cost of connection to each individual property will be raised by way of a Service Charge. In cases where an internal property connection already exists, a Service Charge will not be levied.

As highlighted in last years budget report the additional complexities associated with the Attadale South Underground Power project area that were not present to this degree in previous projects undertaken by the City. The South Attadale project encompasses a number of significant commercial properties, such as the Melville Plaza shopping centre. If the project cost was distributed entirely by reference to an uncapped % of Gross Rental Value (GRV) methodology these premises would be confronted with very significant cost imposts that could result in financial hardship. It is appropriate for the major consumers of power to contribute a greater proportion of the project costs as the network must be improved so as to be capable of meeting the peak load demands of the larger users and is not a cost that should be borne by a standard residential property owner.

The methodology applied in 2010/2011, and in the previous Mount Pleasant North project, incorporated a uniform rate in the dollar with a maximum \$ amount that will ensure that each property type makes a contribution towards the construction of the network which roughly approximates the costs of provision according to peak usage. The maximum is applied by way of concession and the cost of the concession redistributed across the ratepayers of the project area. It is proposed to continue this methodology in 2011/2012 so as to ensure that the cost over the two years of the project is comparable to those costs advised to the ratepayers prior to the commencement of the project.

Analysis of the gross rental value (GRV) data and conducting a comparison between the resulting charge as a result of calculation using GRV showed that a suitable maximum network charge for residential properties would be \$3,500 plus a connection charge (if applicable) of \$650. As the project has been undertaken over two financial years no connection charge was applied in the 2010/2011 financial year and approximately 77% of the network charge was levied. This equated to a maximum of \$2,700 in 2010/2011 with the balance of the maximum residential property of \$800, plus the connection charge of \$650.00 (if applicable) left to be levied in 2011/2012.

Commercial properties vary markedly in nature with the largest property, and electricity consumer in the project area, being the Melville Plaza Shopping Centre. In view of this the maximum commercial network charge was set at \$115,000 for the 2010/2011 financial year. It is proposed to leave the maximum at \$115,000 again this year. Should the maximum not have been set in place they would be required to pay approximately \$305,000 due to the high GRV applicable to the property. The total underground power charge for this property over the two year period will be \$219,023.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****PUBLIC CONSULTATION/COMMUNICATION**

Whilst no specific public consultation has taken place in regards to the 2011/2012 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 Saturday, 14 May 2011 and the 21 day public comment period ended on Monday 6 June 2011. No comments were received.

CONSULTATION WITH OTHER AGENCIES / CONSULTANTS

- Fire and Emergency Services Agency 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 and Specified Area Rates;
- Office of Energy and Western Power with respect to Underground Power Projects.
- Southern Metropolitan Regional Council (SMRC) in relation to the Waste Disposal operation run by them on behalf of the City and five 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.

3.1. General function

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

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 2011/2012 budget as presented is considered to meet these statutory obligations.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****FINANCIAL IMPLICATIONS**

Specific financial implications are as detailed in the forgoing Detail section of this report and the attached 2011/2012 budget document. Implications for Melville ratepayers will include:-

- Various increases in the levels of user fees and charges as detailed in the Fees and Charges Schedule 2011/2012 as previously noted by the Council on Tuesday 17 May 2011.
- A decrease in the residential general improved rate in the dollar from 6.1195 cents (2010/2011) in the dollar of gross rental value to 4.8455 cents in the dollar in 2011/2012 due to the revaluation of all properties in the City which increased the total GRV. A 4.25% increase in the minimum rate from \$600 to \$625.50;
- A decrease in the residential unimproved rate revenue of approximately 4.2% (however due to the revaluation the Rate in the dollar of GRV has increased from 4.8956 cents (2010/2011 in the dollar of gross rental value to 6.10665 cents in the dollar) and an increase in the minimum rate from \$610 to \$625.50 in 2011/2012 to align it with the minimum rate charged to residential improved properties.
- A decrease in the commercial/industrial rate in the dollar from 6.4255 cents (2010/2011) in the dollar of gross rental value to 5.572325 cents (2011/2012) and the minimum rate from \$630 to \$720 reflecting a 15% differential to the residential rates in the dollar and minimum.
- A Specified Area Rate being applied to approximately 2,020 properties in the South Attadale Underground Power Project area with the rate in the dollar of GRV for residential properties being 3.72 cents in the dollar with a maximum residential charge of \$800 and a rate in the dollar of GRV for commercial properties also being 3.72 cents in the dollar with a maximum commercial property charge of \$115,000.
- An Underground Power Service Charge to recover the cost of internal property connections to the new underground power network. This charge is only charged where a suitable connection does not currently exist and the charge amount will vary depending on the extent of works to be undertaken.
- A \$14 increase in the domestic refuse charges from \$360 to \$374 pa with the concessional pensioner's residential charge also rising by \$14 from \$320 to \$334 pa.
- The Community Security & Liaison Service Charge remains unchanged at \$48.50.
- An increase in the Swimming Pool Inspection Fee from \$25.60 to \$27.00 inclusive of GST.
- Maintaining the charge for payment by instalments at \$16.00 per annum;
- Maintaining an instalment interest charge of 4%;
- The reduction of the Credit / Debit Card Surcharge Fee which is used to offset bank fees associated with credit card payments by ratepayers from 0.77% to 0.70% including GST.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

STRATEGIC, RISK AND ENVIRONMENTAL 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 High 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 Medium level of risk.	Ensure budget development process is sound & subject to independent review by all Managers, Finance & Council.

POLICY IMPLICATIONS

The budget has been developed on the principles outlined in Council's policies CP-008 Financial Sustainability – Forward Financial Planning and Funding Allocation Policy and CP-024 Borrowings & Asset Financing Policy.

Variation from policy CP-008 has occurred in respect to policy clause 2.2 in that the Annual 2011/2012 Budget does **not** include a two year budget.

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

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 Programme 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 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 projects however there are many more that are also worthy of funding that could be suggested for inclusion should others be removed. Council needs to maintain and improve the 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 \$490,000.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

Clause 1.7 of Council Policy CP-008 Financial Sustainability – Forward Financial Planning And Funding Allocation states as follows:

In view of the potential risk of significant reductions in untied government grants, such as the Federal Governments Financial Assistance Grant (FAG), due to redistribution to other less financially sustainable local authorities, the City of Melville will seek to reduce it's reliance on such grants to fund its day to day operations and maintenance requirements. This will be achieved over time as funds permit by ensuring such funds are earmarked to finance the cost of non-recurrent projects or by transferring them to an appropriately designated cash backed reserve account. Such reserves will then be used to purchase investments or fund revenue earning projects that will assist the City to reduce it's reliance on rate revenue by using some or all of the returns on those investments or revenue earning projects to fund current operations. This principle recognises that untied grants may be of a temporary nature and that in order to ensure financial sustainability, it would be prudent for the City to maximise its capacity to fund its current operations using own source revenue. The untied roads portion of the Federal Assistance Grant will however be used solely to maintain or renew roads infrastructure as that portion of the grant is calculated with reference to the City's road network and maintenance needs. That the proposed council budget be presented to the Council with the untied FAG Funds applied to reserve accounts as per this clause and that an alternative budget proposal option to be presented with the untied FAG Funds applied to the current budget operational or capital expenditures. The Council can then decide on the appropriate budget to adopt;

Rate setting statements showing the two different treatments requested to be applied by Council are attached [6042B June 2011](#).

Should the \$1.5 million ear marked to be transferred to the Land & Property Reserve be applied to reducing general rates this would have the estimated impact of reducing total rate revenue by 3.055% and if applied evenly across all classes of differentially rated properties would result in improved residential properties rate revenue reducing by \$1,105,051, vacant residential land by \$47,980 and commercial land and properties by \$346,969.

This adjustment would have a one off impact in the 2010/2011 financial year in respect to the reduction of rates and should the practice be reversed in the following year the resultant increase would equate to over 3% of rates before any other cost increases are provided for

CONCLUSION

The 2011/2012 Budget demonstrates that the City is in a financially sound position. This is due to the decision taken by the Council in previous years, to address the issue of the historical under funding of asset maintenance and renewal, as well as a marked improvement in the value of the City's investments and the rebuilding of reserve account balances back to a level equal to pre global financial crisis levels on a total not individual value.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**

The 2011/2012 Budget continues the City of Melville's objective of delivering responsible budgets with a view to the long, rather than short term financial position of the City. In the course of formulating the draft budget officers 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
- appropriate funding levels are set aside for proactive asset maintenance, refurbishment and renewal and that the operational capacity of assets is maintained.

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 CP-008 and the good governance provisions of the Local Government Act 1995 referred to earlier in this report. Evidence is also emerging that decisions taken by other local or state authorities in past years to impose rate increases pegged to the Consumer Price Index (CPI), has now resulted in them now being required to pass on successive rate increases well in excess of CPI.

The 2011/2012 budget is recommended to the Council for approval.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1 Consideration and Adoption of the 2011/2012 Budget (ATTACHMENT)**

The Budget Papers for 2011/2012 form part of the Attachments to the Agenda, which was distributed to the Members of the Council on Friday, 17 June 2011.

6042A June 2011**1.1.1. Ratepayer Profile (ATTACHMENT)****6042C June 2011**

The Ratepayer Profile forms part of the Attachments to the Agenda, which was distributed to the Members of the Council on Friday, 17 June 2011.

OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)**NOTING**

At 6.35pm Cr Halton moved, seconded Cr Kinnell -

That the 2011/2012 Ratepayer Profile 6042C June 2011 be noted.

At 6.35pm the Mayor submitted the motion, which was declared

CARRIED (13/0)**1.1.2 Differential Rating (ATTACHMENT)****6042D June 2011****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.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.2 Differential Rating (Continued)**

A Notice of Intention to Impose Differential Rates was advertised in the West Australian newspaper on Saturday, 14 May 2011.

A copy of 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 14 June 2011. The 21 day submission period closed on Monday, 6 June 2011 with no submissions having been received by, or subsequent to, the close of business on that date.

Unless amended by the Council, the proposed rates in the dollar and minimum rates for residential properties for 2011/2012 will be 4.8455 cents in the \$ of GRV (10/11 6.1195 cents) with a minimum rate of \$625.50 (09/10 \$600.00) for all Residential Improved Land and 6.10665 cents in the \$ of GRV (10/11 4.8956 cents) with a minimum rate of \$625.50 (10/11 \$610.00) for all Residential Unimproved Land.

The proposed differential rate for all Commercial / Industrial properties in 2011/2012, is 5.572325 cents in the \$ of GRV (10/11 6.4255 cents) with a minimum rate of \$720.00 (10/11 \$630.00). Note this applies to all improved and unimproved Commercial / Industrial Land.

The differential rates proposed above differ to those notified in the "Notice of Intention to Levy Differential Rates" in the following manner:

- A differential Residential vacant land rate was not identified in the advertised notice. Due to the very significant reduction in the gross rental valuations for vacant land, as a result of the change in the prescribed percentage for the calculation of GRV from 5% to 3%, a differential rate will be required in order to ensure that the rate revenue earned from vacant land does not reduce by 40%. The application of the proposed vacant land differential rate will result in a reduction of revenue of \$69,400 or 4.2% obtained from vacant residential land as opposed to the average increase of 4.2% for improved residential properties.

OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)**NOTING**

At 6.35pm Cr Barton moved, seconded Cr Robartson -

That the Differential Rating Submissions Report [6042D June 2011](#) be noted.

At 6.38pm the Mayor submitted the motion, which was declared

CARRIED (13/0)

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.3 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 2010/2011 was 10.0% or \$50,000 whichever is the greater. It is proposed that the level adopted for the reporting of material variances for 2011/2012 should remain the same as in 2010/2011.

OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)**APPROVAL**

At 6.38pm Cr Robartson moved, seconded Cr Pazolli -

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 2011/2012 for reporting material variances, be 10% or \$50,000, whichever is the greater.

At 6.38pm the Mayor submitted the motion, which was declared

CARRIED (13/0)**1.1.4 Adoption of 2011/2012 Budget and Setting of 2011/2012 Rates and Charges****COMMENT**

Before proceeding to the recommendations with respect to the 2011/2012 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 e.g. Property Surveillance and Security Services and Underground Power connection charges.
- Imposing a specified area rate. Used to fund Underground Power Projects.

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.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**1.1.4 Adoption of 2011/2012 Budget and Setting of 2011/2012 Rates and Charges (Continued)**OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.38pm Cr Wieland moved, seconded Cr Reynolds -

1. That by Absolute Majority Decision of Council the 2011/2012 Municipal Fund Budget [6042A June 2011](#) be adopted.

2. That by Absolute Majority Decision of Council the following general rates applicable to the 2011/2012 financial year i.e. for the period 1 July 2011 to 30 June 2012 , be adopted:

All Improved Residential Land

4.8455 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 \$625.50 per assessment;

All Unimproved Residential Land

6.10665 cents in the dollar of gross rental values applicable to each property, location or other piece of land subject to a minimum rate of \$625.50 per lot;

Note: - Residential Land includes general residential, duplex, multi-unit, residential strata properties and Homeswest properties.

All Commercial/Industrial Land

5.572325 cents in the dollar of gross rental values applicable to each assessment, lot, location, strata, or other piece of land subject to a minimum rate of \$720.00 per assessment;

Note: - Commercial/Industrial land includes general industrial, commercial including retail, professional and office uses, service station, hotel / tavern, TAB and hospitals.

3. That by Absolute Majority Decision of Council

A specified area rate of 3.72 cents in the dollar of gross rental value be applied to each property in the South Attadale Underground Power Project Area for which a gross rental value is applicable.

Properties included in the South Attadale Underground Power Project Area shall be charged in accordance with the following scale of fees in conjunction with the Specified Area Rate detailed previously. This service charge will be levied on properties which require a new power connection to their property to be installed.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**1.1.4 Adoption of 2011/2012 Budget and Setting of 2011/2012 Rates and Charges (Continued)

- **Service Charge, single residential property \$650**
- **Service Charge, multi unit property up to 4 units \$650**
- **Service Charge, multi unit property, 5 to 15 units \$325**
- **Service Charge, multi unit property 16 or more units \$162.50**

- **Service Modification Charge, single residential property \$325**
- **Service Modification Charge, multi unit property up to 4 units \$325**
- **Service Modification Charge, multi unit property, 5 to 15 units \$162.50**
- **Service Modification Charge, multi unit property 16 or more units \$81.25**

Note: - The South Attadale Underground Power project commenced in the 2010/2011 financial year. The specified area rate adopted in 2011/2012 is to fund the estimated cash calls of \$2,250,000 that are expected to be paid to Western Power for the remaining costs of construction of the underground power network during the 2011/2012 financial year.

4. That by Absolute Majority Decision of Council the following rates concessions for the 2011/2012 financial year, be adopted:**A. General Rate Concessions**

Strata storage units. Appropriately zoned and used strata titled storage units of 18m² or smaller, whereby the minimum commercial / industrial general rate charged be \$330.00; The value of this concession amounts to approximately \$16,500.

Melville Glades Golf Club. 100% concession from general rates. The value of this concession amounts to approximately \$14,765.

B. Specified Area Rates Concessions**South Attadale Underground Power Project**

Concessions be granted so that no ratepayer in the following categories shall pay an amount of specified area rate in respect of the network charge in 2011/2012 greater than the amounts listed below:-

**Residential properties - \$800
Commercial and industrial properties - \$115,000**

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2011 BUDGET (AMREC)
(ATTACHMENT)****1.1.4 Adoption of 2011/2012 Budget and Setting of 2010/2011 Rates and Charges
(Continued)**

- 5. That by Absolute Majority Decision of Council the following refuse waste charges be adopted, for the 2011/2012 financial year where these services are charged via the City of Melville rates system**

A) Residential Properties Waste & Recycling

\$374.00 per annum (exclusive of GST) for one standard service;

Eligible pensioners will receive a concession of \$40 per annum for one standard service, provided payment is received by 30 June 2012, resulting in a concessional waste charge of \$334.00 with the \$194,320 cost of this concession being funded from the domestic waste service fee charges.

Note:- a standard service includes weekly domestic collection and disposal of one City of Melville approved waste bin, fortnightly recycling collection and disposal of one City of Melville approved recycling bin and four waste kerbside collections and disposals per annum.

\$302.00 per annum (inclusive of GST) for each additional City of Melville approved domestic waste bin when emptied at the same time as the standard weekly domestic waste collection;

\$110.00 per annum (inclusive of GST) for each additional City of Melville approved recycling bin service when emptied at the same time as the standard fortnightly domestic recycling collection.

Note:- additional waste or recycling bin services includes the collection and disposal of the additional City of Melville approved bins during the normal domestic collection round.

B) Commercial and Non-Rateable Properties

\$500.00 per annum for one standard removal and disposable of waste in a City of Melville approved waste bin; (this amount is exclusive of GST for the first bin however GST would be added for any additional bins)

Note:- a standard non-rateable service includes the weekly removal and disposable of refuse in a City of Melville approved waste bin;

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**1.1.4 Adoption of 2011/2012 Budget and Setting of 2011/2012 Rates and Charges (Continued)**C) Bulk Refuse Collection and Disposal**

\$53.40 (including GST) per service – one bin of 1.5 cubic metre capacity;

\$69.90 (including GST) per service – one bin of 3.0 cubic metre capacity;

\$86.40 (including GST) per service – one bin of 4.5 cubic metre capacity.

\$23.00 (including GST) per service – one bin of 660 litre capacity.

\$29.30 (including GST) per service – one bin of 1,100 litre capacity.

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

D) Commercial and Non Rateable Recycling Services

\$220.00 per annum including GST for a fortnightly recycling bin service provided to commercial and non-rateable properties for one City of Melville approved recycling bin emptied on a fortnightly basis;

\$440.00 per annum including GST for a weekly recycling bin service provided to commercial and non-rateable properties for one City of Melville approved recycling bin emptied on a weekly basis.

\$19.00 (including GST) per service – one bin of 660 litre capacity.

\$22.95 (including GST) per service – one bin of 1,100 litre capacity.

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

**C11/6042 – CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.4 Adoption of 2011/2012 Budget and Setting of 2011/2012 Rates and Charges (Continued)****6. Swimming Pool Inspection Fee**

That by Absolute Majority Decision of Council a swimming pool inspection fee of \$27.00 including GST be adopted for 2011/2012.

Note:- \$27.00 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 reserve account and used to offset the costs of inspections in the following years budget.

7. Property Surveillance and Security Service Charge

That by Absolute Majority Decision of Council the property surveillance and security charge for the 2011/2012 year of \$48.50 excluding GST be adopted.

At 6.42pm the Mayor submitted the motion, which was declared
CARRIED BY ABSOLUTE MAJORITY (13/0)

1.1.5 Early Payment Incentives**OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.43pm Cr Subramaniam moved, seconded Cr Robartson -

- 1. That by Absolute Majority Decision of Council the following early payment incentives be granted provided all 2011/2012 rates and charges (including refuse service charge, property surveillance and security charge, swimming pool inspection fee, emergency services levy and specified area rates) are paid in full on or before close of business (i.e. 5.00pm) by the early payment due date shown on the rate notice.**

Major Prize

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

Other Prizes

Four other prizes, each to the value of approximately \$500.

At 6.43pm the Mayor submitted the motion, which was declared
CARRIED BY ABSOLUTE MAJORITY (13/0)

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.6 Loan Capital Fund Budget (ATTACHMENT)**

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.

**OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.44pm Cr Subramaniam moved, seconded Cr Foxtan -

That by Absolute Majority Decision of Council the 2011/2012 Loan Fund Budget 6042A June 2011 be adopted.

At 6.44pm the Mayor submitted the motion, which was declared

CARRIED BY ABSOLUTE MAJORITY (13/0)

1.1.7 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 as detailed below.

In some cases e.g. the Community Security Service Reserve they are specifically required by legislation to record any surpluses that may arise 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 Local Authorities 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 high value of assets owned by the City, 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

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**1.1.7 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 & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.44pm Cr Wieland moved, seconded Cr Reidy -

That by Absolute Majority Decision of Council the 2011/2012 Reserve Accounts (Fund) Budget 6042A June 2011 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, surrounds and associated landscaping and car parking located within the Civic Centre Precinct.

C) Community Facilities Reserve

To be used for the provision of new, renewed or upgraded community facilities owned by 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.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**1.1.7 Reserve Account Budgets (Continued)**E) Information Technology Reserve**

To be used 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) South Attadale Underground Power & Streetscape Enhancement Reserve

To be used for underground power projects and streetscape enhancements in the South Attadale Underground Power project area.

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 waste collection trucks.

K) Public Open Space Reserve

To be used to fund the purchase, development and re-development of public open space, parks and reserves or for debt servicing costs associated with any loan borrowings taken out for such purposes.

L) Refuse Bins Reserve

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

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)**1.1.7 Reserve Account Budgets (Continued)**M) Commercial Refuse Reserve**

To be used for the acquisition and replacement of commercial refuse bins, 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 refuse tip sites operated by the City of Melville and for the waste collection and disposal costs of waste associated with storm or disaster events.

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) 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 building, road, path, kerbing, street furniture, park structures, playground, irrigation/reticulation and drainage infrastructure.

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.

At 6.50pm the Mayor submitted the motion, which was declared

CARRIED BY ABSOLUTE MAJORITY (13/0)

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.8 Trust Fund Budget****OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.50pm Cr Halton moved, seconded Cr Subramaniam -

That by Absolute Majority Decision of Council the 2011/2012 Trust Fund Budget as detailed 6042A June 2011, be adopted.

At 6.50pm the Mayor submitted the motion, which was declared

CARRIED BY ABSOLUTE MAJORITY (13/0)

1.1.9 2010/2011 Surplus Funds

The 2011/2012 Budget has been formulated on the basis that an estimated surplus of \$1,863,486 will be carried forward from the 2010/2011 financial year. This amount has arisen as a result of revenue exceeding budget or expenditure savings due to operational efficiencies. This amount will vary as revenue and expenditure and works will continue for the balance of the financial year. The actual surplus/deficit will be finally determined following receipt of the 2010/2011 audited financial statements anticipated to be in October 2011. Where a variance to the surplus is identified that variance will be offset by a corresponding increase or decrease in the budgets of the continuing projects or grants reflected in the 2011/2012 Budget. Should, following receipt of the 2010/2011 audited financial statements, any additional surplus be identified this will be reported to Council at a future review of the 2011/2012 budget and direction sought from the Council as to the use of the additional surplus (if any). Should the 2010/2011 audited financial statements reveal a lower than anticipated surplus amount, this will also be addressed by a review of the 2011/2012 budget and direction sought from Council as to which projects or programs it wishes to be curtailed.

**OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.50pm Cr Barton moved, seconded Cr Robartson -

That by Absolute Majority Decision the Council note that an estimated Municipal Fund 30 June 2011 surplus amount of \$1,863,486 has been used as an opening position in the 2011/2012 budget and that the final net surplus amount will be determined following receipt of the 2010/2011 audited financial statements and further direction sought from Council as to the treatment of any variance identified during a review of the 2011/2012 budget.

At 6.53pm the Mayor submitted the motion, which was declared

CARRIED BY ABSOLUTE MAJORITY (13/0)

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.10 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. This year it has been decided to adopt the Fees & Charges at the same time as adopting the Budget.

A report regarding proposed Fees & Charges was submitted to the Council on Tuesday, 17 May 2011. The resolution of Council in respect to this report was as follows:-

That the proposed Fees & Charges Schedule for 2011/2012, as documented in attachment [6042A June 2011](#) be noted for inclusion in the Budget Report for adoption and implementation from 1 July 2011.

As noted earlier in this report subsequent to the Council meeting held on Tuesday 17 May 2011 the City has been advised of increases in Development Assessment Panel Application Fees and Waste Fees and Charges have also been reviewed. These fee changes have been reflected in the attached Schedule of Fees and Charges.

**OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.53pm Cr Halton moved, seconded Cr Foxtton -

That by Absolute Majority Decision of Council, in accordance with Section 6.16 of the Local Government Act 1995, the 2011/2012 Schedule of Fees and Charges included in the attached budget papers [6042A June 2011](#) be adopted and the new fees be applicable from 1 July 2011.

At 6.54pm the Mayor submitted the motion, which was declared

CARRIED BY ABSOLUTE MAJORITY (13/0)

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.11 Payment and Instalment Due Dates****OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.54pm Cr Robartson moved, seconded Cr Subramaniam -

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

Full payment and 1st instalment due date	22 August 2011
2nd Instalment due date	24 October 2011
3rd Instalment due date	3 January 2012
4th and final instalment due date	5 March 2012

At 6.55pm the Mayor submitted the motion, which was declared

CARRIED BY ABSOLUTE MAJORITY (13/0)

1.1.12 Administration and Interest Charge for Rates and Services Charges

Sections 6.45 and 6.51 of the Local Government Act 1995 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 of \$16.00 (2010/2011 \$16.00) where a person pays their rates by the four instalment option. This fee partially offsets the additional costs incurred by the City in generating and delivering instalment reminder notices.

Section 6.45 of the Local Government Act 1995 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 administration (interest) charge is recommended to be 4% so as to ensure an undue burden is not placed on ratepayers choosing to pay by instalments.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 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 2011/2012.

Section 6.51 of the Local Government Act 1995 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 2010/2011 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 and is again recommended for 2011/2012.

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 2011/2012.

The credit card surcharge fee of 0.7% (0.77% 2010/2011) has been continued to offset the cost of bank fees associated with credit card payments by ratepayers. No concessions for seniors or pensioners has been considered in respect to this charge due to the substantial cost of implementing and managing a system whereby such a concession could be easily administered. This charge is included in the Schedule of Fees and Charges adopted above.

**OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.55pm Cr Kinnell moved, seconded Cr Halton -

- 1. That by Absolute Majority Decision of Council where, a property owner has elected to, and is adhering to, paying rates and service charges through an instalment program, an instalment administration charge of \$16.00 and an instalment interest charge of 4% per annum, as provided for in section 6.45 of The Local Government Act 1995, be imposed.**
- 2. That by Absolute Majority Decision of Council a legal action administration fee of \$100.00 be imposed on overdue accounts where debt recovery action, that requires a legal firm to be retained by the City's debt collection agents, becomes necessary.**

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.12 Administration and Interest Charge for Rates and Services Charges
(Continued)**

- 3. That by Absolute Majority Decision of Council, an interest charge of the maximum amount permitted under the Local Government Act 1995 and applicable 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.**

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 1995 and applicable Regulations (currently 11%) is to be applied.**

At 6.56pm the Mayor submitted the motion, which was declared

CARRIED BY ABSOLUTE MAJORITY (13/0)

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.

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.13 Interest Charge on Money Owing to Local Government (Continued)**

The regulations provide that the maximum amount of interest that can be charged is 11%. In keeping with the practice of previous years 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 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.

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.

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 (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 are incurred.

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 & COUNCIL RESOLUTION (6042)
ABSOLUTE MAJORITY**

At 6.56pm Cr Wieland moved, seconded Cr Reynolds -

- 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 commencing 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 commencing sixty days after the date which is stated on the account for payment.**

**C11/6042 - CONSIDERATION AND ADOPTION OF THE 2011/2012 BUDGET (AMREC)
(ATTACHMENT)****1.1.13 Interest Charge on Money Owing to Local Government (Continued)**

- 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.**

At 6.56pm the Mayor submitted the motion, which was declared

CARRIED BY ABSOLUTE MAJORITY (13/0)

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 2011/2012.

OFFICER RECOMMENDATION & COUNCIL RESOLUTION (6042)

APPROVAL

At 6.56pm Cr Reidy moved, seconded Cr Halton -

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.

At 6.57pm the Mayor submitted the motion, which was declared

CARRIED (13/0)

11. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

12. MOTIONS WITHOUT NOTICE BY ABSOLUTE MAJORITY OF THE COUNCIL

Nil

13. CLOSURE

There being no further business to discuss, His Worship the Mayor declared the meeting closed at 7.00pm.