

SHIRE OF CAPEL
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SPECIAL COUNCIL MEETING 13.06.07

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SHIRE OF CAPEL

MINUTES OF THE SPECIAL COUNCIL MEETING HELD IN THE COUNCIL CHAMBERS ON WEDNESDAY, 13 JUNE 2007, COMMENCING AT 5.38PM.

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| PRESENT: | President | MT Scott |
| | Deputy President | KV Caratti |
| | Councillors | BW Bell |
| | | KD Gibson |
| | | NR Jones |
| | | RG Lamb |
| | | SC Manley |
| | | GJ Norton |
| | | BH Piesse |
| | | JA Rees |
| | | MM Smith |
| | Chief Executive Officer | PF Sheedy |
| | Manager Finance and Community Services | AJ Ross |
| | Manager Planning and Development Services | GE Bishop |
| | Manager Operational Services | JD Wesley |
| | Principal Environmental Health Officer | CR Dent |

PUBLIC QUESTION TIME Nil

NOTICE OF ITEMS TO BE DISCUSSED BEHIND CLOSED DOORS Nil

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| SC0601 STANDING ORDERS |
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SC0601 COUNCIL DECISION

Moved Cr Gibson, Seconded Cr Piesse

That Council move into a Committee of the Whole

Carried 11/0

VOTING REQUIREMENTS

Simple majority

Councillors Jones, Piesse and Norton disclosed a proximity interest in this item. The nature of the interest being that they are landowners adjoining proposed roadworks in the 2007/08 budget.

The Minister for Local Government under Section 5.69(3) (b) of the Local Government Act 1995, has granted approval for Councillors Jones, Piesse and Norton to fully participate in the consideration and adoption of the Shire's 2007/08 budget.

DRAFT BUDGET 2007/08

SC0602 (4.1) Draft Budget – 2007/08 (A.4.29)

REPORTING OFFICER

Andrew Ross – Manager Finance & Community Services Date: 29.05.07

DISCLOSURE OF INTEREST Nil

OWNER/APPLICANT Nil

MATTER FOR CONSIDERATION

Review of the draft budget for the 2007/08 financial year.

ATTACHMENTS

Shire of Capel Draft Budget for the year ending 30 June 2008

APPLICANT'S SUBMISSION Nil

BACKGROUND

Council has advised its preference is to hold a Special Council Meeting to consider the 2007/08 draft budget. This Special Meeting is to be held on 13 June 2007, commencing after the conclusion of the Ordinary Meeting.

STATUTORY ENVIRONMENT

Section 6.2 of the Local Government Act requires a local government to prepare an annual budget.

POLICY IMPLICATIONS

Policy 11.8, Preparation of Budget, outlines the steps and timetable leading to the adoption of the Budget.

FINANCIAL IMPLICATIONS

The Budget outlines planned expenditure and revenue for 2007/08.

STRATEGIC IMPLICATIONS

Strategic Plan 2003 - 2007, Governance, Strategy 3: Provide efficient and effective financial management.

CONSULTATION

The draft Budget includes items and projects suggested by Councillors, staff and the community.

COMMENT

The draft budget document follows a similar format to that intended for the final document and includes the following information:

- Financial statements including the Income Statement, Operating Statement and Rate Setting Statement
- Notes to and forming part of the budget are limited to the notes on loan borrowings, transfers to and from reserves and rating information
- Detailed Financial Information at account level with Explanatory Notes, providing a greater level of detail for each account. This information is formatted with the account number, description and totals for the 2007/08 Budget, 2006/07 Actual (estimated) and 2006/07 Budget on the left hand page. The right hand page provides a break down of the major components (expenditure or revenue items) of each account that has been included in the 2007/08 Budget.

As the budget is still being prepared and the 2006/07 financial year has not yet ended the draft Budget document presented to Council lacks some information. This information should be included in the final Budget document to be adopted by Council and presently scheduled for Council's Ordinary Meeting on 25 July 2007.

The preparation process for the Budget was similar to previous years and involved:

- Considering the Plan for the Future that was adopted by Council on 14/6/06 (OC0611)
- Including requests from Councillors and the community that were approved by Council (OC0416, 11/4/07)
- Incorporating expenditure items previously approved by Council including Donations (OC0409, 11/4/07) Elected Members Allowances (OC0411, 11/4/07), Plant Replacement Program (OC0404, 11/4/07), Road Preservation Program (OC0421, 24/4/07), Fees and Charges (OC0523, 23/5/07) and Acquisition/Construction of Assets (OC0522, 23/5/07)
- Senior staff reviewing the document and adjusting items they consider should be reduced, deleted or deferred in order to achieve an acceptable net current assets position.

Rate Setting Statement

This statement shows the proposed surplus/(deficit) for the year after including all operating revenue and expenditure, capital expenditure, loan repayments, transfers to and from reserves, income from sale of assets and rates. The statement is designed to show how much must be raised from rates to record a breakeven result.

The draft Budget for 2007/08 is not balanced and shows a closing deficit of \$22,092. This compares to the balanced position budgeted for 2006/07 and the forecast position of a surplus of \$207,594 (that becomes the opening position for the 2007/08 Budget).

To achieve this result the amount required to be raised from rates is \$4,240,945 (net of the 5% discount for payments received by the due date) and is an increase of \$387,692 compared to the actual rates for 2006/07. Details of the rates for 2007/08 will be discussed in the item related to Rates.

To achieve the result presented to Council, senior staff met to discuss and review an earlier draft Budget and as a result some items were removed or changed. Table 1 details changes that have been made. Council should note that the changes made predominantly impacted operating expenditure and operating revenue.

Following discussions with WA Treasury Corporation (WATC) with respect to arranging a loan for the Capel Hall redevelopment project, some changes have been made to the Capital Works Programme previously provided to Council. These changes have had no significant impact on the overall bottom line of the budget and have been included to provide greater flexibility with construction and funding options for various capital works. WATC advised that in accordance with their interpretation of Section 6.20 of the Local Government Act, they will not advance any loan amount greater than the loan amount specified in the local government's Budget. The immediate impact is that instead of borrowing \$800,000 for the Capel Hall project in 2006/07 only the amount of \$600,000 specified in the Budget will be advanced. This loan funding shortfall of \$200,000 will be carried over to 2007/08 and to ensure some flexibility in the Budget, in the event of an expenditure overrun, the loan amount has been increased to \$250,000 on the assumption that although more cannot be borrowed lower loan amounts will be approved.

The same principle has been applied to the floodlighting projects for the Boyanup, Capel and Dalyellup sports grounds. Rather than budget for a loan to complete the Boyanup works only, the budget has allowed for a loan of up to \$250,000 as Council's contribution towards the total project. The total Community Sport and Recreation Facilities Fund (CSRFF) grant of \$127,933 has also been included and the project cost increased to \$377,933. Whilst it is unlikely floodlighting will be able to be installed at all three locations during 2007/08, the draft Budget now allows the flexibility of doing so should resources allow.

Table 1: Changes to 2007/08 Draft Budget processed by senior staff

| Description of Modification | Benefit to Budget |
|---|-------------------|
| Increase Income from fees and charges for property account enquiries | 5,000 |
| Remove cost of a Shire Update Section in newspapers such as South West Times | 4,500 |
| Reduce expenditure for the Disability Access and Inclusion Plan | 2,000 |
| Include income from LGIS for reimbursement of part of Property Valuer's costs | 2,000 |
| Increase income from bush fire infringements | 8,500 |
| Community Safety and Crime Prevention Grant to partly fund staff time | 5,000 |
| Remove budget under mosquito control for coordination with landowners as this cost is staff time and is already included within the budget | 5,000 |
| Sewage connection for Capel Aged homes to be funded from restricted asset account | 9,000 |
| Reduce cost of boundary fence for Riverside Villas | 10,000 |
| Include budget allocation for urban bus stops | -5,000 |
| Reduce youth expenditure to better match grants and income | 7,000 |
| Remove allocation for Coast Care Secretary | 2,000 |
| Review Climate Change budget allocations to incorporate a reference to all related costs in one area and thus ensure cost of initiatives are not duplicated | 20,000 |
| Part of the cost of temporary and relief Planning staff to be funded from TPS reserve | 10,000 |
| Increase other income for Planning | 12,000 |
| Increase costs for cleaning of new library and hall | -4,000 |
| Remove annual cost of maintenance painting for Capel hall | 1,349 |
| Remove Capel townscape budget allocation | 2,500 |
| Remove cost of boom gate for depot | 2,000 |
| Reduce cost of washdown bay at the Works depot | 20,000 |
| Remove duplicated salaries allowance for temporary and relief staff in Building area | 13,000 |
| | 131,849 |

In some cases projects or items that have been removed will be considered for inclusion in future year's budgets.

Brought Forward Position

The draft Budget includes an estimated brought forward position from 30 June 2007 of a surplus of \$207,594. This expected surplus is subject to revision as end of financial year forecasts are reviewed. This expected result is higher than last year's surplus but is not significantly higher.

The expected surplus is the result of a number of factors including budgeted projects not proceeding as planned and therefore having to be carried forward to 2007/08, revenue exceeding expectations and expenditure not meeting budget. The major items are detailed as follows:

- Over \$100,000 of expenditure items are to be carried forward ranging from projects such as the preparation of a Youth Strategic Plan to the redesign and reprinting tourism brochures, unspent Boyanup townscape budget and priority one heritage plan projects
- A higher than budgeted interest rate and more funds being available for investment due to delays in capital works projects has resulted in interest earned on investments expecting to exceed budget by \$200,000 although over half of this amount will be transferred to reserve accounts
- Property rates should be over budget by \$100,000 and specified area rates by \$26,000 although the main reason is the timing difference between preparing estimated rates and billing rates. During this time a number of subdivisions were processed that increased the number of rateable assessments for billing purposes
- Growth in the sale and development of properties has resulted in the charges for rating and property enquiries being over budget by almost \$15,000
- Despite growth in the building sector stabilising there is an expectation that building permit income will exceed budget by \$10,000
- A number of capital projects were unable to be completed in 2006/07 and their expenditure and sources of funding will be carried forward to 2007/08. These include the Mallokup Road Bridge works, drainage works, Capel Transfer Station, Capel Town Centre underground power and townscape works and the connection to sewage of the Capel Aged Homes
- A number of major projects may not be completed by the end of this year and will require their remaining expenditure and funding to be carried over to 2007/08. The major project within this category is the Capel Hall/Library redevelopment project.

During the year there were also a number of areas of over budget expenditure that were offset by areas of over budget revenue or under budget expenditure.

(Profit)/Loss on Asset Disposals

At this stage the profit or loss on the budgeted disposal of items of plant and equipment has not been calculated. When calculated the amount will not have any impact on the surplus/(deficit), as it is a non-cash item that is included in expenditure and income and then deducted. \$738,000 is expected to be the total proceeds from disposing of assets but has been inflated by \$200,000 due to the inclusion of possible proceeds from the sale of units to be developed at Riverside Villas in Boyanup.

Capital Works Programme

An amount of \$9,336,940 is to be spent on the acquisition and construction of office equipment, plant, buildings and infrastructure assets. Council will be required to contribute \$2,069,535 to fund this expenditure.

Proposed loan borrowings of \$250,000 for the Capel Hall redevelopment project, \$200,000 for the development of Riverside Villas, \$300,000 for drainage works, \$250,000 for the Capel townscape/underground power project and \$250,000 for the floodlights project will allow Council to reduce the amount funded from rates to \$819,535.

The total amount of the capital works programme included in the draft budget varies to the Acquisition of Assets item provided to Council at the meeting on 23 May 2007 (refer minute OC0522), that detailed proposed expenditure of \$9,009,007. This variation is due to the budget allocations for the Capel Hall and the floodlights project for Boyanup, Capel and Dalyellup recreation grounds being increased by \$50,000 and \$277,933 respectively.

Specific capital works programme items include:

- Road works of \$1,556,600 includes the road preservation programme previously provided to Council with no changes at this stage. \$10,000 has been allowed for Settlers Roads, \$6,000 for asphalt overlays of cul-de-sacs, \$34,000 for carpark reseals at Rich Road, Wave Walk, Boyanup Recreation Ground and Capel Town Park. The last two jobs will be funded from reserves
- An amount of \$2,968,000 is budgeted for other civil works including drainage, dual use paths and bridges. Of this amount \$2,400,000 is allocated to the construction of the Mallokup Road Bridge and is fully funded by state and federal grants. Part of these funds have already been received and are held in reserves. \$48,000 has been allowed for the construction of a dual use path along Capel Drive and includes a portion over bridge. \$300,000 is allocated to drainage works in Capel and will be funded by a loan
- Non-cash contributions for road, drainage and dual use path infrastructure established by the developers at Dalyellup and handed over to Council, are estimated to total \$870,000 and are included in the above items
- An amount of \$1,650,507 is budgeted for the building program and minor works include building extensions at the Capel (\$6,000) and Elgin (\$15,000) Bush Fire Brigade buildings and the construction of a new dog pound (\$40,000) at the site of the Capel landfill facility will be funded from the building reserve, connection of Capel aged homes to sewer (\$9,000), construction of a boundary fence at the Riverside Villas site (\$5,000), Boyanup townscape works (\$20,000), playground works (\$15,000), installation of a concrete floor for the Capel town park gazebo (\$2,125), the first stage of public open space for Prowse Road (\$5,000), a possible outdoor area at the Peppermint Grove Beach Community Centre (\$5,000), reserves will fund carpark lighting (\$6,000) and rectification works to the cricket nets (\$4,000) at the Dalyellup oval as well as the construction of retaining walls for the Gelorup skatepark. Minor works at the depot include a sea container for storage of equipment (\$2,950), a covered area to the transportable office facility (\$3,557) and \$5,000 for a washdown bay
- An amount of \$345,000 has been allowed to convert the Capel Landfill site to a transfer station facility by constructing a concrete platform area and supplying bins for dumping of waste and recyclable material. An application for a Regional Headworks Program grant of \$38,000 has been lodged for the cost of a three phase power supply. Construction costs will be funded from the Waste Management reserve
- Funds have been allowed for possible alterations to the area currently occupied by the library in order to create some temporary office accommodation. The budget for these works is \$50,000 and will be obtained from the building reserve
- A design has been completed to revamp Maidment gardens and create an improved visual link from the street to the redeveloped Capel Hall/Library building. A budget allocation of \$57,000 has been allowed for these works and half is expected to be funded from reserves
- A Community Sport and Recreation Facilities Fund (CSRFF) grant of \$127,933 has been obtained for the installation of new flood lights for the Boyanup, Capel and Dalyellup recreation grounds. This grant is payable over two financial years although if work was completed earlier the grant payment would be brought forward. To allow for this possibility, the full cost of these works, estimated to be \$377,933, has been included in the budget. Council's contribution would be funded by a loan of \$250,000
- As part of the Shire's commitment to implementing climate change initiatives, it is proposed a rainwater tank be installed at the Capel Hall and used to supply water for the ablution facilities, etc. Total cost is estimated to be \$19,000 and half should be obtained from a federal government water wise grant

- An amount of \$750,000 has been included for the completion of the Capel Hall/Library project. This expenditure represents the final progress payments to the builder as well as external works such as the carpark, drainage and footpaths and internal works to fit out the building. This cost will be funded by grants of \$425,000 (Lotterywest \$200,000, Regional Collocation Scheme \$25,000 and Regional Partnership Program \$200,000), \$50,000 from the private benefactor, \$25,000 from reserves including a \$9,000 Visitor Centre grant that was received in 2006/07. The balance would be funded from a loan of \$250,000 if this amount was required
- An amount of \$692,275 has been included for the Capel Townscape and underground power project and is funded by grants of \$225,058, contributions from Main Roads of \$59,717, funds held in reserve of \$157,500 that includes a grant of \$67,500 received in 2006/07. The balance of the project is to be funded from a loan of \$250,000
- An amount of \$1,934,500 has been allowed for the purchase and replacement of plant and equipment and includes the ongoing replacement of light vehicles and road plant. The draft Budget has assumed vehicles for the Gelorup, Elgin and Stirling Bushfire Brigades will be replaced during the year with the Stirling vehicle being a carryover from 2006/07. Major items of rolling plant to be replaced include a grader, loader, tipper and the maintenance truck. The last three items have been carried over from 2006/07
- The plant and equipment program is funded from grants (Health department for HACC vehicles, FESA's ESL for Bushfire Brigade vehicles), transfers from the Plant Replacement Reserve (for major items of plant) and sale proceeds (for plant and light vehicles). Council's contribution from municipal funds of \$183,500 is required to fund the difference between the purchase cost and sale cost of passenger vehicle and light commercial vehicles
- An amount of \$33,500 has been allowed for the purchase of office equipment including a compactus storage unit and computer server for the records area, three new public use computers and a combined copier/printer for the new library and an annual allocation to replace administration computers. All expenditure is funded from municipal funds apart from the computer replacement program that is funded from the Furniture and Equipment Reserve.

Loan Repayments

The draft budget expects that \$63,921 in loan principal will need to be repaid compared to \$91,710 in 2006/07. Final repayments for two loans resulted in 2006/07 principal repayments being higher than the amount budgeted for 2007/08. Outstanding principal at 30 June 2008, is expected to increase to \$2,325,344 from an expected balance of \$1,139,265 at the start of the financial year. The increase is due to the proposed drawdown of the following loans totalling \$1,250,000.

- \$250,000 for the Capel Hall redevelopment, borrowed at a fixed rate of interest and to be repaid on a principal and interest basis over a term of 20 years
- \$250,000 for the installation of flood lighting at sports grounds, borrowed at a fixed rate of interest and to be repaid on a principal and interest basis over a term of 10 years
- \$250,000 for the Capel townscape project, borrowed at a fixed rate of interest and to be repaid on a principal and interest basis over a term of 10 years
- \$300,000 for drainage works, borrowed at a fixed rate of interest and to be repaid on a principal and interest basis over a term of 10 years
- \$200,000 for the development of Riverside Villas, borrowed on an interest only basis as a building construction loan. Details of the financing options for the construction of additional units at Riverside Villas, Boyanup will be outlined in a business case that is to be developed. Therefore the funding details provided in the Budget are preliminary in nature and only included for the purpose of ensuring the project is noted within Council's 2007/08 Budget.

It is anticipated the loans for drainage, floodlighting and Riverside Villas will all be drawn down late in the financial year. Therefore, apart from an interest accrual, no principal and interest repayments have been included in the Budget for these loans. The loans for the Capel Hall project and the Capel townscape project are expected to be drawn down in late 2007 and principal and interest repayments for these loans have been included in the budget.

Loan interest expense has been budgeted at 7% and compares to the interest rate of the last loan drawn down on 25/5/07 of 6.57%.

With the addition of these loans Council will have ten outstanding loans in its portfolio at the end of the financial year.

Reserves

Transfers to reserves are expected to total \$1,076,612 and include:

- \$237,865 expected to be earned as interest on cash backed reserves
- A possible \$200,000 to be transferred to the LIA Land reserve if a LIA lot is sold during the year
- \$150,000 has been allocated to the Plant Replacement Reserve, however although the amount allocated is higher than previous years it is still short of the plant depreciation amount of \$170,000 that has been budgeted and could be increased if the actual end of year surplus is higher than is expected
- \$20,000 to the Furniture & Equipment Reserve to fund furniture and equipment purchases including computer replacements
- \$10,000 to Employees Leave Reserve to ensure future leave liabilities are funded
- \$271,200 for the Dalyellup Community Chest, based on contributions from both Council and the developer of \$565.00 each per lot sold
- \$120,000 for the Dalyellup Infrastructure (Millennium) Reserve representing contributions from Millennium Inorganic Chemicals for the development of discrete infrastructure projects in Dalyellup
- \$19,443 for the preservation of infrastructure assets in Dalyellup
- \$18,102 to the Specified Area Rate – Dalyellup reserve and representing the possible difference between half the cost of maintaining POS in Dalyellup and the revenue raised from the specified area rate
- \$10,000 to a Property Revaluations reserve to provide for the future cost of property revaluations charged by the Valuer General's Office
- \$10,000 each to reserves for the development of recreation/community facilities in Boyanup and Capel.

Transfers from reserves totalling \$1,999,247 are primarily used for capital projects and include:

- \$307,000 from the Waste Management reserve for the construction of a transfer station as well as \$50,000 for rehabilitation works for the Capel landfill site
- \$465,000 for purchase of plant and equipment in accordance with the Plant Replacement Programme
- \$43,500 from the Infrastructure Asset Reserve for resealing the car park/roads in the Erle Scott reserve (\$5,000), works at the Boyanup Recreation Ground carpark (\$10,000) and half of the estimated cost of the proposed works to the Maidment Gardens (\$28,500)
- Transfers from the building reserve for the redevelopment of the Capel Hall (\$25,000), Capel townscape/underground power project (\$157,500), architect/design fees for the Capel playgroup area (\$5,000), a master plan for the Administration office (\$10,000), a new dog pound (\$40,000) and possible alterations to the old library to create office accommodation (\$50,000)

- \$9,500 from the Gelorup Community Facilities Reserve to replace the retaining walls at the Gelorup skatepark
- \$10,000 from the Furniture and Equipment reserve for the computer replacement program
- \$19,167 from the HACC reserve to meet the shortfall between their expenditure and revenue that has been budgeted for the year
- \$4,000 from the Dalyellup Community Facilities reserve to meet the cost of rectification works to the cricket nets at the shared oval facilities in Dalyellup
- \$6,000 from the Dalyellup Infrastructure (Millennium) reserve to meet the cost of installing lights in the parking area at the Dalyellup Oval
- \$30,000 from the Town Planning Scheme reserve for specific town planning studies
- \$694,492 from the Bridge reserve for the construction of the Mallokup road bridge. These funds are unspent WALGGC special purpose grants
- \$2,528 from the Specified Area Rate – Capel Business reserve to be provided to the Capel Chamber of Commerce for specific projects
- \$70,560 from the Contiguous Local Authority Group (CLAG) reserve being the Health Department's contribution received in 2006/07 for mosquito control and the Shire's matching contribution. Even after this transfer has occurred this reserve will still have a balance of over \$50,000 due to the transfer of unspent funds from 2006/07.

The 2007/08 Budget expects more to be transferred from reserves than is being transferred to reserves. This is primarily due to reserves funding major capital works.

Restricted Assets

This item refers to funds received that are reserved for the development of specific assets or projects. These funds are accounted for separately and invested to ensure they are not absorbed within normal operating requirements. Apart from transfers to and from restricted assets accounts for Town Planning Scheme No. 3 and the Capel and Boyanup aged homes, restricted funds will be used in 2007/08 to fund the following:

- \$9,000 for the connection to sewer of the Capel aged homes
- \$120,000 of Roads to Recovery supplementary funding received in June 2006, that will be used for the construction of the Spurr Street extension in 2007/08
- \$26,000 grant from the Office of Crime Prevention for specific purpose projects including improved street lighting and installation of needle disposal bins.

Revenue and Expenditure Explanatory Information

This area of the budget primarily represents the operating expenditure and revenue for the coming year and will be discussed by program.

General Purpose Funding

Total rate revenue has increased to \$4,240,945 after the application of a rates discount of \$120,000.

If rates in the dollar and minimum rates were unaltered rates would increase by over \$147,000 compared to the amount raised when rates were billed in August 2006. This represents a growth rate of 4%. However, this amount would be insufficient to meet operating expenditure demands.

Consistent with last year, rates in the dollar and minimum rates have been increased by 6% and would result in an additional \$215,000 of rate income being raised. \$100,000 in interim rates has also been included in the budget and results in a total yield from property rates of \$4,103,977.

Specified area rates have been increased with the maximum rate being increased to \$120.00 from \$115.00. This results in \$236,968 being obtained and with the addition of an expected \$20,000 in interim rates should result in half of the cost of POS maintenance in Dalyellup being funded from the specified area rate.

Grant information from the WA Local Government Grants Commission has not yet been received and it is assumed for the budget that grants will increase. The amount of the increase included in the budget is 6% for the equalisation grant and 5% for the local road grant. These percentage increases represent the average annual increase for the past five years.

Expenditure budgets have been increased for valuation expenses, to take into account the number of houses being built which require updated valuations for rating purposes, and legal expenses associated with recovering outstanding payments.

One area that has changed significantly and is noticeable throughout the budget is the allocation of administration costs. A general increase in administration costs has resulted in a higher apportionment of these costs to all operating programs within the budget. For example, the share allocated to General Purpose Funding has increased to \$219,213 from \$197,626 and whilst the magnitude of the increase is much lower than last year it is still reasonably significant.

Governance

Changes to expenses in the Governance – Members of Council area include postal election costs of \$25,000 for the October 2007 election, an \$11,000 increase in fees and allowances paid to elected members and a \$10,000 increase in the refreshments and receptions budget to ensure adequate funds are provided for the community service/Australia Day function as well as providing funds for a centenary celebration,

Operating expenditure for the general Governance area has decreased compared to last year although this is primarily due to the allocation of administration costs to other programs increasing. The total amount of the administration allocation has increased to \$1,270,000 and is the result of increased labour and related costs due to increases in annual salaries as well as a full years costs being included for the positions of Governance Officer and Creditors Officer that were employed in 2006/07. Costs have also increased for office maintenance and records administration due to the move to an Electronic Records Management System. New expenditure areas have also been created for selection and recruitment costs and marketing and promotion costs. Additionally, the method of allocation has also resulted in a greater proportion of administration costs being allocated to other programs. Last year about \$100,000 was left unallocated compared to only \$13,000 this year.

Law, Order & Public Safety

Disregarding the impact of the administration allocation, operating expenditure for the fire prevention area is expected to be similar to previous years. Bushfire Brigade expenditure is funded by the Emergency Services Levy and budgets are based on the application lodged in January 2007. These amounts may need to be amended when FESA advise of the grants approved for 2007/08. The total operating grant applied for was \$54,500.

Animal control operating expenditure is also similar to last year, with minor increases occurring to labour costs, vehicle expenses, training and safety equipment. However, it should be noted the recent changeover of the Community Ranger's vehicles to diesel equivalents may result in a reduction in vehicle expenses.

The major change to the area of Other Law, Order & Public Safety is to include a budget of \$5,101 for costs associated with the Emergency Management Act, specifically the conduct of a survey, training and costs associated with holding Local Emergency Management Committee meetings. The budget allocation for a relief or contract Ranger has been halved to \$5,000 as there was minimal need to employ a person in this role during 2006/07.

Expenditure for a two day per week Community Safety and Crime Prevention Coordinator has been included and will be partly funded by a grant from the Office of Crime Prevention. Expenditure for specific projects that are funded by a grant of \$26,000 that was successful obtained in 2006/07 has been included in the budget as it was not possible to commence these projects in the year the grant was received. The grant funds received have been provided to a restricted asset account so there will be no need to use municipal funds for these works.

Health

Expenditure for the area of Health inspection and administration has been increased by \$10,000 to allow for a consultant to revise the Environmental Health Plan and Local Law.

2006/07 represented the first year that Council included a significant budget for mosquito control. However, there was no need to use this budget as climatic conditions did not result in mosquito breeding being declared a danger to public health by the Department of Health. This unspent budget has been allocated to the Contiguous Local Authority Group (CLAG) reserve for mosquito control as was a contribution of \$35,280 that was received from the Department of Health during the year. For 2007/08 a budget of \$178,060 has been allocated for mosquito control of which \$70,560 is funded from the CLAG reserve and \$15,000 from the Department of Health. This means that Council's contribution to mosquito trapping, monitoring, public awareness and larvicide treatment will be \$92,500 in 2007/08 and is similar to 2006/07. In addition over \$50,000 will still be available in the CLAG reserve. One change that has been made in 2007/08 is to exclude the cost of helicopter hire as this cost is borne by the Health Department and does not need to be noted in the Shire's budget.

Education and Welfare

Expenditure for senior citizens homes has increased due to increased labour and associated costs for Operations staff as well as the inclusion of once off repairs and maintenance items such as the recarpeting of the Capel Aged homes. An allocation of \$5,000 has also been included for the development of projects and activities for seniors. However, the large increase in the administration allocation is the main cause of expenditure for the senior citizens area being expected to double. Apart from minor increases in rents payable and the inclusion of some possible grant funding for seniors projects and activities, revenue for this area has not changed.

Expenditure and income for other aged and disabled services has again increased significantly and is due to the growth and expansion of the Capel-Dardanup HACC service. The recurrent grant expected from the Health Department of \$763,633 is 7.5% higher than the grant received in 2006/07. The grant is supplemented by service recipient's contributions to home maintenance. At this stage total expenditure is expected to exceed income and this deficit will be funded from the HACC reserve. However, the HACC service will be encouraged to achieve savings during the year to ensure this reserve is not exhausted.

Maintenance costs for the Capel Children's Centre (IHC/Playgroup) have increased due to increased labour and associated costs for Operations staff. \$1,000 has also been included for some landscaping improvements and the installation of a park bench as previously approved by Council. \$5,000 for design fees to refurbish the building will be carried over from 2006/07. These fees will be funded from the building reserve.

The expected completion of the Peppermint Grove Beach bus shelter project means that expenditure for the other education area has reduced compared to 2006/07.

Youth expenditure and income have both increased when compared to 2006/07 and contributing reasons are that the labour allocation of the Community Development Officer to this area has been doubled to two days per week and a number of projects such as the preparation of a Youth Strategic Plan have been carried over. Insufficient resources in 2006/07, due to the loss of staff, resulted in a number of projects not proceeding as planned and therefore expenditure not achieving budget. Now that this area is better resourced these and some new projects should be able to be completed in 2007/08.

Community Amenities

The cost of household refuse collection and disposal is again expected to increase due to the increased number of premises being provided these services and the CPI cost escalation factor that has been applied to the collection charges by the contractor. The total budget has increased to \$478,351 with the number of services budgeted increasing to 4,000 from 3,700. Hardwaste and greenwaste collection services have been continued with on the same basis as 2006/07. Charges for rubbish and recycling collection have increased by CPI and will now be \$140.00. Greenwaste and hardwaste collection fees will remain unchanged at \$25.00 and the charge for the hardwaste collection service will remain at \$10.00. The refuse site levy of \$75.00 will also remain unchanged.

Rubbish site maintenance costs have increased although it is planned to convert the site to a transfer station operation. The main reason for the increase is in costs is the increased labour and related costs of Operations staff. However, savings may occur in this area as it is likely the involvement of Operations staff should reduce when the site operates as a transfer station.

A budget of \$113,000 has been allocated for the rehabilitation of the site and includes earthworks, contouring, chipping of greenwaste and landscaping. Half of these costs are to be funded from the Waste Management reserve. The cost of disposing rubbish at a contracted landfill facility has been budgeted to increase due to increased volumes of waste and the cost of disposal. An increased administration allocation has also resulted in the annual budget increasing compared to 2006/07.

Overall, the budget shows total expenditure of \$935,768 on household refuse activities and \$12,681 on other activities such as rubbish collection from street bins and bins located in parks, gardens and reserves. This expenditure is funded by income collected from the refuse site levy and rubbish collection charges as well as transfers from reserves to partly fund the cost of rehabilitating the Capel landfill site.

Protection of the environment expenditure includes the second year (of a three year commitment) of expenditure for the shared land care officer with the Shire of Donnybrook. As in 2006/07 contributions from the South West Catchments Council and the Shire of Donnybrook will defray the cost of employing this resource. Due to an increased amount of administration allocation to this activity, Council's net contribution is about \$20,000. However, as the amount of administration allocation is the total allocation for the entire protection of the environment area and not just landcare, it is estimated Council's contribution would be about \$14,000 (the amount Council previously agreed would be allocated to fund land care activities).

A new area that has been included within Protection of the Environment is Climate Change and an overall budget of \$30,000 has been allocated. This area has been formatted in such a way as to recognise the cost of all the climate change initiatives that are included within the Budget. It takes as its starting point the \$40,000 budget allocated agreed to by Council at their meeting on 11th April 2007 (Minute reference OC0416).

Deducted from this budget are the amounts included elsewhere in the Budget such as waterless urinals for the administration office (\$2,000), rainwater tank for Capel Hall (\$9,500), allowance for fuel efficient vehicles (\$20,000), and the estimated \$500 cost of switching to 100% green energy tariff. This leaves a net budget of \$8,000. Added to this figure is a budget allocation of \$12,000 for other climate change initiatives and \$10,000 for the International Council on Local Environmental Initiatives (ICLEI) program. In summary, the Budget includes \$62,000 expenditure on climate change related items.

Town planning expenditure is higher than last year due to increased labour and associated costs to meet market expectations for professional planning staff as well as an increased administration allocation. The budget for temporary and relief staff has also been increased by \$22,000 however \$10,000 will be funded from the Town Planning Scheme (TPS) reserve as the labour cost is associated with the review of strategic land use plans. A further \$20,000 funded from the TPS reserve is allocated to the review of strategic land use plans. Carry overs of \$5,000 each have been included for the continuation of the North Boyanup District Structure Plan and the Municipal Heritage Inventory Review.

As previously agreed by Council (minute reference OC0416, 11/4/07) \$40,000 has been included for the community grants scheme. Of this amount \$15,000 is notionally allocated to major community grants and an application for a grant has been received from the Boyanup Bowling Club.

Recreation and Culture

Expenditure to maintain community centres and halls is expected to increase by almost \$150,000 on a budget to budget basis. \$50,000 is due to increased depreciation expense and \$37,000 is increased interest costs for loans used to construct these facilities. The administration allocation has also increased by \$40,000. Excluding these items the increase in costs is about \$23,000 and is due to the increased cost of general maintenance as well as some once off purchases of items. For example, \$3,000 has been budgeted to tint the windows at the Dalyellup Community Centre main hall in order to deter people from viewing hirers of the hall, \$4,000 has been budgeted for a sail shade for the external playground area at Dalyellup and a budget has been allowed for a caretaker at this centre to check the state of the building after functions, \$5,000 has been allowed for a concept plan for the Peppermint Grove Beach Community Centre and Hayfield Drive public open space.

Apart from increased income for the Dalyellup Community Centre, income from hire fees is expected to be the same as 2006/07.

The budget for foreshore amenities includes a carry over from 2006/07 for the purchase and installation of signs at Dalyellup and Peppermint Grove Beaches that comply with the Life Saving Association of Australia's standards at a cost of \$12,000. Budgets have once again been included for fencing of beach accesses and paths and reflects the increased emphasis upon better managing the Shire's risk exposure in these areas and on the need to manage coastal reserves in general. \$5,000 has also been included for signs at the Rich Road and Forrest Beach.

The area of Other Recreation & Sport is primarily associated with the maintenance of public parks, gardens, reserves and recreation areas. Compared to 2006/07 costs have again increased substantially with a total budget of \$1,151,594 allocated. This represents an increase of about \$240,000 compared to the 2006/07 budget. Apart from the increase in the administrative allocation of about \$20,000 and an increase in depreciation of \$30,000, costs have increased for the maintenance of all of Council's recreation reserves and grounds due primarily to increased labour and associated costs. A new budget item has also been included for public toilets and barbecues with over half of the \$70,485 budget being required for the cleaning contract.

The ground rejuvenation program has been budgeted to continue with budgets allocated for the ovals in Capel (\$6,600), Boyanup (\$6,710) and Dalyellup (\$5,500). Maintenance costs for the second oval at Dalyellup have been included for a full twelve months now this oval has been completed. Half of the expenditure for the two shared use ovals at the Ocean Forest Lutheran College will be recovered from the College.

Maintenance of parks, reserves and public open space in Dalyellup is budgeted to be \$477,732 and is an increase of over \$200,000 on the estimated expenditure for 2006/07. This increase is due to the expectation that the central park north POS will be taken over during the year and the possibility the Wentworth POS will also be taken over. Half of this cost will be recovered from the specified area rate for maintenance of POS in Dalyellup which is expected to be a maximum of \$120.00 per property in Dalyellup. The budget expects \$256,968 to be raised from this rate with the difference between this amount and 50% of the expenditure transferred to the Specified Area Rate – Dalyellup reserve.

Self supporting loan interest payments and reimbursements from the Capel Country Club and the Capel Equestrian Centre totalling \$11,334 have been included. The payment and reimbursement of the principal component of these loans is included in the Rate Setting Statement as a separate line item.

The budget for operating the Shire's three public libraries has increased partly due to correcting the amount of labour costs allocated to providing staff relief for annual leave. This figure was understated in the 2006/07 budget and has resulted in labour costs exceeding budget. Additional labour hours have also been included in the budget to allow the Capel library to open on Wednesday from 9.00am to 7.00pm (presently only open from 5.00pm to 7.00pm) and for the Dalyellup library staff to both work on Tuesday which is their busiest day.

Office expenses for the Capel library have been increased due to once off budgets being included for expenditure associated with moving to the new library such as various equipment, relocation expenses and an opening celebration. Costs for the other libraries are similar to 2006/07.

Expenditure on heritage items has increased slightly, however most of the items have been carried over from 2006/07 or previous years and are also grant dependent. A new expenditure item is \$15,000 for stages 1 and 2 of an interpretation plan for the Boyanup Museum which is funded by a Lotterywest grant of \$12,500.

Transport

The road maintenance expenditure budget has increased by 25% to \$879,868 compared to the 2006/07 budget and by 9% compared to the expected actual expenditure for 2006/07. The main reason for the increase are labour and related costs, particularly the increased labour overhead rate which is now 183% (last year's budget assumed 136%) due to the increase in the engineering overhead costs to be allocated. Material and plant operating costs have also increased by 12% when compared on a budget to budget basis.

The road maintenance budget also includes budgets for contract traffic control (\$12,000), traffic management signs (\$2,000), linemarking (\$3,000), an update of the ROMAN road infrastructure system (\$15,000) and the rural road numbering project (\$9,255).

Street lighting costs are expected to increase to \$92,500 due to the steady increase in the number of street lights being connected. So far 60 street lights and 12 decorative lights have been added this year. The budget includes an allowance for maintenance of decorative (Shire owned) street lights in Dalyellup of \$3,000. It should also be noted that Western Power has only added 12 decorative lights to its records despite continued growth in the beach precinct and it is possible a catch-up bill may be issued that could result in the annual budget of \$17,000 for decorative lights being exceeded.

Depot maintenance costs have been increased due to increase in labour and related costs as well as budgets being included for repairs and maintenance of \$3,000 and general landscaping of \$3,000 in an effort to beautify the area due to the nearby residential subdivision.

The depreciation allocation for infrastructure has been increased on both budget to budget and budget to actual basis, in order to take into account the need to depreciate assets being taken over from developers of subdivisions such as Dalyellup.

Economic Services

The tourism and area promotion budget has been increased to \$32,763 as a result of the inclusion of \$1,000 for the reprinting of Geographe wine region maps and \$5,000 to the Geographe Region Wine and Food Festival. Both of these contributions were agreed by Council (minute reference OC0416, 11/4/07). Other contributions are similar to previous years and include \$7,000 towards festivals such as Capel Fest, membership of Smart Events (\$2,000) and the redesign and reprinting of tourism brochures (\$7,000).

Expenditure for the building area is higher due to increases in labour and related costs as well as a budget allocation for relief staff. A once off for the 2007/08 budget is the inclusion of \$22,086 for the inspection of swimming pools within the Shire. The Royal Life Saving Society of Australia will be contracted to inspect the estimated 443 swimming pools in the Shire and costs will be recouped from pool owners.

The budget for the Economic (Community) Development area has increased compared to the 2006/07 actual and budget. The main reason is increased labour and associated costs due to the position of Community Development Coordinator being employed on a full-time basis when the previous incumbent was employed part-time. A budget has also been allowed for the employment of temporary staff to assist with the completion of specific projects. Budgets for projects are similar to 2006/07 and are grants dependent.

A contribution of \$2,500 has been included for the Leschenault Business Enterprise Centre and funds have again been carried over for the Capel Chamber of Commerce and the Business Promotion and Development Fund that replaced the specified area rate for the Capel Chamber of Commerce.

Other Property & Services

Expenditure and income for Town Planning Schemes are much lower than the 2006/07 actual and budget due to the completion of Stage 2C of the Capel Light Industrial Area (LIA). A notional budget has been included in the event any of the four remaining unsold lots is sold during the year, however the receipt of sale proceeds has no impact upon the Budget as they are transferred to the LIA reserve.

Apart from reflecting increased labour and associated costs, increased administration costs and increased fuel costs no significant changes were made to the Public Works Overhead and Plant Operating Cost areas.

Salaries and Wages

The introduction of the Workplace Relations Amendment (Work Choices) Act 2005 on 27 March 2006, has removed the process of national wage decisions. The effect is that no annual adjustments to the pay rates of federal awards will occur. As local government employees are employed under the federal Local Government Officers (Western Australia) Award 1999 and Municipal Employees (Western Australia) Award 1999, an alternative mechanism must be adopted to ensure employee's real rates of pay are not eroded by the impact of inflationary cost pressures.

Although the legislation provides for an Australian Fair Pay Commission (AFPC) that is responsible for setting minimum entitlements such as the federal minimum wage, a maximum 38 hour working week and 4 weeks annual leave, their role does not extend to varying federal award rates. Additionally, last year the AFPC's wage decision was not announced until 26 October 2006 and was to take effect from 1 December 2006. Obviously the timing of their decision was well into the 2006/07 financial year and therefore could not be taken into account in budget deliberations.

As employees will no longer be protected by a national wage case decision it is up to employers to determine an equitable and justifiable approach to altering rates of pay. The process for the 2007/08 Budget is consistent with that adopted for 2006/07 and that is to increase all steps within levels of the Local Government Officer's Award and Municipal Employees Union Award by the change in the Perth Consumer Price Index (CPI) for the twelve months from March 2006 to March 2007. This equates to an increase of 3.5%. This increase has been applied to all employees, other than those with fixed term employment contracts. Employees who are party to the certified Enterprise Agreement are entitled to an increase equivalent to CPI or 3%, whichever is the greater, in accordance with clause 31.1.3 of their agreement.

In addition to the above, the calculation of salaries and wages proposed for the 2007/08 financial year includes:

- Increases within salary levels as a result of the annual staff performance reviews required by the Local Government Officers (WA) Award
- Allowance for higher duties where staff relieve senior officers during periods of leave
- Increases for officers on fixed term employment contracts in accordance with the terms of these contracts
- The part-time position of Human Resources Officer that is shared with the Shire of Dardanup is to continue on a 2 days per week basis
- The employment of a full-time equivalent shared Landcare Officer with the Shire of Donnybrook is to continue and disbursement of costs will be managed by the Shire of Capel.
- A full time Strategic Land Use Planner that is expected to be employed from about September/October 2007, depending on the process of filling the contract position of Manager Planning, Development and Environmental Services
- The employment of a Road Design Officer to replace the position of Engineering Technical Officer is expected to occur from September 2007
- The new position of Administration Officer for Operational Services is budgeted to commence from September 2007
- The new position of Supervisor Dalyellup for Operational Services is expected to commence from September 2007
- Budget allocation for relief staff in the building area
- The position of Community Development Coordinator becoming full time
- Additional hours for library staff to satisfy the demand for increased opening hours

The 2007/08 budget provides for expenditure on salaries and wages (excluding superannuation and other labour related costs) of \$3,049,000. This compares to the 2006/07 budget allocation of \$2,723,000. Overall, on a budget to budget basis the increase in expenditure is 12%.

The growth in labour costs is a direct result of the growth of the Shire but the increase is still reasonable when considered in the context of rates. In percentage terms, salaries and wages now constitute 72% of net rates compared to 73% last year.

Impact upon Ratepayers

If accepted as presented this draft Budget will have the following general impact upon ratepayers:

- Rubbish and recycling collection charges will increase by \$5.00 to \$140.00
- A charge of \$25.00 will continue for a greenwaste and hardwaste collection service for residents in Boyanup, Capel, Dalyellup and Peppermint Grove Beach
- A charge of \$10.00 will continue for a hardwaste collection fee for Gelorup and special rural areas
- The refuse site charge will remain at \$75.00 and will primarily be used to meet the cost of transferring waste to the Shire’s contract landfill facility
- The Emergency Services Levy (ESL), collected on behalf of Fire and Emergency Services Authority (FESA), is expected to remain at \$35.00
- Property rates will increase by on average 6% for all ratepayers
- Minimum property rates will increase by about 6% or \$35.00 for all ratepayers
- Dalyellup ratepayers will pay a specified area rate for maintenance of parks, gardens and public open space of up to \$120.00 per property, an increase of \$5.00 compared to last year.

Potential Budget Reductions/Changes

No changes are suggested to reduce the budget deficit as it is considered the amount is manageable. Additionally, the recalculation of rate models in July may result in increased revenue if additional lots are recorded. However, it is essential a cautious approach be taken when suggesting any changes. Particularly as there are still unknowns such as the true closing position for 2006/07, the level of grants to be provided by the WA Local Government Grants Commission and the road work projects to be carried over from 2006/07.

Summary

The draft budget for 2007/08 as attached shows a deficit of \$22,092. Councillors are encouraged to examine the document thoroughly and it would be appreciated if Councillors could:

- highlight areas/items where they consider reductions/savings can be achieved; and/or
- contact senior staff prior to the meeting to discuss relevant issues.

SC0602 STAFF RECOMMENDATION

That Council consider the draft Budget with a view to making reductions in expenditure or increases in income to provide a balanced budget.

SC0603 STANDING ORDERS

SC0603 COUNCIL DECISION

Moved Cr Jones, Seconded Cr Gibson

That Council move out of a Committee of the Whole.

Carried 11/0

VOTING REQUIREMENTS

Simple majority

SC0604 COUNCIL DECISION

Moved Cr Piesse, Seconded Cr Lamb

That Council endorse the draft Budget as tabled.

Carried 11/0

VOTING REQUIREMENTS

Simple majority

SC0605 (4.2) Differential Rating 2007/08 (A.1.1)

REPORTING OFFICER

Andrew Ross – Manager Finance and Community Services

Date: 30.05.07

DISCLOSURE OF INTEREST Nil

OWNER/APPLICANT Nil

MATTER FOR CONSIDERATION

Determination of the rate in the dollar and the minimum rates for the various differential and specified area rate categories for the 2007/08 financial year.

ATTACHMENTS Nil

APPLICANT'S SUBMISSION Nil

BACKGROUND

Council has adopted a differential rating strategy and currently has five rating categories being residential, commercial, rural, special rural and rural land use.

STATUTORY ENVIRONMENT

Section 6.32 of the Local Government Act 1995 states that a local government, in order to make up the budget deficiency, is to impose a general rate on rateable land that may be imposed uniformly or differentially.

Section 6.33(1) of the Local Government Act 1995 provides that a local government may impose differential general rates according to a number of characteristics.

Section 6.33(3) of the Local Government Act 1995 states that a local government cannot, without the approval of the Minister, impose a differential general rate that is more than twice the lowest differential general rate imposed.

Section 6.34 of the Local Government Act 1995 states that a local government cannot without the approval of the Minister raise an amount of general rates that exceeds 110% of the budget deficiency or is less than 90% of the budget deficiency.

Section 6.35 of the Local Government Act 1995 states a local government may impose a minimum rate that is greater than the general rate that would be applied for the land and outlines the requirements for this minimum rate.

Section 6.36 of the Local Government Act 1995 requires that a local government before imposing any differential general rates provides at least 21 days local public notice of its intention to do so.

POLICY IMPLICATIONS

Policy 11.8, Preparation of Budget, outlines the steps and timetable leading to the adoption of the Budget.

FINANCIAL IMPLICATIONS

After taking into consideration all other sources of income, Council is required to raise sufficient rates to meet its total expenditure. However, it is allowed to adopt a budget that has a deficit that does not exceed 10% of its rate revenue.

For the 2007/08 draft Budget it is proposed a total of \$4,240,945 be raised from property and specified area rates. If this amount was raised a budget deficit (deficit in net current assets) of \$22,092 would arise. Although this deficit would be manageable a break even position would be preferred.

STRATEGIC IMPLICATIONS

Strategic Plan 2003 – 2007, Governance, Strategy 3: Provide efficient and effective financial management.

CONSULTATION

The annual differential rating proposal is to be advertised for public comment for a period of 21 days prior to its adoption by Council. Should Council adopt these differential rates at the Special Meeting on 13 June 2007, the intention is to advertise the proposed rates in the local papers during the week ending 22 June 2007. Submissions from ratepayers would be invited to be received up to Thursday 12 July 2007 and would be provided to Council at the Ordinary Meeting on 25 July 2007.

As Council has a differential rate that is more than twice the lowest differential rate imposed, the approval of the Minister for Local Government and Regional Development must be obtained before these rates are formally adopted by Council. The approval of the Minister will be sought towards the end of the public consultation phase in order to obtain feedback prior to the Ordinary Meeting on 25 July 2007.

COMMENT

Determining the Percentage Increase for Property Rates

Factors such as the growth of the Shire, need for additional resources to meet growth demands, the rising cost of labour and materials, previous rate increases approved and a perception of the affordability of a reasonable rate increase are some of the factors taken into account when considering the percentage by which rates in the dollar and minimum rates have to be increased.

Last year it was proposed to Council that the basis for determining increases to rates should be the Local Government Cost Index (LGCI) as this provides a better representation of the cost of goods consumed by local government than the basket of goods used to compile the Consumer Price Index (CPI). It is argued CPI provides a good estimate of a households expectation of the price changes (increases) to the goods and services they consume but it does not provide a good estimate of the cost pressures faced by local government.

The LGCI provides an improved measure as in addition to taking into account household expenditure it takes into account some of the other areas that local government are involved such as road construction and maintenance and the materials that are used in these activities. It does this by taking 70% of CPI and 30% of the General Construction Index which measures changes in general construction activity costs.

For the twelve month period from March 2006 to March 2007, Perth's CPI was determined to be 3.52% and the General Construction Index was 9.71%. As a result the LGCI was calculated to be 5.38% $((0.7 * 3.52\%) + (0.3 * 9.71\%))$.

The principal of adopting a rate increase greater than CPI on the basis that the CPI basket of goods is not representative of the services provided by a local government has been proposed to Council previously. For 2006/07 Council accepted a rate increase of 6% compared to CPI of 4.2% and similarly in 2005/06 Council accepted a rate increase of 4.5% compared to CPI of 3.4%. This rationale is considered to be prudent financial management and is also supported by the WA Local Government Association (WALGA) as a means of ensuring the financial sustainability of local government.

A review of some of the charges that are pertinent to local government has identified some significant cost increases over the past two years. For example, contractor's costs for road primer seals and reseals have increased by 19% and the cost to supply and lay asphalt has increased by 23%, the cost to supply crushed limestone has increased by 60%, cost of scalps has increased by 22%, hire cost for a mini excavator has increased by 17% and costs for professional planning services has increased by 14%.

Consequently it is proposed the rate increase for 2007/08 be 6%. This increase is 2.5 percentage points higher than CPI and allows the Shire to meet increases in labour costs, additional staff and materials.

Determining the Yield from Property Rates

As properties rated on the basis of their gross rental value (GRV) only had their valuations updated last year, their valuations will now remain in place until 1 July 2010. No adjustment is therefore necessary to rates in the dollar to ensure rates are not inflated by updated property valuations.

Updated valuations for properties rated on the basis of their unimproved value (UV) are provided annually and therefore take effect from 1 July 2007. Depending on the magnitude and extent of the changes in property revaluations adjustments will be required to rates in the dollar to counter the impact of the changes in property value.

Comparison of the unimproved values of properties before and after the revaluation indicates that over 70% of the properties have increased in value by between 18% and 21%. Increases are across the board and it does not appear that the location of the property has had any influence on the amount its value has increased.

The process followed to determine the proposed rate yield for 2007/08 and at the same time minimise the impact of the increases in property revaluations for UV properties was to run a series of rate models after all known changes to the properties database for new properties, subdivisions, amalgamations, etc at 28th May 2007 had been processed.

The first model was a base model and is used to determine the amount of rates that would be raised if property valuations and rates in the dollar were left unchanged. This model provides the base rating yield and also determines the amount of growth in rates for the year. This model resulted in 5,547 properties being rated that would yield \$3,788,347 before the application of a rate discount. This compares to the rate yield when rates were raised for 2006/07 of \$3,641,285 from 5,338 properties. Growth in the rate yield is therefore the difference between these figures and is \$147,062 and 209 properties. This represents a growth rate of 4% in the rate yield and 4% in the number of properties.

The next rate model run was to use the rates in the dollar for 2006/07 and increment them by the proposed rate increase percentage for 2007/08. The results of this model provide the rate yield target for the Shire's budget. Knowing this amount allows a balanced (or close to balanced) budget to be formulated. This model provided a rate yield of \$3,998,189 from 5,547 properties. Of this total \$888,854 is obtained from 825 rural or UV properties.

The next rate models were run after the updated valuations for properties rated on the basis of their unimproved value were input. The same rates in the dollar and minimum rates used in the previous model were used to determine how much the rate yield will vary with the change in unimproved valuations. A total rate yield of \$4,179,848 was achieved with \$1,070,512 being raised in the rural zone. The results of this rate model were compared with the results of the previous model and rates in the dollar for the UV categories were reduced by 20% to counter the impact of the increase in the value of UV properties.

The final model provided a rate yield of \$4,003,977 from 5,547 properties with \$894,642 being obtained from 825 rural properties. While the total rate yield is slightly greater than the “target” model the result is still considered to be acceptable as it has taken into account a reasonable adjustment for the increases to unimproved value properties. The detail of rates in the dollar, minimum rates, rate yields and number of assessments from this rate model are those proposed to be accepted by Council for advertising and public comment.

Analysis of the 2007/08 Rates Proposal

The following table compares the rates in the dollar and minimum rates by rate category for 2006/07 and 2007/08.

Table 1: Comparison of 2006/07 and 2007/08 Rates in the Dollar and Minimum Rates

| Rate Category | Basis | 2006/07 Rate | 2007/08 Rate | Difference | 2006/07 Minimum | 2007/08 Minimum | Difference |
|-------------------------|-------|--------------|--------------|------------|-----------------|-----------------|------------|
| Residential Developed | GRV | 5.2836 | 5.5478 | 0.2642 | \$530.00 | \$565.00 | \$35.00 |
| Residential Undeveloped | GRV | 5.2836 | 5.5478 | 0.2642 | \$530.00 | \$565.00 | \$35.00 |
| Dalyellup Developed | GRV | 5.2836 | 5.5478 | 0.2642 | \$530.00 | \$565.00 | \$35.00 |
| Dalyellup Undeveloped | GRV | 5.2836 | 5.5478 | 0.2642 | \$530.00 | \$565.00 | \$35.00 |
| Commercial Developed | GRV | 5.2836 | 5.5478 | 0.2642 | \$530.00 | \$565.00 | \$35.00 |
| Commercial Undeveloped | GRV | 5.2836 | 5.5478 | 0.2642 | \$530.00 | \$565.00 | \$35.00 |
| Land Use Commercial | UV | 0.9036 | 0.7590 | 0.1446 | \$575.00 | \$610.00 | \$35.00 |
| Rural | UV | 0.3429 | 0.2880 | 0.0549 | \$575.00 | \$610.00 | \$35.00 |
| Special Rural | GRV | 5.2836 | 5.5478 | 0.2642 | \$530.00 | \$565.00 | \$35.00 |

Council has five major differential rating categories and it is proposed that no changes be made to this mix for 2007/08. Three of these categories (Residential, Commercial and Special Rural) are based on the Gross Rental Value (GRV) basis of rates and the Rural and Land Use Commercial categories are Unimproved Value (UV).

Gross rental valuations and unimproved values of properties are considered to provide sufficient differentiation for all rating categories, therefore no changes to rating categories are required.

The following table shows the proposed rate in the dollar, minimum rates, number of properties, anticipated rate yield and average rate for each rating category.

Table 2: 2007/08 Anticipated Rate Yield (excluding interim rates)

| | Rate in \$ or Minimum Rate | Rate Yield | Number of Properties | Average Rate |
|----------------------|----------------------------|-------------|----------------------|--------------|
| General Rate: | | | | |
| - Residential | 5.5478 cents | \$1,513,882 | 2,147 | \$705.11 |
| - Commercial | 5.5478 cents | \$137,258 | 52 | \$2,639.57 |
| - Rural | 0.2880 cents | \$650,054 | 465 | \$1,397.96 |
| - Land Use | 0.7590 cents | \$32,918 | 13 | \$2,532.15 |
| - Special Rural | 5.5478 cents | \$231,580 | 352 | \$657.90 |
| Total | | \$2,565,692 | 3,029 | |

| | Rate in \$ or Minimum Rate | Rate Yield | Number of Properties | Average Rate |
|-----------------------|-------------------------------|--------------------|-------------------------|--------------|
| Minimum Rates: | | | | |
| - Residential | \$565.00 | \$1,139,040 | 2,016 | \$565.00 |
| - Commercial | \$565.00 | \$20,905 | 37 | \$565.00 |
| - Rural | \$610.00 | \$211,670 | 347 | \$610.00 |
| - Land Use | \$610.00 | 0 | 0 | 0 |
| - Special Rural | \$565.00 | \$66,670 | 118 | \$565.00 |
| Total | | \$1,438,285 | 2,518 | |
| Grand Total | | \$4,003,977 | 5,547 | |

Comparison with actual rates billed for 2006/07, excluding any interim rates raised after rates billing, shows the following.

- The rate yield for every rate category has increased due to the growth in the number of rate assessments and the rate increase that has been applied
- The largest increase in the number of rate assessments has occurred for the residential rating categories with assessments increasing by 201 from 3,962 to 4,163
- The increase in the number of rural assessments has been insignificant growing from 809 to 812 and the same applies for special rural with an increase of 1 from 469 to 470 assessments.
- As a result of the growth in the number of residential assessments the proportion of rates raised from this category is increasing compared to the other categories while the proportion contributed by rural and commercial ratepayers is decreasing. This is a continuation of the trend of the last few years and reflects the changing nature of the Shire
- As a proportion of total rates, residential rates have increased to 66% from 65%, commercial rates have remained stable at 4%, rural rates have decreased from 22.2% to 21.5% and special rural rates have decreased marginally from 7.8% to 7.4%.

The following table shows the minimum, maximum, average and median rates for each rating category as well as the modal range (rate range that has the maximum number of ratepayers).

Table 3: Rating Statistics for 2007/08 Proposal

| | No. of Properties | Minimum | Maximum | Average | Median | Modal Range |
|-------------------------|----------------------|----------|-------------|------------|------------|-----------------|
| Residential-developed | 1,717 | \$565.00 | \$1,713.60 | \$594.23 | \$565.00 | \$501-\$600 |
| Residential-undeveloped | 459 | \$565.00 | \$7,697.57 | \$698.38 | \$565.00 | \$501-\$600 |
| Dalyellup-developed | 1,306 | \$565.00 | \$5,285.06 | \$690.95 | \$677.94 | \$601-\$700 |
| Dalyellup-undeveloped | 681 | \$565.00 | \$3,411.90 | \$601.61 | \$565.00 | \$501-\$600 |
| Commercial-developed | 72 | \$565.00 | \$22,745.98 | \$2,011.58 | \$822.19 | \$501-\$600 |
| Commercial-undeveloped | 17 | \$565.00 | \$3,467.38 | \$784.08 | \$565.00 | \$501-\$600 |
| Land Use Commercial | 13 | \$857.67 | \$5,206.74 | \$2,532.14 | \$2,421.21 | \$1,401-\$1,700 |
| Rural | 812 | \$610.00 | \$56,160.00 | \$1,061.24 | \$679.68 | \$601-\$700 |
| Special Rural | 470 | \$565.00 | \$1,084.71 | \$634.57 | \$620.24 | \$601-\$700 |

The above statistics indicate that the minimum rate for the residential categories seems to be appropriate as it is the same as the median for three of these categories. As with last year the modal range for all except one of the residential and commercial categories is in the \$501 to \$600 range. The only exception is developed properties in Dalyellup which have a higher average, median and modal range than the other residential categories.

The following table shows the average rates and minimum rates per rating category proposed for 2007/08 compared to those for the past four years. Care must be taken drawing any conclusions from the data depicted in this table as comparison of averages may be misleading.

However, the table confirms that the rate increase proposed for 2007/08 is similar to previous years for the minimum rates for each rating category, with the highest increase in any of these years being \$40.00 compared to \$35.00 for 2007/08. For residential ratepayers not charged the minimum rate, the increase to the average rate for 2007/08 is lower than the increase to the average rate in previous years. Additionally, the amount of the increase in the average rate for residential ratepayers is the same regardless of them being charged the minimum rate or not. This result is also the same for special rural ratepayers. This outcome suggests that the rating strategy proposed for 2007/08 is consistent and equitable across rating groups.

Table 4: Average Rates – 5 Year Comparison

| | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
|-----------------------------------|----------|----------|----------|----------|----------|
| Average Rates (rate in \$) | | | | | |
| - Residential | 538.78 | 583.49 | 623.61 | 670.80 | 705.11 |
| - Commercial | 1,891.83 | 2,057.95 | 2,220.22 | 2,441.63 | 2,639.57 |
| - Rural | 1,106.46 | 1,170.75 | 1,210.82 | 1,298.25 | 1,397.96 |
| - Rural Land Use | 1,906.38 | 2,181.15 | 2,248.69 | 2,510.62 | 2,532.15 |
| - Special Rural | 522.58 | 532.76 | 575.80 | 623.28 | 657.90 |
| Minimum Rates | | | | | |
| - Residential | 425.00 | 465.00 | 500.00 | 530.00 | 565.00 |
| - Commercial | 425.00 | 465.00 | 500.00 | 530.00 | 565.00 |
| - Rural | 500.00 | 520.00 | 545.00 | 575.00 | 610.00 |
| - Special Rural | 465.00 | 465.00 | 500.00 | 530.00 | 565.00 |

If approved, the 2007/08 draft Budget will provide a rates budget of \$4,240,945 including interim rates of \$100,000 and specified area rates of \$256,968 and after the 5% discount for payment by the due date. This compares to the 2006/07 expected actual rates of \$3,853,253.

The proposed 6% rate increase, will result in ratepayers on the minimum rate being charged \$35.00 more than last year while increases for other ratepayers will vary depending upon their property valuation. However, as the previous table demonstrates, it is expected residential ratepayer's property rates will also increase by \$35.00 on average.

Once again the issue is whether these increases will be acceptable to the community. This is obviously a matter of debate however, the increases proposed are the minimum required to allow the Shire to meet the deficit between expenditure and revenue.

Specified Area Rates

Council has the one specified area rate for Dalyellup Parks and Reserves Maintenance. This rate has the objective of recovering 50% of the cost of maintaining these facilities in the Dalyellup subdivision as per Council resolution OC0727, 24/7/02 when the 2002/03 Budget was adopted.

The cost of maintaining parks, gardens and reserves in Dalyellup is budgeted to be \$477,732 for 2007/08. Half of this cost is to be funded by the specified area rate and equates to \$238,866. It is proposed the rating strategy for this rate be to increase the rate in the dollar by 6% and to increase the maximum rate by 6%. This will make the rate in the dollar 3.9317 cents (previously 3.776 cents) and the maximum rate charged would be \$120.00 (currently \$115.00). Rates modelling has identified that with these parameters 1,988 properties would yield rate income of \$236,968.

With the addition of interim specified area rates of \$20,000 the target of obtaining 50% cost recovery is more than achieved. As with previous years any surplus is provided to the statutory Dalyellup SAR Reserve and for 2007/08 the Budget provides for \$18,102 to be transferred to this reserve. With this transfer, this reserve is budgeted to have a balance of \$215,720 by the end of the 2007/08 financial year. The build up of this reserve is beneficial as it will assist the Shire meeting the anticipated future costs of maintaining public open space in Dalyellup, particularly costs associated with maintaining and replacing the water management infrastructure.

Council should note that when the Budget is to be adopted they will be requested to grant a concession to Dalyellup specified area ratepayers so that the maximum specified area rate charged will be \$120.00.

SC0605 STAFF RECOMMENDATION/COUNCIL DECISION

Moved Cr Caratti, Seconded Cr Bell

That Council advise its intention in accordance with Section 6.36 of the Local Government Act 1995 to adopt for advertising purposes the following rates in the dollar and minimum rates for the differential and specified area rating categories specified for the 2007/08 financial year.

| | Rate in \$ | Minimum |
|--|---|----------------|
| Differential Rating : | | |
| - Residential (zone groups 1 – 4 GRV) | 5.5478 cents | \$565.00 |
| - Commercial (zone groups 5 – 6 GRV) | 5.5478 cents | \$565.00 |
| - Land Use Commercial (zone group 10 – UV) | 0.7590 cents | \$610.00 |
| - Rural (zone group 11 – UV) | 0.2880 cents | \$610.00 |
| - Special Rural (zone group 12 – UV) | 5.5478 cents | \$565.00 |
| Specified Area Rating: | | |
| - Dalyellup Parks, Reserves Maintenance (GRV) Purpose: Parks and Reserves Maintenance | 3.9317 cents (to a maximum of \$120.00 per assessment) | Nil |

Carried 11/0

VOTING REQUIREMENTS

Simple majority

URGENT BUSINESS Nil

PUBLIC QUESTION TIME Nil

**ITEMS FOR CONSIDERATION BEHIND
CLOSED DOORS** Nil

MEETING CLOSURE

The meeting closed at 7.35pm.

These minutes were confirmed at an Special Council meeting on 27 June 2007.

Signed _____

Presiding Person at the meeting at which time the minutes were confirmed.

Date _____