



SPECIAL MEETING OF COUNCIL

AGENDA

MONDAY 27 JUNE 2016

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**CITY OF GREATER GERALDTON**  
**SPECIAL MEETING OF COUNCIL**  
**TO BE HELD ON MONDAY, 27 JUNE 2016 AT 5.00PM**  
**CHAMBERS, CATHEDRAL AVENUE**

**A G E N D A**

**DISCLAIMER:**

The Chairman advises that the purpose of this Council Meeting is to discuss and, where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting. Persons should be aware that the provisions of the Local Government Act 1995 (Section 5.25(e)) and Council's Standing Orders Local Laws establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person. The City of Greater Geraldton expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council meeting.

**1 DECLARATION OF OPENING**

**2 ACKNOWLEDGEMENT OF COUNTRY**

I would like to respectfully acknowledge the Yamaji people who are the Traditional Owners and First People of the land on which we meet/stand. I would like to pay my respects to the Elders past, present and future for they hold the memories, the traditions, the culture and hopes of the Yamaji people'

**3 ATTENDANCE**

Present:

Officers:

Others:

Members of Public:

Members of Press:

Apologies:

Leave of Absence:

**4 PUBLIC QUESTION TIME**

*Questions provided in writing prior to the meeting or at the meeting will receive a formal response. Please note that you cannot make statements in Public Question Time and such statements will not be recorded in the Minutes.*

*Our Local Laws and the Local Government Act require questions to be put to the presiding member and answered by the Council. No questions can be put to individual Councillors*

**5 APPLICATIONS FOR LEAVE OF ABSENCE****Existing Approved Leave**

<b>Councillor</b>	<b>From</b>	<b>To (inclusive)</b>
Cr S Douglas	21 June 2016	26 June 2016
Cr G Bylund	2 July 2016	17 July 2016
Cr G Bylund	18 August 2016	29 August 2016
Mayor S Van Styn	23 August 2016	23 August 2016
Cr M Reymond	1 September 2016	26 September 2016
Cr G Bylund	3 September 2016	10 September 2016
Cr J Critch	15 September	10 October 2016
Cr G Bylund	2 October 2016	9 October 2016
<b>** Cr L Freer</b>	<b>2 July 2016</b>	<b>3 July 2016</b>
<b>** Cr L Freer</b>	<b>1 August 2016</b>	<b>2 August 2016</b>
<b>** Cr L Freer</b>	<b>27 September 2016</b>	<b>28 September 2016</b>
<b>** Mayor S Van Styn</b>	<b>16 October 2016</b>	<b>27 October 2016</b>

**\*\* To be approved at the 28 June 2016 Council Meeting**

**6 PETITIONS, DEPUTATIONS OR PRESENTATIONS****7 DECLARATIONS OF CONFLICTS OF INTEREST**

## 8 REPORTS OF CORPORATE & COMMERCIAL SERVICES

### CCS187 CITY OF GREATER Geraldton BUDGET 2016-2017

<b>AGENDA REFERENCE:</b>	<b>D-16-40340</b>
<b>AUTHOR:</b>	<b>P Radalj, Manager Treasury and Finance</b>
<b>EXECUTIVE:</b>	<b>B Davis, Director Corporate and Commercial Services</b>
<b>DATE OF REPORT:</b>	<b>23 June 2016</b>
<b>FILE REFERENCE:</b>	<b>FM/7/0001</b>
<b>ATTACHMENTS:</b>	<b>Yes (x8)</b>
	<b>A. Budget 2016-17</b>
	<b>B. Fees &amp; Charges Schedule 2016-17</b>
	<b>C. Capital Works 2016-17</b>
	<b>D. Statement of Objects &amp; Reasons 2016-17</b>
	<b>E. Long Term Financial Plan 2016-26</b>
	<b>F. LTFP Schedules 2016-26</b>
	<b>G. Corporate Business Plan (Revised 2014-18)</b>
	<b>H. Addendum to Workforce Plan 2014-18</b>

#### EXECUTIVE SUMMARY:

This report seeks Council adoption of the City of Greater Geraldton 2016-17 Financial Budget. The report also seeks the adoption of the following:

- Long Term Financial Plan (revised) for the 10-year period covering 2016-17 to 2025-26;
- Corporate Business Plan (revised) for the period covering 2014 to 2018; and
- Workforce Plan (revised organisational structure) for the period covering 2014 to 2018.

#### EXECUTIVE RECOMMENDATION:

That Council by Absolute Majority pursuant to Section 6.2 of the Local Government Act 1995 RESOLVES to:

#### A. Rates & Minimum Payments 2016-2017

1. ADOPT the following Differential General Rates against the valuations supplied by Landgate (as amended) as at 1 July 2016 for 2016-17 in accordance with Sections 6.32 and 6.33 of the Act

<b>DIFFERENTIAL GENERAL RATES</b>	<b>2016-17 Cents in Dollar</b>
CGG Residential (Includes GRV Residential Ex-Mullewa Shire District)	11.4991
CGG Non-Residential (Includes GRV Non-Residential Ex-Mullewa Shire District)	10.9956
CGG UV (Ex Geraldton Rural Mining & Farming General and Ex Mullewa Rural Mining & Agriculture)	0.7236

2. ADOPT The following **Minimum** Payments for the City of Greater Geraldton for 2016-17, in accordance with Section 6.35 of the Act:

<b>MINIMUM PAYMENTS</b>	<b>2016-17 Minimum Payment Per Assessment</b>
CGG Residential (Includes GRV Residential Ex-Mullewa Shire District)	\$1,010
CGG Non-Residential (Includes GRV Non-Residential Ex-Mullewa Shire District)	\$1,010
CGG UV (Ex Geraldton Rural Mining & Farming General and Ex Mullewa Rural Mining & Agriculture)	\$1,010

**B. 2016-17 General Charges, Concessions, Interest**

3. IMPOSE no service charge on land for 2016-17;
4. RAISE a charge of \$10.50 per instalment for 2016-17 whereby the ratepayer has elected to pay their rates by instalments and in addition apply a 5.5% interest rate charge in accordance with Section 6.45(3) of the Act;
5. PROVIDE the option for ratepayers to pay their rates as a single payment or by 2 or 4 equal instalments in accordance with Section 6.45(1) of the Act;
6. NOT PROVIDE any discount or rate incentive prizes for early payment of rates;
7. NOTE the rates set by the State Government for the Emergency Services Levy (ESL) for Category 2, 4 and 5 regions for 2016-2017 and apply these rates on assessments against valuations from Landgate as at 1 July 2016;
8. NOTE that the City is not responsible for setting Emergency Services Levy rates and simply acts as a collection agent for the funds on behalf of the State Government;
9. PROVIDE concessions as applied to Residential Properties in 2015-16 but reduced from two thirds to one third in 2016-17 and are based on the same following criteria and conditions:
  - a. Are rateable on the basis of Gross Rental Valuation (GRV), and are rated under the City's GRV CGG Residential differential general rate;
  - b. Were subject to an increase in GRV valuation on their GRV CGG Residential property as a consequence of the periodic (currently 3-yearly) General Valuation by the State Valuer-General which took effect from 1 July 2015;
  - c. Had rates imposed that are higher than the Minimum Payment for the CGG Residential GRV differential general rate.
10. ISSUE rates instalment notices as soon as practicable with instalment due dates being no less than two months apart from the date of the first instalment becoming due in accordance with Section 6.50 of the Act;

11. CHARGE an interest rate of 11% on any outstanding rates and service charges that remain overdue as described in accordance with Section 6.51 of the Act; and
12. CHARGE interest to be applied on outstanding debts exceeding 60 days after date of invoice at a rate of 11% per annum in accordance with section 6.13 of the Act.

**C. 2016-2017 Fees and Charges**

13. ADOPT the 2016-17 Schedule of Fees and Charges.

**D. 2016-2017 Capital Works & Loans**

14. ADOPT the 2016-17 Capital Works Budget; and
15. ADOPT the new Loan debenture program in accordance with section 6.20(4) of the Act.

**E. 2016-17 Allowances**

16. NOTE that the proposed levels of allowances and fees for the Mayor, Deputy Mayor and elected members in the 2016-17 Budget estimates were approved (Absolute Majority) by Council in May 2016 (CCS177);
17. The Mayor's annual local government allowance of \$70,567 in accordance with section 5.98(5) of the Act;
18. The Mayor's annual attendance fees of \$32,408 in accordance with section 5.99 of the Act;
19. The Deputy Mayor's annual local government allowance of \$17,641 in accordance with section 5.98A of the Act;
20. The annual fees of \$25,090 for every other elected member (excluding the Mayor) in accordance with section 5.99 of the Act;
21. An Information technology and telecommunication allowance of \$3,500 per year per elected member in accordance with section 5.99A of the Act;
22. The reimbursement of expenses incurred by a council member in accordance with section 5.98 (2) (b) and (3) of the Act and regulation 32 of the Local Government (Administration) Regulations 1996;
23. The reimbursement of childcare costs of up to \$25 per hour or the actual cost incurred by a council member when attending a meeting in accordance with regulation 31 (1) (b) and regulation 32 (1) of the Local Government (Administration) Regulations 1996;
24. The reimbursement of travel costs incurred by a council member in accordance with regulation 31 (1)(b) of the Local Government (Administration) Regulation 1996;

**F. Adoption of Statement of Objectives and Reasons for Proposed Rates and Minimum Payments and the 2016-2017 Budget**

25. ADOPT a reporting variance of greater than \$50,000 or 10% as per AASB1031 and Local Government (Financial Management) Regulations 1996, Regulation 34;
26. ADOPT the Statement of Objectives and Reasons for Proposed Rates and Minimum Payments;
27. ADOPT the 2016-17 Budget for the City of Greater Geraldton; and
28. NOTE that Council received four submissions from electors and ratepayers before adopting the budget for 2016-17.

**G. Adoption of long term financial plan 2016-17 to 2025-26 proposed rates, corporate business plan 2014 to 2018 and workforce plan 2014-18**

29. ADOPT the Long Term Financial Plan (including 10yr Capital Plan) revised for the 10-year period covering 2016-17 to 2025-26;
30. ADOPT the Corporate Business Plan revised for the period covering 2014-18; and
31. ADOPT an addendum (New Organisational Structure) to the Workforce Plan revised for the period covering 2014-18.

**PROPONENT:**

The City of Greater Geraldton.

**BACKGROUND:**

As part of the function of local government and its operations, each year the Council is required, under Section 6.2 of the Local Government Act 1995, to formally adopt its annual financial year budget, to enable the administration to carry out the defined services and programmes and to raise revenue through rates and fees and charges.

Consistent with sections 6.2(4) of the Local Government Act 1995, the 2016-17 Budget for the City of Greater Geraldton includes the following:

- Statement of Objects and Reasons Proposed City Rates and Minimum Payments for 2016-17
- Capital Works
- Fees and Charges
- General Charges and Concessions
- Allowances
- Borrowings
- Reserve Accounts
- Budget Estimates for Adoption

**1. Rating & Minimum Payments**

The raising of revenue via annual rates is an important source of funds for all Councils throughout Australia. The *Local Government Act 1995* (the Act) empowers WA Councils to impose general rates and minimum payments.



The Statement of Objectives and Reasons for Proposed City Rates and Minimum Payments for 2016-17 attached to this report provides detail of budget principles applied in formulating the 2016-17 Annual Budget.

The elected Council will consider the content of its Long Term Financial Plan (LTFP) when preparing the Annual Budget for 2016-17 and subsequent years, and it is expected that adopted budgets will be closely aligned with both the proposals and underpinning assumptions contained within the current LTFP. Review of the LTFP occurs each year as budgets are prepared, to account for performance information and changing circumstances. Aligning annual budgets with the LTFP enables Council to set priorities within its resourcing capabilities to sustainably deliver the assets and the range and level of services required by the community in a fiscally responsible manner

In response to concerns raised by the Community, the Mayor, and Councillors, a long term financial planning scenario has been developed that will see future rate increases reduced by 1% in year one and by 0.5% in years two to ten – as compared to the currently adopted Long Term Financial Plan.

Annual aggregate rate collection increase of 2.9% (plus growth) in Year 1. In Year 2 to 10 the increase per annum would be 3.5% (plus growth). The City's current LTFP (2015-25) was based on an increase of 3.9% per annum (plus growth).

#### **Rates Modelling (2016-17):**

The proposed rates model is based on the following:

- Alignment of differential ratings categories per Governor's Orders gazetted for the amalgamation following the merger of the Shire of Mullewa and the City of Geraldton-Greenough. This alignment is to be finalised as at 1 July 2016. Rating categories will be reduced from five to three. The new proposed categories are:
  - CGG Residential
  - CGG Non Residential
  - CGG UV
- Key principle (endorsed by Council March 2016) of the Long Term Financial Plan of a 2.9% (plus growth) increase in aggregate rate revenue 2016-17. Current rates modelling based on the proposed RID's and minimum generates overall revenue of \$42,563,783 which represents an increase of 4.28% in relation to the rates levied in 2015-16.
- Concessions applied to Residential Properties as applied in 2015-16 but reduced from two thirds to one third in 2016-17.

#### **CGG Residential:**

This rating category 2016-17 aligns and amalgamates the 2015-16 rating categories CGG Residential & GRV Ex-Mullewa District Residential GRV's. The RID (Rate in the Dollar) increase from 2015-16 calculates to be 1.3%. This is mainly due to a reduction in the concessions provided in 2016-17 plus in 2015-16 the aggregate growth in this rating category GRV value currently sits

at 1.76%. It is proposed to freeze again the minimum value for this rating category at \$1010 which due to the alignment of Mullewa GRV's will see this minimum increase from \$600 to \$1010.

### **CGG Non-Residential:**

This rating category 2016-17 aligns and amalgamates the 2015-16 rating categories Non Residential GRV & GRV Ex-Mullewa District Non Residential GRV's. The RID (Rate in the Dollar) increase from 2015-16 calculates to be 2.7% and takes into account a 1.19% growth increase in GRV value in this financial year. Those Ex-Mullewa District properties on minimums will increase from \$600 to \$1010 with RID properties paying less due to the RID dropping from 11.3804 in 2015-16 to the proposed 2016-17 RID of 10.9956 due to alignment.

### **CGG UV:**

This rating category 2016-17 continues and finalises the alignment of the 2015-16 rating categories UV Geraldton & UV Mullewa. The RID (Rate in the Dollar) increase from 2015-16 re UV Geraldton is proposed to be capped at 2.9% (aligning with LTFP key principle) which results in UV Mullewa RID being reduced by 4.5% to achieve alignment. The growth in overall UV values in this financial year currently sits at 1.1% but this will be offset by the new UV valuations from the Valuer-General which has resulted in a reduction in overall UV values of 0.5% based on the current overall UV rateable values.

Ex UV Mullewa properties that are currently on minimums will see a proposed increase from \$860 to \$1,010 in 2016-17 to align with UV Geraldton.

**Table 1: Proposed Differential General Rates & Minimum Payments (2016-17)**

<b>Differential Rate Types</b>	<b>Rate-in-the-dollar (Cents)</b>	<b>Minimum Payments \$</b>
CGG Residential (Includes GRV Residential Ex-Mullewa Shire District)	11.4991	\$1,010
CGG Non-Residential (Includes GRV Non-Residential Ex-Mullewa Shire District)	10.9956	\$1,010
CGG UV (ex Geraldton Rural Mining & Farming General and ex Mullewa Rural Mining & Agriculture)	0.7236	\$1,010

2016-17 is the fourth year of budget preparation informed by a Ten Year Long Term Financial Plan. The following Table 2 provides an overview of the differences between the revised budget for the 2015-16 financial year adopted by Council as a result of the mid-year budget review, and the budget recommended in this report for 2016-17.

**Table 2: Comparison 2015-16 and Recommended 2016-17 Budget**

<b>BUDGET</b>	<b>Revised 15/16 Budget</b>	<b>Proposed 16/17 Budget</b>	<b>Increase on 15/16 Revised Budget</b>
<b>Revenue</b>	<b>\$000s</b>	<b>\$000s</b>	<b>%</b>
Rates	41,275	43,024	4.24%
Fees & Charges	19,468	20,812	6.90%
Interest Earnings	1,444	1,370	-5.12%
Other Revenues	1,914	690	-63.95%
Operating Grants, Subsidies & Contributions	9,424	8,304	-11.88
<b>Total Revenue</b>	<b>73,525</b>	<b>74,200</b>	<b>0.92%</b>
<b>Expenses</b>			
Employee Costs	28,062	27,054	-3.59%
Interest Expenses	1,109	1,155	4.15%
Materials & Contracts	22,354	21,700	-2.93%
Depreciation & Amortisation	22,474	20,979	-6.65%
Utilities	3,213	3,369	4.86%
Insurance	879	894	1.71%
Other Expenses	2,700	1,269	-53.00%
<b>Total Expenses</b>	<b>80,791</b>	<b>76,420</b>	<b>-5.41%</b>
<b>NET RESULT FROM ORDINARY ACTIVITIES</b>	<b>(\$7,266)</b>	<b>(\$2,220)</b>	

**Budget Result**

The 2016-17 Budget recommended for adoption incorporates an estimated operating deficit after ordinary activities of about \$2.22 million for the period ending 30 June 2017. This operating deficit accounts for the following:

- Savings identified through Councillor Workshops of \$3.23m due to organisational restructure, reduction in FTE's, ongoing efficiency gains and reduction in the range and level of services provided by Council; and
- Revaluation of building assets - associated changes to useful life and residual values will reduce annual depreciation on this asset class by \$1.7m in 2016-17.

Councillors will note that this is the *real operating deficit*, not to be confused with the 'deficiency' envisaged in section 6.2(2) or the 'budget deficiency' described in related Local Government (Financial Management) Regulation 32, calculated for the purposes of determining the amount of cash revenue required from general rates.

The real operating result includes non-cash depreciation and amortisation expenses, representing in effect the City's annual costs of a capital nature. In general terms, the extent to which the City does not raise revenue to cover its costs of a capital nature (for example, by excluding depreciation expenses from calculation of the cash 'budget deficiency' in the rate setting statement), contributes directly to the real operating deficit in the financial accounts.

*Adoption of a rates model other than as proposed in the Executive Recommendation will require reassessment of the Budget result, and will depend amongst other matters on related Council determinations as to use of own-source funds or loan funds in the adjusted budget proposed to be adopted by Council.*

Budget formulation is informed by a Long Term Financial Plan (LTFP), one of the mandatory elements required of all WA Councils, as part of the Integrated Planning Framework which was required to be in place from 1 July 2013. The Long Term Financial Plan has been framed reflecting these fundamentals:

- Achieving a positive accounting result from Ordinary Operating Activities (an effective operating surplus in accounting terms) within fiscally responsible timeframe;
- Improving the City's liquidity position;
- Renewing assets when required to maintain capacity of performance and associated levels of services; and
- Maintaining debt service levels within benchmark levels and having the capacity to borrow when required.

This important reform in Local Government aims to shift the focus of Local Government budgets away from the cash-based rate setting statement, to the accrual-based operating statement and balance sheet (statement of financial position).

For some years, the annual Financial Statements of Councils have properly reported on this basis, with determination of the annual net operating result including non-cash expenses such as depreciation of fixed assets. However, in determining the 'budget deficit' required to be funded from rates, as defined in the Local Government Act 1995 and the Local Government (Financial Management) Regulations, a *cash-based* view has prevailed, with Councils able to *exclude* non-cash expenses such as depreciation of fixed assets. Consequently, rates and other revenue have not been determined to recover capital costs such as depreciation of fixed assets. In effect, while budgets may have shown a "surplus" in cash-based terms, the net result as reported in the Annual Financial Statements will have shown an operating deficit.

The changes in the various rates-in-the-dollar recommended by the Executive enables Council to set priorities within its resourcing capabilities to sustainably deliver the assets and services required by the community in a fiscally responsible manner.

As determined by the Department of Local Government, in relation to assets management by Councils in WA, a basic financial sustainability benchmark for Councils is that they should expend at least the equivalent of 90% of their annual asset depreciation expense on asset renewal. Failure to pursue achievement of that benchmark over a reasonable number of years, would expose the City to unacceptable risks from asset deterioration, lead to decline in asset functionality, safety and community amenity, compound the magnitude of the asset renewal funding problem in future years, attract criticism for failure to recognise the principle of intergenerational equity, and would be contrary to the interests of the City and the Community.

## 2. 2016/17 Capital Program

Capital Expenditure	Renewal	New Service	Program Total
Land & Buildings	710,175	5,857,671	6,567,846
Roads Infrastructure	11,038,054	1,715,000	12,753,054
Drainage	1,207,450	245,820	1,453,270
Parks, Gardens, Coastal & Recreation	2,235,370	27,587,500	29,822,870
Pathways	1,041,084	110,500	1,151,584
Airports	3,345,000	20,015,000	23,360,000
Regional Waste	67,000	105,000	172,000
Other Infrastructure	2,550,950	530,000	3,080,950
<b>Total</b>	<b>\$22,195,083</b>	<b>\$56,166,491</b>	<b>\$78,361,574</b>

The City's planned Capital Budget for 2016/17 is \$78.36m. This expenditure will be funded from General Revenue, Reserves, Borrowings and funding provided by Federal and State Agencies as follows:

FUNDS SOURCE	Own Source	Own Source	External	Other	Capital Program
Capital Expenditure	Gen. Revenue	Reserves	Grants & Contributions	Borrowings	Total Funding
Buildings	(5,317,846)			(1,250,000)	(6,567,846)
Roads Infrastructure	(5,312,054)		(7,441,000)	-	(12,753,054)
Drainage	(1,453,270)	-	-	-	(1,453,270)
Parks, Gardens, Coastal & Recreation	(750,870)	(1,184,401)	(21,537,599)	(6,350,000)	(29,822,870)
Pathways	(1,151,584)	-	-	-	(1,151,584)
Airports	(360,000)		(13,000,000)	(10,000,000)	(23,360,000)
Meru	(172,000)	-	-	-	(172,000)
Other Assets	(2,710,950)	-	(370,000)	-	(3,080,950)
<b>Total</b>	<b>(17,228,574)</b>	<b>(1,184,401)</b>	<b>(42,348,599)</b>	<b>(17,600,000)</b>	<b>(78,361,574)</b>

### **3. Fees and Charges**

The majority of the fees and charges have been proposed based on the existing LTFP assumption of 5.0% unit rate increase. Where appropriate, the actual cost of providing the service has been assessed, with provision for increases based on inflation and cost escalation where necessary.

Benchmarking has been undertaken with other local governments for alike fees, where possible – but noting that not all Councils have yet determined their 16/17 budgets.

Statutory fees and charges associated with town planning, health and building have been increased or remain unchanged as per relevant legislation that determines those fees and charges.

Consideration has been given to current activity levels which has resulted in a decrease in expected revenue from building and development services but a substantial increase in revenue from Landfill services based on current activity levels in 2015-16.

### **4. General Charges and Concessions**

#### **Geraldton GRV Residential General Valuation increases relief**

A concession again will be available to Persons owning rateable properties within the City district that:

- a. Are rateable on the basis of Gross Rental Valuation (GRV), and are rated under the City's Geraldton GRV Residential differential general rate;
- b. Were subject to an increase in GRV valuation of their Geraldton GRV Residential property as a consequence of the periodic (currently 3-yearly) General Valuation by the State Valuer-General which took effect from 1 July 2015; and
- c. Had rates imposed that are higher than the Minimum Payment for the Geraldton Residential GRV differential general rate.

The concession applied in 2015-16 was equivalent to two thirds of the rates increase directly attributed to any valuation increase. In 2016-17 the concession equivalent will be one third of the rate increase as attributed to the valuation increase in 2015-16.

- This concession will not relate to the proportion of increased rates attributable to an increase in rate-in-the-dollar, as distinct from that proportion directly and only attributable to an increase in GRV arising from a General Valuation.
- The concession is not available in relation to Interim Valuations – it applies only to Geraldton Residential GRV properties with increases in GRV valuation resulting from the periodic General Valuation which took effect from 1 July 2015.

The original purposes of the concession were:

- To reduce the impact on overall amounts payable to the City by those owners of Geraldton Residential GRV-rated properties that are:
  - Paying more in Rates than Minimum Payments;
  - Had experienced upward GRV revaluations resulting from a periodic (currently 3-yearly) General Valuation undertaken by Landgate on behalf of the Valuer-General, which became effective on 1st July 2015; and
- To smooth the effects of General Valuation GRV increases on residential GRV-rated properties, across the period between periodic GRV General Valuations that are undertaken on behalf of the Valuer-General.

## 5. Allowances

Allowances proposed for the Mayor and Councillors for 2016-17 have been indexed where applicable and within the band range by 1.5% as recommended by the Salaries and Allowances Tribunal.

## 6. Borrowings

Borrowings in 2016-17 include projects previously approved by Council in the 2015-16 budget but have carried over into 2016-17. As per the Capital Plan \$17.6m of loans are proposed for major infrastructure projects to be financed over a longer term period. Borrowings will include:

Project	Loan Amount	Purpose
Beresford Foreshore – Stage 1	\$1,850,000	Stabilisation & enhancement works
Olive Street POS Development	\$4,500,000	POS Development & remediation works
Airport Runway, Taxiway and Apron Upgrade & Renewal	\$10,000,000	Renewal and upgrade of the existing 1981x45M runway and related taxiways and aprons. Extension of runway length to 2400 metres. The project is dependent on grant funding.
New Animal Facility	\$1,250,000	Construction for Animal Management Facility

## 7. Reserve Accounts

As per the adopted budget of 2013-14 all discretionary reserve accounts have been closed. The minimum reserve accounts necessary for specific legal compliance obligations have been retained.

## ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:

### Economic:

Various strategies and initiatives included in the budget will contribute to the Region's economy.

**Social:**

Various strategies and included in the budget will create and improve social outcomes in the community.

**Environmental:**

Various strategies and initiatives included in the budget will examine and support environmental programs and resourcing.

**Cultural & Heritage:**

Various strategies and included in the budget will create and improve cultural and heritage outcomes in the community.

**RELEVANT PRECEDENTS:**

Councils adopt a Budget including a rates model for every financial year.

**COMMUNITY CONSULTATION:**

In accordance with the requirements of section 6.36 of the *Local Government Act 1995*, a statement of intended differential rates and minimum payments was advertised seeking public submissions, and a statement of objects and reasons for the intended rates and minimum payments was also made available for download from the City website, with hardcopies provided at the City Offices in Geraldton, the City Library, and the Mullewa District Office.

Submissions closed at 5:00pm on 17 June 2016. Four submissions were received and they all related to the proposed increase of the minimum payment to ex Mullewa District residential GRV due to the alignment of residential rating categories.

In 2013-14 the City undertook an in-depth community engagement process to prioritise capital works and review City services. This feedback has been invaluable in the City's decision making processes and again was used as a basis to identified savings of \$3.23m built into the proposed 2016-17 Budget.

**COUNCILLOR CONSULTATION:**

City of Greater Geraldton Councillors have been actively engaged in formulation of the 2016-17 Budget through a series of Budget Workshops conducted through February to June of 2016, enabling consideration of revenue and expenditure requirements, with extensive discussion on budget options. Particular workshops addressed the Capital Plan, Long Term Financial Plan, alignment of rating categories, rates modelling, operational position in relation to level and range of services and fees and charges.

**LEGISLATIVE/POLICY IMPLICATIONS:**

Section 6.2 of the Local Government Act 1995 requires that in preparing its annual budget the Council is to have regard to the contents of its plan for the future prepared in accordance with section 5.56. Under the Integrated Planning Framework for Local Government, that is the Community Strategic Plan. This section requires that the City must prepare detailed estimates of:

- a. Expenditure;
- b. Revenue and income, independent of general rates; and



- c. The amount required to make up the 'deficiency' if any shown by comparing the estimated expenditure with the estimated revenue and income.

Section 6.2(3) requires that all expenditure, revenue and income must be taken in account unless otherwise prescribed. Local Government (Financial Management) Regulation 32 prescribes amounts that may be excluded in calculating the 'budget deficiency'

Section 6.2(4) requires the annual budget to incorporate:

- a. Particulars of estimated expenditure proposed;
- b. Detailed information relating to the rates and service charges which will apply, including:
  - i. Amount estimated to be yielded by the general rate
  - ii. Rate of interest to be charge on unpaid rates and service charges;
- a. Fees and charges;
- b. Borrowings and other financial accommodations proposed;
- c. Reserve account allocations and uses; and
- d. Any proposed land transactions or trading undertakings per section 3.59.

Local Government (Financial Management Regulations) 22 through 31 prescribe requirements in relation to form and content of the Budget and required Notes to and forming part of the Budget.

### **Regulation**

#### **68. Maximum interest component prescribed (Act s. 6.45)**

*The maximum rate of interest to be imposed under section 6.45(3) is prescribed as 5.5%.*

#### **70. Maximum rate of interest prescribed (Act s. 6.51)**

*The maximum rate of interest to be imposed under section 6.51(1) is prescribed as 11%.*

### **Ministerial Approval Requirements**

Should Council seek to adopt a rating and minimum payments model other than that set out in the Executive Recommendation, then such a determination should be deferred, to enable necessary assessment under the requirements of sections 6.33 and 6.35 of the Act, noting that if Ministerial approvals are required in respect of a different model of differential rates and minimum payments, such approvals must be obtained before Council can subsequently adopt a revised Budget.

### **Change from Publicised Intended Rates**

Section 6.36(4) of the Act envisages that a Council may adopt differential rates or minimum payments different from those set out in its local public notice of intent to impose differential rates and minimum payments.

In accordance with *Local Government Financial Management Regulations* 23(b) and 56(4)(b), if Council adopts a differential rate or minimum payment that differs from that set out in its local public notice, then the change and reasons for the change need to be detailed in the budget, and in the rates notices or in information accompanying rates notices.

**Local Government Act 1995 Section 6.47: Concessions.**

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

(\*absolute majority required.)

There are no impediments deriving from the *Rates and Charges (Rebates and Deferments) Act 1992*.

**Regulatory Requirements:**

*Local Government (Financial Management) Regulations 1996* – Regulation 26: specifies requirements for information on concessions, for inclusion in annual budgets.

*Local Government (Financial Management) Regulations 1996* – Regulation 42: specifies requirements for information on concessions, for inclusion in annual financial reports.

**Policy implications:**

The City’s Corporate Business Plan 2014-18 & Workforce Plan 2014-18 have been updated and revised in accordance with Council Policy 005 (Integrated Strategic Planning Framework) and in consideration of the 2016-17 proposed Budget and the updated and revised Long Term Financial Plan 2016-17 to 2025-26.

**FINANCIAL AND RESOURCE IMPLICATIONS:**

Details of the budget estimates for 2016-17 are contained in the attached documents.

**INTEGRATED PLANNING LINKS:**

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service.

**REGIONAL OUTCOMES:**

Capital projects will deliver benefits for the broader region, for example the commencement of Foreshore stabilisation and protection works for Beresford Foreshore and St Georges Beach.

**RISK MANAGEMENT**

Section 6.2 of the Local Government Act 1995 requires Council to prepare and adopt a Budget for 2016-17 by 31 August 2016, or by such extended time as the Minister allows. Having regard to cash flow requirements for ongoing City

operations, it is in the best interests of all Councils for their budget to be adopted at the earliest practicable opportunity, to enable issue of rates notices and commencement of revenue flows as early as possible in the new financial year.

### **ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS**

The following options were considered by City Officers:

#### **Alternative Option one**

That Council by Absolute Majority pursuant to Section 6.2 of the Local Government Act 1995 RESOLVES to:

1. ADOPT the Budget as set out in items 1 through 31 of the Executive Recommendation *but with the following changes*:
  - a. to be determined by Council.
2. MAKES the determination based on the following reason/s:
  - a. To be determined by Council.

#### **Alternative Option two**

That Council by Simple Majority pursuant to section 5.20 of the Local Government Act 1995 RESOLVES to:

1. DEFER consideration of the 2016-17 Budget; and
2. MAKES the determination based on the following reason/s:
  - a. to be determined by Council.

### **Consideration of Options**

Parts 'A' through 'F' (numbered items 1 through 28) of the Executive Recommendation address all of the elements covering imposition of rates and minimum payments, estimates of revenue and income other than rates, estimates of expenditure, charges, concessions and interest, the schedule of fees and charges, elected member allowances, the Statement of Objectives and Reasons on Proposed Rating and, in relation to Notes comprising part of the Budget, allocations to and use of funds from reserves, and proposed new loans. Parts 'A' through 'F' are inter-dependent and together produce the budget result, and thus they need to be considered and resolved together by Council, rather than separately.

Part 'G' of the Executive Recommendation seeks Council endorsement and adoption of the revised and updated Corporate Business Plan and Long Term Financial Plan both of which have been updated and revised, to reflect the budget proposed in this report, with 2016-17 now representing year 1 of the plans.

Any *significant/material* change to any of the revenue, income or expenditure elements of the recommended Budget (comprising parts 'A' through 'F' inclusive) would require re-casting of the budget and assessment of the consequent budget result, to ensure compliance with section 6.34 of the Local Government Act 1995.

In effect this section requires prior Ministerial approval of a proposed budget if the amount estimated to be yielded by general rates does not fall within the range 90% to 110% of the 'budget deficiency' as envisaged in section 6.2 of the Act, and as calculated in the rate setting statement per Local Government (Financial Management) Regulation 32.

Council may choose to make changes to the recommended Budget via alternative option 1 – provided that those changes do not have such a significant/material effect on expenditure or revenue estimates that would require re-casting of the whole Budget.

Should Council wish to make significant/material changes to revenue, income or expenditure components of the proposed 2016-17 Budget, in effect delivering a result significantly different than contained within the Long Term Financial Plan, then Alternative option 2 (Deferment) should be pursued, with determination reasons to include clear directions and an unambiguous indication of an alternative required budget outcome, to guide recasting of the Budget for re-presentation to Council at a later date.

## **9 CLOSURE**

**APPENDIX 1 – ATTACHMENTS**

Attachments and Reports to be Received are available on the City of Greater Geraldton website at: <http://www.cgg.wa.gov.au/council-meetings/>