

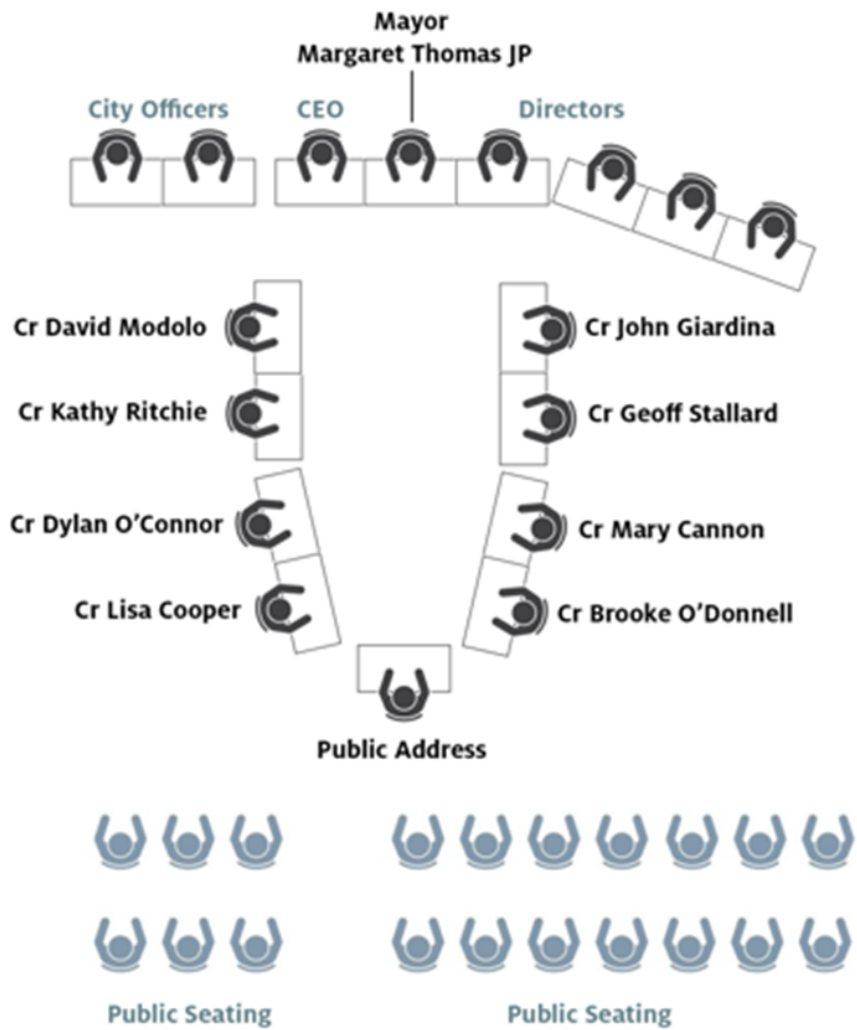


Special Council Meeting

Minutes

1 July 2024

Council Chambers Seating Plan



INDEX

- 1. Official Opening4**
- 2. Attendance, Apologies and Leave of Absence Previously Approved4**
- 3. Public Question Time.....5**
- 4. Petitions/Deputations.....5**
- 5. Announcements by the Member Presiding Without Discussion.....5**
- 6. Matters for Which the Meeting may be Closed.....5**
- 7. Disclosure of Interest5**
- 8. Reports to Council.....6**
 - 8.1. Development Services Reports.....6**
 - 8.2. Asset Services Reports.....6**
 - 8.3. Corporate Services Reports6**
 - 8.4. Community Engagement Reports6**
 - 8.5. Office of the CEO Reports.....6**
 - 8.6. Chief Executive Officer Reports.....6**
 - 8.6.1. Adoption of Budget 2024/2025.....6
 - 8.6.2. Differential Rating 2024/2025 Submissions37
- 9. Meeting Closed to the Public.....43**
- 10. Closure43**

1. Official Opening

The Presiding Member opened the meeting at 6:30pm and welcomed Councillors, Staff, Members of the Public Gallery and those watching via live stream. The Presiding Member also acknowledged the Traditional Owners of the land on which we meet the Whadjuk Noongar people.

2. Attendance, Apologies and Leave of Absence Previously Approved

Mayor

Margaret Thomas JP (Presiding Member)

Councillors

South East Ward

John Giardina

Geoff Stallard

South West Ward

Mary Cannon

Brooke O'Donnell

North West Ward

Lisa Cooper

Dylan O'Connor (on line)

North Ward

David Modolo

Kathy Ritchie

Members of Staff

Chief Executive Officer

Anthony Vuleta - Chief Executive Officer

Executive Team

Sinead McGuire - Director Asset Services

Gary Ticehurst - Director Corporate Services

Nathan Ritchie - Director Development Services

Management Team

Kath Parkinson - Manager Customer & Public Relations

Mandy Skeates - Manager Economic & Cultural Services

Rajesh Malde - Manager Financial Services

Administration Support

Darrell Forrest - Governance Advisor

Donna McPherson - Executive Assistant to the CEO

Members of the Public 0

Members of the Press Nil.

Apologies

Freya Ayliffe - A/Director Community Engagement

Leave of Absence Previously Approved Nil.

3. Public Question Time

3.1 Nil

4. Petitions/Deputations

4.1 Nil.

5. Announcements by the Member Presiding Without Discussion

5.1 Nil.

6. Matters for Which the Meeting may be Closed

6.1 Item 8.6.1 Adoption of Budget 2024/2025 – **Confidential Attachment** - 2024/2025 Capital Budget

Reason for Confidentiality: Local Government Act 1995 (WA) Section 5.23 (2) (e) - "matter that if disclosed, would reveal - (i) a trade secret; (ii) information that has a commercial value to a person; or (iii) information about the business, professional, commercial or financial affairs of a person; - where the trade secret or information is held by, or is about a person other than the local government"

7. Disclosure of Interest

7.1. Disclosure of Financial and Proximity Interests

- a. Members must disclose the nature of their interest in matter to be discussed at the meeting. (Section 5.56 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

7.1.1 Nil.

7.2. Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

7.2.1 Nil.

8. Reports to Council

8.1. Development Services Reports

No reports presented.

8.2. Asset Services Reports

No reports presented.

8.3. Corporate Services Reports

No reports presented.

8.4. Community Engagement Reports

No reports presented.

8.5. Office of the CEO Reports

No reports presented.

8.6. Chief Executive Officer Reports

8.6.1. Adoption of Budget 2024/2025

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous
Items

Directorate Corporate Services

Business Unit Financial Services

File


Reference

Applicant N/A

Owner N/A

Attachments 1. Statutory Budget 2024-25 [**8.6.1.1** - 76 pages]

TYPE OF REPORT

Advocacy	When Council is advocating on behalf of the community to another level of government/body/agency
 Executive	When Council is undertaking its substantive role of direction setting and oversight (eg accepting tenders, adopting plans and budgets)
Information	For Council to note
Legislative	Includes adopting Local Laws, Town Planning Schemes and Policies. When Council determines a matter that directly impacts a person's rights and interests where the principles of natural justice apply. Examples include town planning applications, building licences, other permits or licences issued under other Legislation or matters that could be subject to appeal to the State Administrative Tribunal

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

EXECUTIVE SUMMARY

1. The purpose of this report is to adopt the Municipal Fund Budget for the year ended 30 June 2025, representing the Financial Year 2024/2025, together with supporting schedules including striking of the Municipal Fund Rates, adoption of fees and charges and other consequential items arising from the Budget papers (Attachment 1).
2. The adoption of the Budget will enable the City of Kalamunda (City) to continue to deliver upon its strategic objectives and to ensure the City is financially sustainable.
3. It is recommended Council adopt the Municipal Budget together with supporting schedules for the 2024/25 Financial Year.

BACKGROUND

4. The Annual Budget is an important part of the City's Integrated Planning Framework, being the annual financial plan that facilitates the delivery of services and infrastructure to the community informed by the strategies set out in the City of Kalamunda Strategic Community Plan.
5. The budget process commenced early in 2024 with several workshops held with Elected Members. During these workshops, the City reviewed current and projected economic metrics, expenditures and revenues before arriving at the current budget position.
6. On 28 May 2024, Council resolved to advertise the Differential Rates for 2024/25, with submissions closing on 21 June 2024. There were four submissions received during the advertising period. The Submitters reflected their concerns at the level of the rate rise in light of the current cost of living increases.

DETAILS AND ANALYSIS

7. Although the previous year's record levels of CPI have subsided, there remains economic uncertainty at both international and domestic levels, characterised by stubbornly resistant inflation levels.
8. The Reserve Bank recently forecast that inflation is likely to increase slightly from 3.6% to 3.8% in June 2024, before declining to 3.2% by mid-2025. Notwithstanding, the cost of delivering infrastructure and construction projects remains high especially as many of the City's contracts have a CPI clause which is based on the June 2023 CPI rate.
9. The Local Government Cost Index (LGCI) provides an indication of changes in the WA economy relating more closely to the functions of Local Government. The LGCI is forecast to reduce from 3.9% in the 23/24 financial year to 3.1% in the 24/25 financial year.
However, cost pressures for road-based products such as asphalt and bitumen and irrigation reticulation parts continue to exceed the LGCI and CPI levels.
10. The City of Kalamunda is primarily a service-based organisation, hence its cost base is comprised largely of employee costs and materials and contracts supporting service related activities. In addition to the above certain costs are passed onto local government by the State government, for example the cost of running streetlights which will be increasing by 7.5% in 2024/25.

11. The labour market is slowly turning with unemployment beginning to rise. Despite the loosening labour market, wage growth continues to grow quickly, having risen 4.7% in WA over the past 12 months and with growth expected to continue around the 4% mark. The combination of escalating costs and labour market constraints make it challenging for Local Governments to deliver on the communities growing needs and expectations.
12. Financial ratios are designed to provide clearer interpretation of the performance and financial results of a local government and a comparison of trends over several years. These indicators provide a short term measure of the financial sustainability of the local government.

The two key ratios the City focuses on are:
 1. Asset Sustainability Ratio, and
 2. Operating Surplus Ratio.
13. The City's Financial results for the year ending June 2023, highlighted a continuing trend showing a deterioration in one of the ratios over the past few years – namely the Operating Surplus Ratio (OSR).
14. This trend was identified by the Office of the Auditor General (OAG) and a potential plan was developed and considered by Council to address this matter and bring rates revenue more aligned with operating costs.
15. In consideration of the declining OSR the 2024/25 budget and future budgets, will need to be focused on addressing the declining OSR to ensure that the City remains financially sustainable.
16. The following table provides results of the operating surplus ratio of the City for the last 4 years.

Ratio	2023	2022	2021	2020	Benchmark Required
Operating surplus ratio	(0.04)	(0.09)	(0.04)	(0.03)	Between 0.01 and 0.15

What is the Operating Surplus Ratio (OSR)?

17. Operating Surplus Ratio Calculation

$$\frac{\text{(Operating Revenue MINUS Operating Expense)}}{\text{divided by Own Source Operating Revenue}}$$

18. This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.
19. Required Standards
1. Basic Standard between 1% and 15% (0.01 and 0.15)
 2. Advanced Standard > 15% (>0.15).
20. 'Operating Revenue', means the revenue that is operating revenue for the purposes of the Australian Accounting Standards, excluding grants and contributions for the development or acquisition of assets. Items included as revenue are rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.
21. 'Operating Expense', means the expense that is operating expense for the purposes of the Australian Accounting Standards.

Why has the OSR negative?

22. A negative OSR basically means that the City doesn't earn enough operating revenue to pay for operational expenditure.
23. The 3 key reasons that this ratio is in decline are:
1. Rates revenue not matching operating expenditure.
 2. Depreciation expense increases.
 3. Increased cost of providing services and assets.
24. For the 2024/2025 year the City faces a significant challenge being high inflation as a result of global and domestic economic issues generating high levels of economic uncertainty, and further upward pressure on costs.
25. Each of these issues is discussed in detail as follows.

Rates

26. In 2013/14 when the inaugural Long Term Financial Plan (LTFP) was adopted by Council, it was predicated on rate increases set at 7% over the 10 years to fund the growth in asset renewals and new assets. This was in recognition of the backlog of assets renewals and ageing facilities that the City was carrying on its books. Furthermore, the City has grown its population base with many new development fronts being created and demand for services increasing subsequently in line with growth.
27. Since 2018 the Council reduced rate increases which were well below the 7% per annum target set in the inaugural 2013 LTFP resulting in a cumulative

loss of revenue over the past 5 years. The table below highlights the annual increases in rates.

RATES		
Year	Actual Received	Annual Increase
2014	\$28,939,389	
2015	\$30,599,405	6%
2016	\$32,769,644	7%
2017	\$35,066,848	7%
2018	\$35,992,132	3%
2019	\$37,436,125	4%
2020	\$37,864,554	1%
2021	\$38,342,129	1%
2022	\$39,925,800	4.9%
2023	\$43,866,164	4.5%

28. Had the 2013 Long-Term Financial Plan been maintained with its rates projections being adopted annually, the City would likely have been in a stronger position to be covering its operating costs, as well as being able to build reserves that will provide future capacity to fund major facilities development and to partially withstand unforeseen cost escalation impacts being experienced.
29. In the absence of significant alternative revenue streams, it is important to maintain rate increases in line with necessary expenditure to avoid deterioration of operating capacity.

Depreciation

30. The change in accounting standards to fair value accounting in 2017 is a key cause of the deterioration of the Operating Surplus Ratio. This change has resulted in a significant increase in the depreciation expense.
31. As the City continues to add new assets and doesn't rationalise old, underutilised assets, depreciation will continue to rise and negatively impact the financial viability of the City in the future.

The Table below illustrates the significant changes in the depreciation expense.

DEPRECIATION		
YEAR	ACTUAL	% CHANGE
2016	\$6,043,120	
2017	\$10,130,153	68%
2018	\$10,237,301	1%
2019	\$10,986,630	7%

2020	\$11,316,721	3%
2021	\$13,385,719	18%
2022	\$13,764,916	3%
2023	\$14,349,530	4.2%

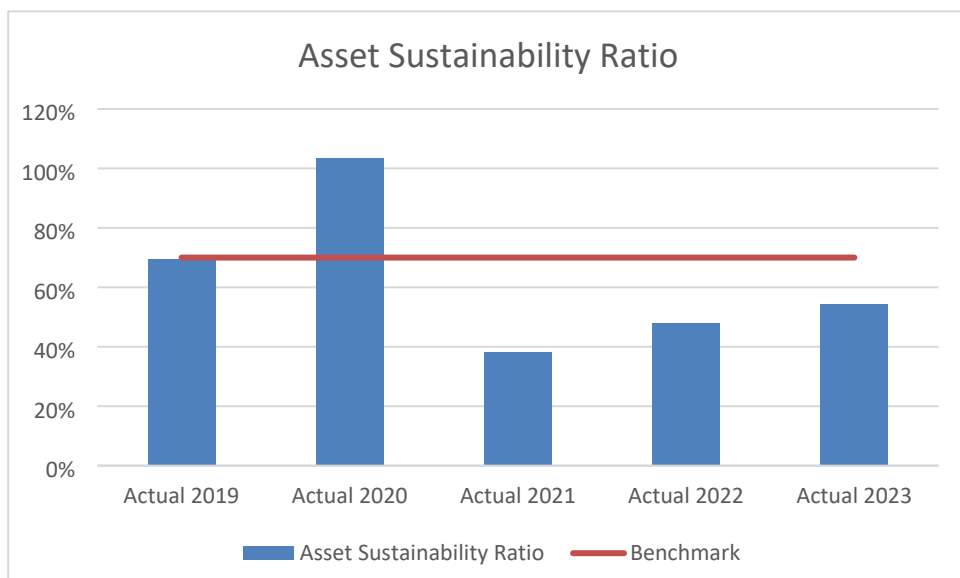
32. The last revaluation of infrastructure assets was completed in June 2023 resulting in an increase in the depreciation charge to \$17.6M in the 2024/25 Budget, representing a 22% change from the previous financial year.

Cost of Services and Assets

33. The City has a significant asset base and a wide range of services delivered from the asset base. Currently, the City’s net assets equate to approximately \$640 million. Managing such an asset base is challenging and requires sound asset management strategies, a clear understanding of lifecycle costing, an overall maturity of asset management competencies within the business.

34. Maintaining and renewing such a large asset base and delivering a wide range of services requires revenue to match the recurrent operating costs required. The City’s main revenue source is largely dependent on rates.

35. As noted above, the City is closely monitoring its Asset Sustainable Ratio for which it has set a benchmark of 70% (90% benchmark applies for developed Councils) with the chart below showing that although improving, we are not investing enough to meet the benchmark. The increase in depreciation requires a greater investment in the City’s asset renewal program to meet the ratio requirements.



36. In the past 5 years, the City has experienced an increase in new assets. The capital expenditure to construct these assets are largely grant-funded, however, still require operational funding to service the assets over their lifecycle. There have also been new services introduced without the corresponding revenues being raised to pay for these services.

37. The following table shows materials and contract costs over the past six years, which have reflected an increase in the 2022 and 2023 years on the back of significant inflationary pressures. The City has also seen costs to provide the same service levels increase, in addition to taking on additional assets and their associated costs to maintain.

MATERIALS & CONTRACTS		
YEAR	ACTUAL	% CHANGE
2018	\$20,563,241	
2019	\$20,391,297	-1%
2020	\$22,443,971	+10%
2021	\$20,233,774	-10%
2022	\$23,253,381	+15%
2023	\$27,702,293	+19%

38. The City has undertaken a thorough review of its cost structures, revenue generation opportunities and service levels in order to formulate a financially responsible budget.
39. The City's financial sustainability will be critically dependant upon maintaining close scrutiny over costs, leveraging commercial opportunities in order to mitigate the impact on rates, service levels and asset condition levels.
40. During the past five years in response to Council resolutions, the City has grown services to address service gaps in the community. This has included growth in:
- a) Community Engagement and Public Relations
 - b) Strategic Planning
 - c) Economic Development and Tourism
 - d) Arts and Culture
 - e) Youth Services
 - f) Environment
41. By way of example service areas that have increased over the past 5 years are as follows.
- a) Community Engagement & Public relations**
- I. In 2016/2017, in response to Council's direction for increased community engagement and communications, and ensure successful alignment with the City's Engagement Strategy, the City created the Customer and Public Relations Business Unit.
 - II. Funding for resourcing was allocated by Council to expand this service area.

b) Strategic Planning

- I. In line with Council's adoption of its Local Planning Strategy (LPS) and the City's obligation to meet its density targets, the City embarked on rezoning and structure planning of its special rural areas around its activity centres.
- II. The City created the Strategic Planning Team to deliver the LPS and its ongoing reviews, as well as to manage Developer Contribution Plans for newly created areas and to facilitate the creation of aged care sites and land development opportunities.

c) Economic Development & Tourism

- I. In 2017/18 the Council adopted its Economic Development Strategy and Tourism Strategy as well as appointing Advisory Committees to support Economic Development and Tourism. A Business unit was created to implement these strategies.

d) Arts & Culture

- I. In 2017/2018 the Council adopted its Arts Strategy and created an Advisory Committee to support increased focus and service delivery for culture & the arts. Council allocated funding to deliver the strategy and support the Arts Advisory Committee.
- II. Significant Asset Projects have components of public art funded by the City.

e) Youth Services

- I. In 2015/2016 Council deemed that the provision of services youth was lacking. The City adopted the Kalamunda Futures Youth Plan outlining a series of strategies to assist young people with building skills, knowledge and capacity with the confidence and connections to live healthy, and meaningful lives.
- II. This plan required an increase in resources to implement the strategy.

f) Environment

- I. The City's street tree planting program has seen an increase in tree assets, costing the City more to establish and maintain trees to increase the urban canopy cover.

g) Master Planning Community Facilities & Reserves

- I. Since 2013 the City has developed a masterplan approach for all of its major City reserves, district parks and community facilities precincts.

- II. The creation of a master plan approach has been to support the need to attract funding through advocacy. Currently the City has received funding to upgrade sporting reserves, provide community facilities such as the Kalamunda Community Centre and more recently a \$60 million commitment to build the High Wycombe Aquatic and Recreation Centre.
- III. Masterplans have provided an effective approach to achieve proper planning and decision making based on usage, growth, needs, and priority. The management of master planning and ongoing implementation also required additional resourcing.

h) Asset Maintenance

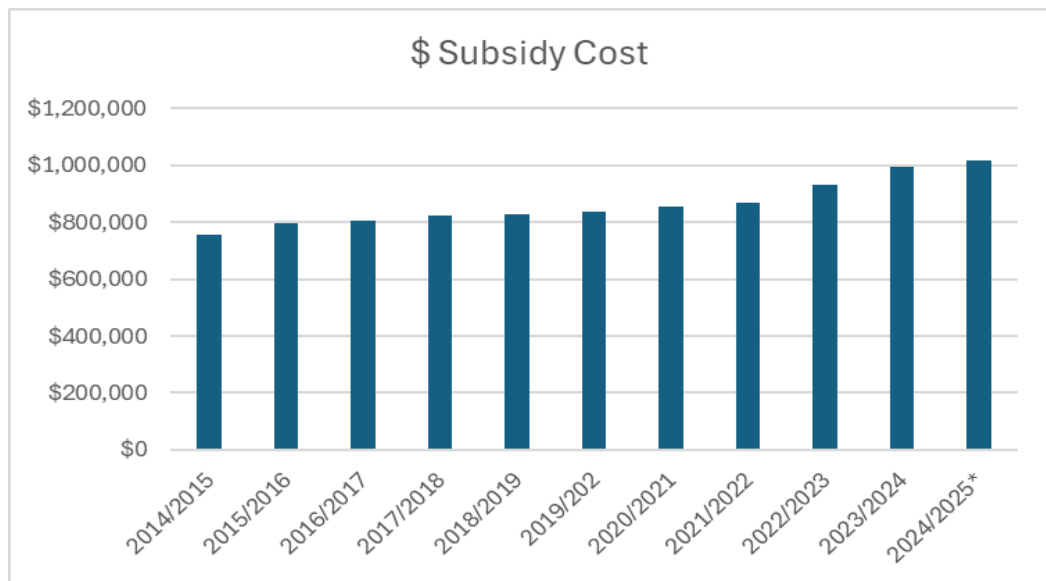
- i) Traffic Management costs which is a safety requirement when crews are working on or in the vicinity of a road reserve. Increase in industry award pay rates will see the City's traffic management costs increase by approximately \$1 Million.
 - ii) The City is experiencing cost pressures relating to the maintenance of its parks and reserves, notably:
 - A. The receipt of new parks from developers and increased amenity provisions for upgraded parks
Increasing costs for component and parts, such as for reticulation have increased by between 20% and 50%.
42. Whilst the growth in services was viewed as necessary and has delivered significant benefits to the community there has also been a corresponding increase in human resourcing, depreciation, and maintenance costs into the City's budget. These increases have had to be mitigated through cost-cutting in other service areas to balance the budget and deliver minimal rate increases. Whilst this approach is useful in the short term, it also has a deleterious effect in the longer term.
43. Whilst the City has, through annual cost-cutting managed to balance its budget, over time this approach has reached a point where costs cannot be reduced further without a corresponding reduction in services and service standards, an increase in rates, or the introduction of new revenue streams.

Waste Charges

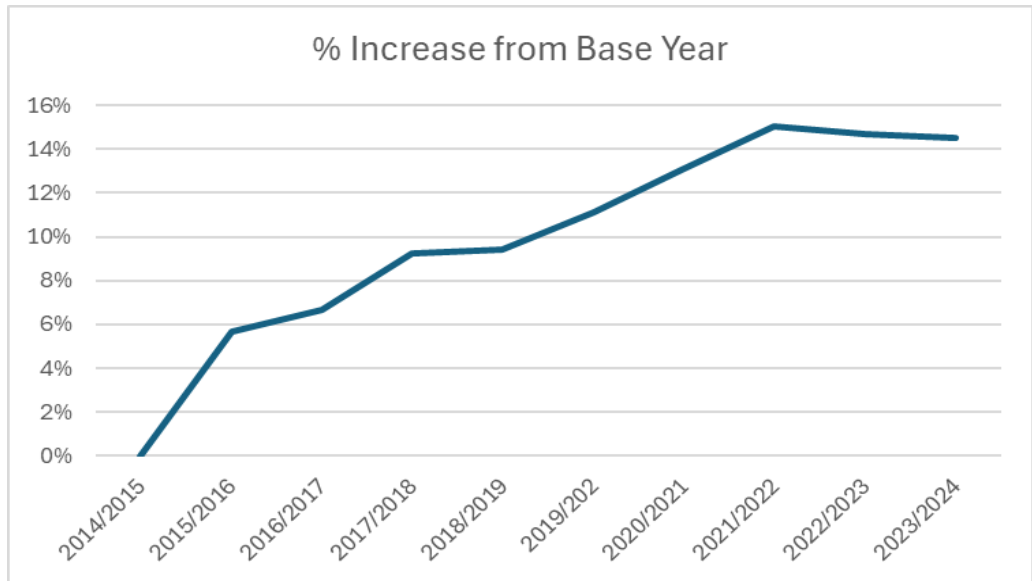
- 44. Waste Charges are developed to meet the City’s costs of providing waste management services to the community on a simple cost recovery basis. The 2024/2025 financial year will see uplifts in costs incurred due to increased operating costs (including fuel and labour) for contractors involved in collecting waste and the various contractors involved in the acceptance and processing of all waste streams, along with a 21% increase in the landfill levy from \$70 to \$85 per Tonne.
- 45. At the March 2021 OCM, Council considered the matter of pensioner discounts for waste charges and determined to maintain the existing \$230 discount adjusted annually for CPI unless determined otherwise at Budget Adoption. The subsidy for 2024/25 is calculated to be \$270.20.
- 46. For 2024/2025, the Full-Service Residential Waste Charge is proposed at \$659.15 (\$633.80 in 2023/2024) representing an increase of 4% and the Full Service Pensioner Residential Waste Charge is proposed at \$388.95 (\$369.00 in 2023/24).
- 47. Based on the current number of eligible pensioners totalling 3,755, the cost of the subsidy is estimated at \$1,014,601 which is then shared across non-pension property owners.

In effect, this means that the standard resident waste charge is subsidising Pensioners, by an amount of approximately \$55 per household. In other words, of the \$659.15 charge, \$55 represents the cost passed on to provide the subsidy to the eligible pensioners.

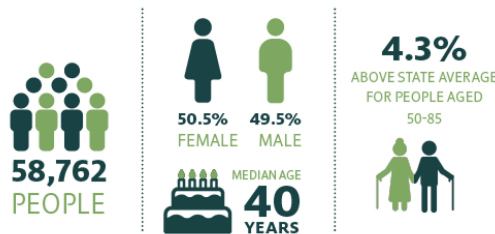
The table below shows the cost of the subsidy in the last 10 years.



48. The subsidised rate is also dependant on the number of pensioners as a proportion of the rate base, the is demonstrated in the graph below over a ten (10) year period.



The cost of the subsidy is most likely to increase due to the demographic data which indicates that the City has a higher than state average for people aged in the 50-85 year age group (4.3% above the state average).



Budget 2024/25

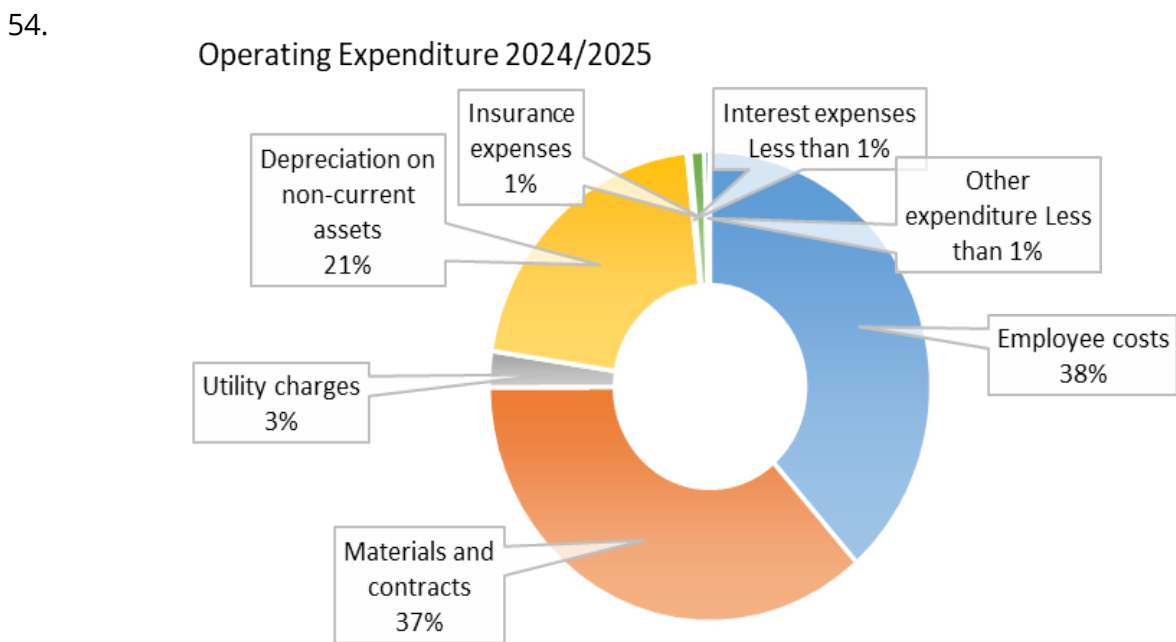
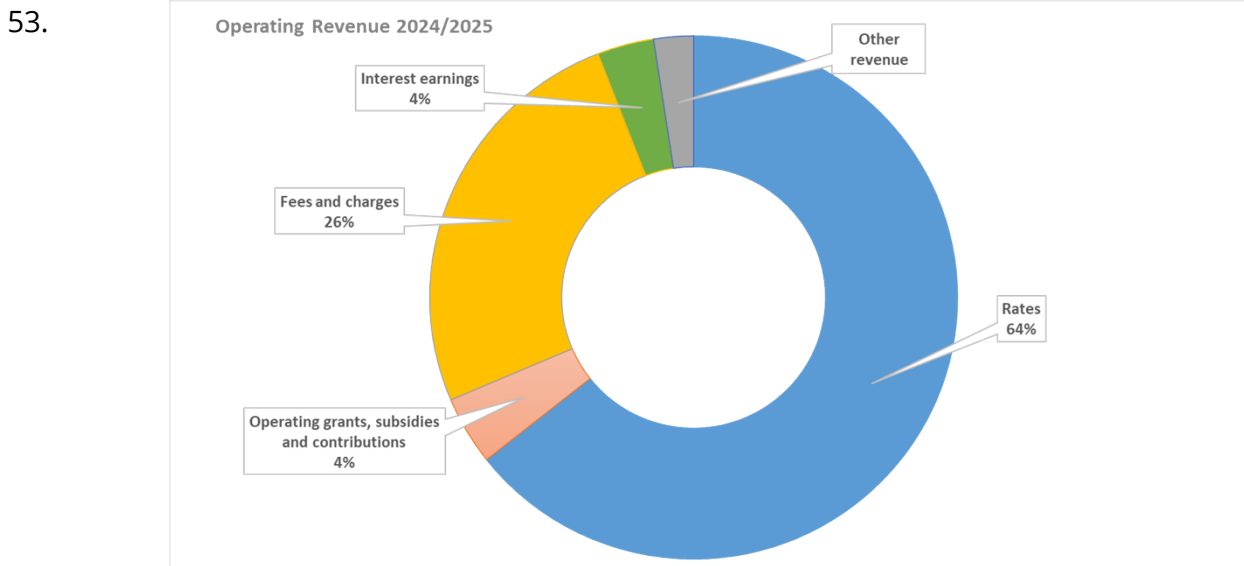
49. Council at its meeting held on 28 May 2024, resolved to advertise for public comment the proposed differential and minimum rates in line with the level of rate increase to be 5.5% for GRV General and 7% for Industrial and Commercial GRV and for Vacant GRV.
50. The rate in the dollar was advertised in the local newspaper for a period of 21 days with four submissions received. The Submitters reflected their concerns at the level of rate increase in light of the current cost of living crisis.

51. Following the advertisement of the differential rate and subsequent community feedback, Council has opted to adopt the following rate increases:

- a) UV/GRV General 5%
- b) UV/GRV Industrial & Commercial 7%
- c) GRV Vacant 7%

The proposed level of rate revenue increase has since been revised downwards from the advertised 5.5% to 5.0% UV/GRV General, with 7% for Industrial and Commercial UV/GRV and for Vacant GRV.

52. The charts below provide an outline of the revenue and expenditure for budget 2024/2025 depicted as follows:



55. The budget has been prepared to include information required by the *Local Government Act 1995, Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards. The main features of the budget include:

- a) Adoption of a Percentage for Reporting Material Variances – each financial year, a local government is to adopt a percentage or value, calculated in accordance with Australian Accounting Standards, to be used in statements of financial activity for reporting material variances. The level proposed for 2024/2025 is 10% or \$50,000, whichever is greater.
- b) The State Administrative Tribunal in April 2024 increased Elected Members' Allowances by 4%. Adoption of the following annual fees for the payment of Councillors in lieu of individual meeting attendance fees: -
 - i. Mayor \$33,706
 - ii. Councillors \$25,137.
- c) Adoption of the following annual allowances: -
 - i. Telecommunications, Communication and Technology Allowance (Where Councillors provide their own device) \$3,500
 - ii. Telecommunications, Communication and Technology Allowance (Where the City provides Councillors with a device) \$2,300
 - iii. Travel Allowance \$100
 - iv. City Mayor annual allowance \$68,552
 - v. Deputy City Mayor annual allowance \$17,138
- d) The comparison between budget 2023/2024 and the proposed budget for 2024/2025.

Overall Operating Income has increased by \$9M, made up of the following key changes:

- i. Rates revenue has increased by \$3.9M compared to budget 2023/2024. The amount includes ex-Gratia rates of \$251K from Co-operative Bulk Handling (CBH) and Dampier Bunbury Gas Pipeline.
- ii. Fees and charges have increased by \$1.5M with Waste Charges adjusted by \$829K. The City's waste charges are calculated on a cost-recovery basis for all waste-related services, with a 4% increase in waste charge being requested in line with waste contracts increases.

Discretionary fees and charges have been increased in line with costs and with an aim to improve the OSR. By increasing discretionary fees and charges the subsidy on those services is

reduced. It should be noted that several of the Fees and Charges are statutory fees and not set by the Council.

- iii. Interest earnings have increased by \$1.7M in line with higher interest rates and thus higher return on investments.
- iv. Other revenue has increased slightly by \$9K, primarily due to a review of the manner in which the City approaches non-compliance matters resulting in a reduction in fines and penalties.

Overall Operating Expenditure has increased by \$12.9M, made up of the following:

- i. Employee costs increase of \$3.7M,
- ii. Materials and Contracts increase of \$5.9M,
- iii. Utility charges decreased by \$395K,
- iv. Depreciation increase of \$3.5M,
- v. Other expenditure decrease of \$111K,
- vi. with minor variances in the other categories.

The key reasons for the above increases are:

- i. Employee costs increase due to Enterprise Bargaining Agreement and statutory increase in superannuation. It is however noted that when compared to other Local Government's, the City costs as a % of overall Operating expenditure sits at 38% whereas benchmark done by the West Australian Local Government Association (WALGA) was 41%.
 - ii. Waste costs increase mainly due to the following:
 - Contractual increases of existing waste agreements
 - iii. There has been a reduction in the estimated utility costs as a result of more favourable street lighting tariffs.
- e) A Capital Works program is outlined on pages 32-35 in the Attachment.
 - f) Reserves as per note 9 on pages 22-23 of the Attachment.
 - g) Borrowings as per note 7 on pages 19-20 of the Attachment. This includes new loans of \$4.5M.

56. The City's Capital Works program totals \$46.5M including overheads. The 2024/25 financial year will see the progression of the following key flagship projects for the City:

- High Wycombe Aquatic and Recreation Centre – Design Development
- Hartfield Park Community Facilities – Design Development and Commence Construction
- Scott Reserve Pavilion – Commence Construction
- Norm Sadler Pavilion - Commence Construction

- Food Organics Garden Organics – Complete Rollout
- Ray Owen Oval Redevelopment – Commence Construction

The City's Capital Works program sees priority placed on delivering the City's already committed Community Facility projects, along with achieving its environment strategic objectives through the FOGO rollout.

The Capital Works program does note a reduction in the number of new projects being committed to by the City. This reflects a commitment to deliver projects, to then reconsider requests for new projects in the 2025/26 financial year.

Reserves Details

57. The City's Reserves are improving overall, with original projection for 30 June 2024 balance to be \$17M whereas estimate is now at \$35M. This balance dips down at 30 June 2025 to \$28M with the main drawdowns relating to:

- The implementation costs for the City's new ERP with phase 1 commencing in 2024/2025;
- The implementation of FOGO which is due to commence in September 2024;
- Support the completion of various Strategic Capital Works projects including carry overs from 2023/2024

A benchmark study was done as part of the budget process which shows the City is the bottom of all band 2 Councils when we compare the amount of money held in Reserves to the total Equity balance with a ratio of 3.5% whereas benchmark average is 6.1%.

The City is due to receive funds from the EMRC in July 2025 which will greatly assist in bringing the ratio to the average benchmark. The City will deliberate further as part of the Long Term Financial Plan how these funds can be used effectively to aid in the deliverance of strategic projects and also maintain future financial sustainability.

58. New Reserves planned for 2024-2025

The following Reserves are planned for 2024-2025.

- a. Land Development Reserve
To fund land development opportunities to create new revenue streams, unlock future development avenues which would promote the aspirations outlined in the Strategic Community Plan.

- b. Voted Works
To fund community requests promoted via an Elected Member notice of motion during the financial year.
- c. Rhonda Hardy Memorial Reserve
To promote leadership and innovation within City Staff to improve the level of skills, knowledge and experience currently held by the organisation.
- d. High Wycombe South Future DCP Reserve
To prefund infrastructure works to encourage development in specified area, costs to be recovered from future developer contributions.

Borrowings Details

- 59. The City intends to take out two loan facilities in 2024/2025. These are:
 - a) Scott Reserve Development - \$2M to assist in funding the City's component for the significant capital works being undertaken in this reserve. The funds will be borrowed from WATC.
 - b) Plant and Fleet - \$2.45M. This will be a revolving/floating facility which the City will go to the market for and will either source from commercial banks or WATC. The facility will be used to fund the replacement of much needed fleet and plant to ensure the City's operations are run effectively and to ensure staff safety.
- 60. In accordance with Section 6.2 of the *Local Government Act 1995*, a local government is required to adopt its budget prior to 31 August each year.
- 61. The early adoption of the budget enables the City to commence its extensive Capital Works Program. It also ensures that the City maintains a positive cash flow which is crucial for the sustainable operations of the City.
- 62. The estimated unaudited year-end 30 June 2024 position is a surplus of \$40K with a proposed 30 June 2025 forecast closing position surplus of \$36K.
- 63. Rates are calculated as GRV, or UV valuations multiplied by the rate in the dollar. A minimum rate will apply if the rates calculated fall below the minimum rate applicable for the category. This allows for a minimum contribution that all properties in that category need to pay to help pay for the City's costs. The rate in the dollar outlined in this report for each rating category is as follows:

Rating Category	Rate Applicable (cents)	Denomination	Minimum Rate Applicable \$
General GRV	6.67853	Cents in the dollar	1,020.00
Industrial/Commercial GRV	8.14163	Cents in the dollar	1,280.00
Vacant GRV	10.26130	Cents in the dollar	810.00
General UV	0.38378	Cents in the dollar	1,020.00
Commercial UV	0.46866	Cents in the dollar	1,280.00
Waste Avoidance and Resource Recovery Levy (All Categories)	0.0487	Cents in the dollar	23.32

64. When compared to other LG's, the residential (General) rate in \$ was 9% below the metro average and the industrial/commercial rate in \$ was 5% below the average and similarly the minimum rate for residential (General) was 17% below average.

APPLICABLE LAW

65. Section 6.2 of the *Local Government Act 1995* requires a local government to adopt its budget prior to 31 August each year.
66. Divisions 5 and 6 of Part 6 of the *Local Government Act 1995* refer to the setting of budgets and the raising of rates and fees and charges. The 2024/2025 Budget as presented is considered to meet these statutory obligations.

APPLICABLE POLICY

67. The 2024/25 Budget has been developed on the principles contained within the Long-Term Financial Plan.

STAKEHOLDER ENGAGEMENT

68. The City has worked closely with elected members to review budget line items in the development of the Annual Budget for 2024/2025.
69. The City conducted a series of Budget workshops during February to May 2024 discussing all aspects of the budget formulation.

70. The City has met its statutory obligations with respect to community consultation whereby a Notice of Intention to Levy Differential Rates was advertised in the local newspaper.
71. The Objects and Reasons for raising differential rates have been made available for inspection at the Administration Centre, City Libraries and on the City's Website.
72. A period of 21 days was provided for public comment concluding on 21 June 2024. The City received four submissions during the Public Advertising period, which reflected concerns at the level of rates rise in light of the current cost of living crisis. The City has adjusted its budget demands to allow for a reduction in the GRV General increase from 5.5% to 5% as part of the adoption of the budget.

The City has mechanisms in place and a hardship policy to assist those ratepayers struggling to pay the rates and charges within normal terms.

FINANCIAL CONSIDERATIONS

73. The Budget is formulated based on delivering a sustainable financial position while delivering the services and infrastructure needs of the community.
74. The City is focused on minimising growth in operational expenditures and is committed to introducing a mix of innovations cost savings measures and new agile technology for efficient and effective management of its operations.
75. The proposed rating structure is a core element in ensuring ongoing financial sustainability. It is also vital in enabling the City to deliver its significant capital works program and provide the services required by the community.

SUSTAINABILITY

Social Implications

76. The Budget delivers social outcomes identified in various planning and community-supporting strategies that have previously been adopted by the Council.

Economic Implications

77. The Budget has been developed based on sound financial management and accountability principles and is considered to deliver a sustainable economic outcome for the Council and community.

78. Although the previous year’s record levels of CPI have subsided, there remains economic uncertainty at both international and domestic levels, characterised by stubbornly resistant inflation levels. The Reserve Bank recently forecast that inflation is likely to increase slightly from 3.6% to 3.8% in June 2024, before declining to 3.2% by mid-2025. The cost of delivering infrastructure and construction projects remains high.
79. In addition to the traditional economic metrics such as CPI, the Local Government Cost Index (LGCI) provides an indication of changes in the WA economy relating more closely to the functions of Local Government. The LGCI for the 24/25 financial year is forecast at 3.1% as supply chain issues are resolved and un-employment ticks up slightly. However, some key drivers impacting the City’s costs include:
- I. Forecast cost increases in bitumen (5.1%) and asphalt (4.7%)
 - II. Construction costs for buildings, bricks and tiles forecast to increase by 10%
 - III. Continued supply chain disruption leading to delays in procuring materials

Environmental Implications

80. The Budget has been developed to support key environmental strategies and initiatives adopted by the Council.

RISK MANAGEMENT

81.	Risk: Declining economy adversely impacts capacity of Ratepayers to pay rates.		
	Consequence	Likelihood	Rating
	Moderate	Possible	Medium
	Action/Strategy		
	Monthly management reports are reviewed by the City assessing collection of Rates. Instalment and other payment options are in place to assist ratepayers manage their debts to the City. Cash flow forecasting is done regularly to match outgoings and investments.		

82.	Risk: Capital Works project cost estimates are insufficient to fully fund projects		
	Consequence	Likelihood	Rating
	Moderate	Possible	Medium
	Action/Strategy		
	The development and subsequent implementation of a Project Management Office (PMO), will seek to derisk projects prior to budget adoption, reducing likelihood of cost escalation through the construction phase.		

83.	Risk: Non-compliance with Financial Regulations leading to adverse audit findings and reputational damage for the City.		
	Consequence	Likelihood	Rating
	Significant	Unlikely	Medium
	Action/Strategy		
	The Budget report is scrutinised by the City's Governance department to ensure that all statutory requirements are met. Finance Staff attend industry-relevant training and receive materials to assist with the preparation of the budget report and attachment, to ensure compliance with the Financial Regulations.		

84.	Risk: Budget Adoption is delayed potentially breaching Local Government Act requirements		
	Consequence	Likelihood	Rating
	Critical	Unlikely	High
	Action/Strategy		
	Emergency spending is approved by Council until the Budget is adopted. All project and non-discretionary work is delayed until Budget is adopted. Staff affected by the delays in projects are sent on forced annual leave. Bank Overdraft facility is activated to supplement cash flows. Payments to suppliers may need to be re-negotiated.		

CONCLUSION

85. The City has undertaken a thorough analysis of its budget working proactively with Councillors to generate efficiencies and maintain control over operating expenses.

86. The 2024/25 Budget provides a framework to deliver on the strategies adopted by the Council and maintains high levels of service across all programs while ensuring an increased focus on road and associated infrastructure as well as on renewal of assets at sustainable levels.
87. The 2024/25 Budget is guided by the City's Long Term Financial Plan which is closely aligned to the Integrated Planning Framework.
88. The City is committed to maintaining a strong focus on ensuring that it manages its key financial ratios in order to ensure its long-term financial sustainability.
89. Following the advertisement of the differential rate and subsequent community feedback, Council has opted to adopt the following rate increases for the 24/25 Budget:
- I. GRV/UV General 5%
 - II. GRV/UV Industrial & Commercial 7%
 - III. GRV Vacant 7%
90. The City will continue to focus strongly on cash-flow management and on maintaining control over operating expenditure. The City will continue to manage its income and cash reserves to enable the City to operate in a financially sustainable manner.

Voting Requirements: Absolute Majority

2024/2025 BUDGET RECOMMENDATIONS

Part 1 - Elected Members' Fees and Allowances for 2024/2025

RESOLVED SCM 82/2024

That Council:

- a) ADOPT, pursuant to Section 5.99 of the *Local Government Act 1995* and Regulation 34 of the *Local Government (Administration) Regulations 1996* the following annual fees for the payment of Elected Members in lieu of individual meeting attendance fees: -
- | | |
|-------------------|----------|
| City Mayor - | \$33,706 |
| Elected Members - | \$25,137 |
- b) ADOPT, pursuant to Section 5.99A (b) of the *Local Government Act 1995* and Regulations 34A and 34AA of the *Local Government [Administration] Regulations 1996*, the following annual allowances:-

Telecommunications, Communication and Technology Allowance – (Councillors provide their own device) \$3,500

Telecommunications, Communication and Technology Allowance (City provide Councillors with a device) \$2,300

Travel Allowance - \$100

- c) ADOPT, pursuant to Section 5.98 (5) (b) of the *Local Government Act 1995* and Regulation 33 of the *Local Government [Administration] Regulations 1996*, the following annual local government allowance to be paid in addition to the annual meeting allowance: -

City Mayor - \$68,552

- d) ADOPT, pursuant to Section 5.98 (A) of the *Local Government Act 1995* and Regulation 33A of the *Local Government [Administration] Regulations 1996*, the following annual local government allowance to be paid in addition to the annual meeting allowance: -

City Deputy Mayor - \$17,138

Moved: **Cr Lisa Cooper**

Seconded: **Cr Brooke O'Donnell**

Vote: For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (9/0)

Part 2 – Schedule of General Fees and Charges for 2024/2025

RESOLVED SCM 83/2024

That Council:

1. ADOPT pursuant to Section 6.16 of the *Local Government Act 1995*, the Fees and Charges as per (Attachment 1).

2. Endorse the Rules applying to the Schedule of Charges For Community Facilities 2024/2025.
3. ADOPT, pursuant to Regulation 53 of the *Building Regulations 2012*, a swimming pool inspection fee of \$50.00.
4. ADOPT, pursuant to Section 67 of the *Waste Avoidance and Resources Recovery Act 2007*, the following charges: -
 - a) Walliston Transfer Station (including GST where applicable)
The deposit of rubbish at Walliston Transfer Station and Collection of specific items will be charged as follows: -

Verge Collection Services		
		\$
Collection of Whitegoods or Mattresses (resident)	First item	41.00
	Second Item	35.00
Collection of Whitegoods or Mattresses (pensioner and/or concession card holder)	First item	25.00
	Second Item	20.00

Walliston Transfer Station - (Non-commercial resident only)		
		\$
Car & Motorcycle Tyre (max 5/entry)	Per tyre	9.50
Four Wheel Drive (max 5/entry)	Per tyre	17.00
Truck/Tractor Tyres (max 2/entry)	Per tyre	40.00
Additional Resident Entry Pass	Per Entry	65.00

Walliston Transfer Station - (Commercial Resident only)		
		\$
Clean Green waste	Per tonne	53.00
Mattress disposal fee (max 2/entry)	Each	41.00
Car & Motor Cycle Tyre (max 4/entry)	Per tyre	12.50
Four Wheel Drive (max 4/entry)	Per tyre	25.00
Truck/Tractor Tyres (max 2/entry)	Per tyre	45.00

The City charges commercial fees for any of the following situations:		
		\$

Commercial/Trade Waste		
- Your vehicle or trailer is commercially signed or badged (unless you have a valid Vehicle Permit)		
- Your waste is from a work site		
- You are transporting waste for a fee or reward		
Charges that apply are		
Cars/ Station Wagons	Per Vehicle	65.00
Small Vans/Utes	Per Vehicle	75.00
Trailer (6X4)	Per Trailer	76.00
Trailer (7X5) with High Sides	Per Trailer	95.00
Small trucks up to 3.5 tonnes GVM	Per Vehicle	225.00

b) Waste Avoidance and Resources Recovery Levy

Adopt a levy of 0.0487 cents in the dollar against the Property's GRV valuation as provided by Landgate, with a minimum charge of \$23.32 on all properties.

Moved: **Cr Lisa Cooper**

Seconded: **Cr Brooke O'Donnell**

Vote: For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (9/0)

Part 3 – Other Statutory Fees for 2024/2025

RESOLVED SCM 84/2024

That Council:

- ADOPTS, pursuant to Section 67 of the *Waste Avoidance and Resources Recovery Act 2007*, the following charges for the removal and deposit of domestic and commercial waste (Including GST where applicable): -

Waste Services		\$
Residential Full Service – 3 Bins - 1x 240Ltr lime green lidded mobile FOGO bin (MFB);	Property	659.15

- 1x240Ltr yellow lidded mobile recycling bin (MRB); and -1x 140Ltr red lidded garbage bin (MGB)		
Residential Full-Service Pensioner* -3 Bins as per above service	Property	388.95
Residential Multi Unit (excludes MFB, MRB & MGB)	Dwelling	293.70
Residential Multi Unit Pensioner (excludes MFB, MRB & MGB)	Dwelling	249.40
No Access to Skip Bins Reduced Charge	Property	594.15
Commercial & Industrial (general and recycling only, no FOGO service)	Property	1,108.00
Additional 240Ltr Lime Green Lidded FOGO (MFB) Waste Bin/s Weekly Service to existing Standard Residential Full Service	Property	230.00
Additional 140 Ltr Red Lidded General Bin Residential (all properties) *	Bin	245.00
Additional 140 Ltr Red Lidded General Bin Residential (all properties) exceptional circumstances	Bin	145.00
Additional 240 Ltr Yellow Recycling Bin Residential properties	Bin	185.00
Additional General or Recycling Bin Commercial / Industrial properties	Bin	1,108.00
Additional Extra Skip Bin (General Waste)	Bin	225.00
Additional Extra Skip Bin (Green Waste)	Bin	150.00
Re-print Walliston Transfer Station Entry Pass		11.00
Removal of Excess or Non-Conforming Waste from Skip Bin	Bin	Cost plus 10%
Establishment Fee – New Residential or Commercial Service	Property	150.00
* Full Pensioner Discount applies to the Primary Owner-Occupied Residential property only (excluding restricted sites) and must be valid		

Pensioner from 1 July of each financial year. No discount is applicable for additional services, commercial or industrial properties.

Moved: **Mayor Margaret Thomas**

Seconded: **Cr Lisa Cooper**

Vote: For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (9/0)

Part 4- New Loans

RESOLVED SCM 85/2024

That Council AUTHORISE the inclusion of the following new loans in the Municipal Fund Budget:

1. Scott Reserve Development up to \$2,000,000 over five years from the West Australian Treasury Corporation.
2. Fleet and Plant Revolving/Floating Loan Facility up to \$2,454,000 with an approved bank from the Australian Prudential Regulatory Authority (APRA) or West Australian Treasury Corporation.

Moved: **Cr Lisa Cooper**

Seconded: **Mayor Margaret Thomas**

Vote: For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (9/0)

Part 5– New Reserve Funds for 2024/2025

RESOLVED SCM 86/2024

That Council:

1. ADOPTS, pursuant to the provisions of Section 6.11 of the *Local Government Act 1995* and *Part 2 of the Local Government (Administration) Regulations 1996*, the City of Kalamunda Municipal Fund Budget for the 2024/2025 financial year as contained in Attachment 1, which includes the following new reserves and their purpose: -
 - a. Land Development Reserve
To fund land development opportunities to create new revenue streams, unlock future development avenues which would promote the aspirations outlined in the Strategic Community Plan.
 - b. Voted Works
To fund community requests promoted via an Elected Member notice of motion during the financial year.
 - c. Rhonda Hardy Memorial Reserve
To promote leadership and innovation within City Staff to improve the level of skills, knowledge and experience currently held by the organisation.
 - d. High Wycombe South Future DCP Reserve
To prefund infrastructure works to encourage development in specified area, costs to be recovered from future developer contributions.

Moved: **Cr Brooke O'Donnell**

Seconded: **Cr Geoff Stallard**

Vote: For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (9/0)

Part 6– Municipal Fund Budget for 2024/2025

RESOLVED SCM 87/2024

That Council:

1. ADOPTS, pursuant to the provisions of Section 6.2 of the *Local Government Act 1995* and *Part 3 of the Local Government (Administration) Regulations 1996*, the City of Kalamunda Municipal Fund Budget for the 2024/2025 financial year as contained in Attachment 1, which includes the following: -
 - a) Statement of Comprehensive Income;
 - b) Statement of Cash Flow;
 - c) Statement of Financial Activity (showing, and the amount required to be raised from rates of \$47,500,315 and a net surplus current asset at the end of the financial year of \$36,732);
 - d) Notes to and forming part of the Budget;
 - e) Fees and Charges Schedule;
 - f) Transfers to/from Reserve accounts; and
 - g) Capital Budget.

Moved: **Cr David Modolo**

Seconded: **Cr Lisa Cooper**

Vote: For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (9/0)

Part 7- General and Minimum Rates, Instalment Payment Arrangements, and Incentives for Early Payments for 2024/2025

RESOLVED SCM 88/2024

That Council:

1. IMPOSE, pursuant to Sections 6.32, 6.33, 6.34 and 6.35 of the *Local Government Act 1995* the following differential general and minimum rates on Gross Rental and Unimproved Values adopted for the purpose of yielding the deficiency disclosed by the Municipal Fund Budget adopted at Part 5 above.
 - a) General Rates
 - i. General - Gross Rental Values (GRV) 6.67853 cents in the dollar
 - ii. Industrial/Commercial Values (GRV) 8.14163 cents in the dollar
 - iii. Vacant Land Value (GRV) 10.26130 cents in the dollar
 - iv. General - Unimproved Values (UV) 0.38378 cents in the dollar
 - v. Commercial – (UV) 0.46866 cents in the dollar
 - b) Minimum Rates
 - i. General - Gross Rental Values (GRV) \$1,020
 - ii. Industrial/Commercial – GRV \$1,280
 - iii. Vacant Land – GRV \$810
 - iv. General - Unimproved Values (UV) \$1,020
 - v. Commercial – UV \$1,280
 - c) Instalment Arrangements
 - i. NOMINATE, pursuant to Section 6.45 of the *Local Government Act 1995* and Regulation 64(2) of the *Local Government (Financial Management) Regulations 1996*, the following due dates for the payment of rates in full and by instalments:-
 - A. Full payment Option
Full amount of rates and charges, including arrears, to be paid on or before 20 August 2024 or 35 days after the date of issue appearing on the rate notice, whichever is later.
 - B. Two Payment Option
First Instalment to be paid on or before 20 August 2024 or 35 days after the date of issue appearing on the rate notice, whichever is later, including all arrears; and
Second Instalment to be paid on or before 24 December 2024, or 2 months after the due date of the first instalment, whichever is later.

C. Four Payment Option

First Instalment to be paid on or before 20 August 2024 or 35 days after the date of issue appearing on the rate notice, whichever is later, including all arrears; and

Second Instalment to be paid on or before 22 October 2024, or 2 months after the due date of the first instalment, whichever is later.

Third Instalment to be paid on or before 24 December 2024, or 2 months after the due date of the second instalment, whichever is later.

Fourth Instalment to be paid on or before 25 February 2025, or 2 months after the due date of the third instalment, whichever is later.

- d) IMPOSE, Pursuant to Section 6.45(3) of the *Local Government Act 1995* and Regulation 67 of the *Local Government (Financial Management) Regulations 1996*, Council adopts an instalment administration charge where the owner has elected to pay rates (and service charges) through and instalment option of \$9 for each instalment after the initial instalment paid.
- e) IMPOSE, Pursuant to Section 6.45 of the *Local Government Act 1995* and Regulation 68 of the *Local Government (Financial Management) Regulations 1996*, Council adopts an interest rate of 5.5% where the owner has elected to pay rates and services charges through an instalment option.
- f) IMPOSE, Pursuant to Section 6.51(1) and subject to Section 6.51(4) of the *Local Government Act 1995* and Regulation 70 of the *Local Government (Financial Management) Regulations 1996*, Council adopts an interest rate of 11% for rates (and service charges) and costs of proceedings to recover such charges that remains unpaid after becoming due and payable.

Moved: **Cr David Modolo**

Seconded: **Cr Lisa Cooper**

Vote: For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (9/0)

Part 8 – Material Variance Reporting for 2024/2025

RESOLVED SCM 89/2024

That Council SET the material variance level to be used in statements of financial activity in the year 2023/2024 for reporting variances at 10% or \$50,000, whichever is the greater. In accordance with Regulation 34(5) of the *Local Government (Financial Management) Regulations 1996*, and AAS 2018-7.

Moved: **Cr David Modolo**

Seconded: **Cr Geoff Stallard**

Vote: For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr David Modolo, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**


CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (9/0)

8.6.2. Differential Rating 2024/2025 Submissions

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.

Previous Items	
Directorate	Corporate Services
Business Unit	Financial Services
File Reference	
Applicant	City of Kalamunda
Owner	City of Kalamunda
Attachments	1. Submission Table Differential Rates 2024 2025 [8.6.2.1 - 2 pages]

TYPE OF REPORT

Advocacy	When Council is advocating on behalf of the community to another level of government/body/agency
 Executive	When Council is undertaking is substantive role of direction setting and oversight (e.g. accepting tenders, adopting plans and budgets)
Information	For Council to note
Legislative	Includes adopting Local Laws, Town Planning Schemes and Policies. When Council determines a matter that directly impacts a person's rights and interests where the principles of natural justice apply. Examples include town planning applications, building licences, other permits or licences issued under other Legislation or matters that could be subject to appeal to the State Administrative Tribunal

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

EXECUTIVE SUMMARY

1. The purpose of this report is to present submissions with regards to the advertising of the Differential Rates for Budget 2024/2025.

2. A total of four (4) submissions were received during the advertising period details of which are contained in (Attachment 1).
3. It is recommended that Council receive and note the information contained in the submissions.

BACKGROUND

4. The *Local Government Act 1995* (the Act), section 6.33 allows Councils to adopt differential rates. The intent behind adopting differential rates is to take into account the levels of services provided to different types of properties, to reflect the cost of provision of services to those categories of properties as well as the need to encourage the specific types of activities within the City.
5. At the Ordinary Council Meeting of 28 May 2024, Council signified its intention to adopt differential rates for 2024/2025. The proposed differential rates for 2024/2025 and the corresponding "Objects and Reasons", in accordance with section 6.36 of the Act, were advertised inviting submissions by electors and ratepayers.
6. The City advertised the following differential rates for 2024/25:
 - I. GRV/UV General 5%
 - II. GRV/UV Industrial & Commercial 7%
 - III. GRV/Vacant 7%
7. The Objects and Reasons for advertising differential rates were made available for inspection at the Administration Centre, City Libraries and on the City's Website.
8. Submissions closed on 21 June 2024.

DETAILS AND ANALYSIS

9. The City received four (4) submissions in response to the advertising of its proposed intention to levy differential rates for the 2024/2025 Financial Year. The content of the submissions can be found in attachment 1.
10. In summary, the submissions expressed the view that the City should limit the increase in rates in light of the current cost of living crisis.

11. **Differential Rate in-the-Dollar**

The differential rate in-the-dollar is levied on all rateable land within the City according to the predominant purpose for which that land is being held or used, and whether or not the land has any improvements. Specifically, properties are categorised as either: 'General', covering all properties used for singular and multi-dwellings; 'Commercial', covering all properties used for business and commercial purposes; or 'Industrial', covering all properties engaged in light industrial and manufacturing activities. Properties are then further categorised as either "Unimproved or Vacant".

12. In Western Australia, the rating process is prescribed in Division 6 of the Local Government Act 1995 and the local Government (Financial Management) Regulations 1996. Rates Charges for properties are calculated by the following formula:

$$\text{VALUATION} \times \text{RATE-IN-THE-DOLLAR} = \text{RATE PAYABLE}$$

If any of the variables are changed this will change the rate levied on a property.

13. **Rate-in-the-Dollar Explained**

The rate-in-the-dollar is set by individual local governments and is determined by the level of the annual budget deficit. This deficit is established by subtracting all other predicted revenue sources from the total expenses required to operate the local government in the budget year.

This is formulated for example, if the total predicted revenue, (such as revenue from yearly fees, grants, subsidies, contributions), is \$1,000,000.00, and the total expenditure, (such as salary, materials, contracts, and capital expenses), is \$5,000,000.00, then the budget deficit will be \$4,000,000.00.

Therefore, the total rates to be levied on all properties must equate to \$4million.

The rate-in-the-dollar is then established by dividing the budget deficit by the total of all property valuations provided by the Valuer General.

For example, if all property valuations for a local government total \$40,000,000.00, and the budget deficit is \$4,000,000.00, then the rate-in-the-dollar will be \$0.10, (i.e.: \$4,000,000.00 ÷ \$40,000,000.00). Therefore, a property that has a GRV of \$15,600.000, (i.e. the property is reasonably expected to raise \$300.00 rent per week), will receive a Rates Charge of \$1,560.00, (i.e.: \$15,600.00 x \$0.10).

14. **The budget process for 2024/2025**

In developing the budget, the City closely monitors changing economic conditions and associated economic indicators. Some of the primary indicators that shape budget deliberations include the Consumer Price Index (CPI) and the WA Local Government Association (WALGA) Local Government Cost Index (LGCI). The LGCI takes into consideration typical costs borne by Local Governments, including:

- a) road and bridge construction costs;
- b) non-residential building costs;
- c) machinery and equipment costs;
- d) electricity and street lighting costs;
- e) employment costs
- f) materials and contracts costs

The City held a series of Budget workshops during February to May discussing all aspects of the budget formulation.

15. **The proposed budget for 2024/2025**

The City has worked with elected members to closely review budget line items in the development of the Annual Budget 2024/2025.

The total of all the agreed budget line items resulted in the calculation of the budget deficit, which is to be covered by rates. This is detailed by the example in paragraph 12. The rate in the dollars were calculated to fund the shortfall in the budget and ensure the City can continue to deliver upon its strategic objectives and ensure that the City is financially sustainable.

16. Following the receipt of submissions in response to the advertising of its proposed intention to levy differential rates for the 2024/2025 Financial Year, the City has amended the proposed GRV/UV increase from 5.5% to 5%.

APPLICABLE LAW

17. Section 6.36(4) of the Act states that a local government is to consider any submissions received before imposing the proposed rate in the dollar or minimum payment.

APPLICABLE POLICY

18. Nil.

STAKEHOLDER ENGAGEMENT

- 19. The Advertising of Differential Rates was undertaken following a series of budget workshops with Council.
- 20. Advertising as required by the Act seeking submissions on the proposed differential rates was undertaken between 31 May 2024 and 21 June 2025.

FINANCIAL CONSIDERATIONS

- 21. The Budget is formulated on the basis of delivering a sustainable financial position while delivering the services and infrastructure needs of the community.
- 22. The proposed rating structure is a core element in ensuring ongoing financial sustainability. It is also vital in enabling the City to deliver its capital works program and provide the services required by the community.

SUSTAINABILITY

Social Implications

- 23. Nil.

Economic Implications

- 24. Nil.

Environmental Implications

- 25. Nil.

RISK MANAGEMENT

26.	Risk: Not adjusting the Rate in the Dollar for the 2024/25 financial year would create a significant budget deficit.		
	Consequence	Likelihood	Rating
	Significant	Possible	High
	Action/Strategy		
	Ensure the concepts and reasons for changing the rate in the dollar caused by changing valuations of properties are clearly explained.		

27.

Risk: The Community will find it difficult to understand why their rate charge may differ from the previous year.

Consequence	Likelihood	Rating
Significant	Likely	High
Action/Strategy		
Ensure the concepts and reasons for changing the rate in the dollar are clearly explained.		
Develop clear communications explaining the causes and how the rating system in WA operates.		

CONCLUSION

28.

The City undertakes an extensive budget process before arriving at the advertisement of the Rate in the Dollar.

29.

The feedback in submissions regarding the advertising of differential rates will be considered as part of the budget deliberation process.

30.

Regarding the four submissions received during the public advertising period, it is to be noted the City will be providing written responses to each of the submitters addressing the matters they have raised following the adoption of the 2024/2025 Municipal Budget.

Voting Requirements: Simple Majority

RESOLVED SCM 90/2024

That Council

1.

RECEIVE and NOTE the information contained in the submissions.

2.

ADOPT a revised Rate in the Dollar for GRV/UV General of 5%.

Moved:

Cr David Modolo

Seconded:

Cr Lisa Cooper

Vote:

For: **Mayor Margaret Thomas, Cr Brooke O'Donnell, Cr John Giardina, Cr Geoff Stallard, Cr Mary Cannon, Cr Lisa Cooper, Cr Dylan O'Connor and Cr Kathy Ritchie**

Against: **Nil**

CARRIED UNANIMOUSLY (9/0)

9. Meeting Closed to the Public

10. Closure

There being no further business, the Presiding Member declared the Meeting closed at 6:50pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: _____
Presiding Member

Dated this _____ day of _____ 2024.