



City of Nedlands

LATE ITEM

Audit Risk and Improvement Committee Meeting

Wednesday, 06 August 2025



9.1 Draft Budget for 2025/26

Report Number	ARC76.08.25
Meeting & Date	Audit Risk and Improvement Committee – 06 August 2025
Applicant	City of Nedlands
Employee Disclosure under section 5.70 Local Government Act 1995	Nil
Report Author	John Vojkovich - Acting Director Corporate Services
Director	Keri Shannon – Chief Executive Officer
Attachments	Attachment 1 – FY2026 Draft Budget Plan Attachment 2 – CONFIDENTIAL - Draft SOFA Attachment 3 – CONFIDENTIAL - Legal Advice 30 July 2025 Attachment 4 – Objects and Reasons for Imposing Differential Rates for 2025 Attachment 5 - CONFIDENTIAL - IT Forum Presentation Attachment 6 - CONFIDENTIAL - DIS Budget Briefing Paper

Purpose

This report is to update the Committee on the proposed budget for the year ending 30 June 2026. In line with the Council's advertised proposed differential rates the draft budget includes a 4.8% rate increase for all properties to fund a modest capital works program and to invest in required upgrades to business systems and technology equipment.

Recommendation

The Committee RECEIVES the report on the status update on the 2025/26 Budget and draft financial reports.

Voting Requirement

Simple Majority

Background

The City is entering a challenging period as the Administration continues to invest in its people and systems to facilitate long term sustainability in operational delivery.

The budget process for 2025/26 has also faced some challenges. Ordinarily, the budget process would commence in March of each year with a budget presented to Council for adoption in June. However, the budget process was commenced in May 2025 following



the appointment of a Management Accountant. The preliminary plan had the budget being adopted in the last week of July 2025 (Attachment 1) which was predicated on having preliminary June 2025 financial data by mid-July 2025.

Due to delays with restoring Authority system data, which was further compounded by staff absences, June 2025 data was not available until 5 August 2025.

A Concept Forum was held with Councillors on 3 June 2025 to discuss broad budget parameters and a preliminary draft budget was considered with a deficit of \$2.6m.

Since the Concept Forum there has been ongoing consultation with Executive and Management to reduce expenditure with the following actions taken:

1. Reviewing Capital Works program which resulted in a reduction of \$800k.
2. Reviewing Employee Costs which resulted in a reduction of \$500k.
3. Reviewing the Materials and Contracts which remains in progress.

Discussion

A draft of the Budget for 2025/26 is contained in Attachment 2, consisting of the Statement of Financial Activity, Capital Works Schedule and Extract of Rates and Service Charges.

With the June 2025 financial data now being available, and with a lower FY2025 surplus than budgeted, the revised FY2026 budget position now presents as a deficit of \$4.6m.

The main areas of expenditure increase compared to FY2025 Actual (PYA) and FY2025 Budget (PYB) are as follows:

- Employee costs up \$4.3m against PYA and \$4.0m against PYB, which reflects a full cohort of staff and approximates a 5% compounding increase on the FY24 staff costs of \$18.5m;
- New expenditure of \$2.9m on IT costs which are to remediate legacy issues with computerised business systems and technology infrastructure (some of these costs may be capitalised but is yet to be determined since planning is at the preliminary stage); and
- Materials and contracts up \$2.2m against PYA and \$2.1m against PYB due to increased operational demands across the City and approximates a 6% compounding increase on the FY24 materials cost of \$14.3m.

Funding is predominantly sourced from the following sources:

- An increase in rates of \$2.0m against PYA and \$2.2m against PYB, which includes a 4.8% increase in general rates together with a small increase in the rate base; and
- Service charges of \$3.9m which relates to underground power levies however this is quarantined for expenditure on that purpose.



In an effort to produce a balanced budget, the following options are available:

- 1) Further draw down of existing reserves, with management identifying at least \$2.0m of funding which could potentially be extended further following rationalisation of some reserve accounts which are no longer required;
- 2) Generate \$1.0m from a further rates increase of approximately 3% which could be justified on the basis that post COVID-19 there were a number of years with no increase in rates (refer Attachment 3 for advice on this approach given that advertising of the differential rates occurred in June 2025);
- 3) Conduct a more intense analysis of Materials and Contracts to realise a further \$1.0m savings which may also involve deferring of expenditure into FY2027; and
- 4) Review of the new expenditure on IT remediation with the potential for deferral of some expenditure into FY2027 which acknowledges that some of these costs are not yet fully supported by a recognised program of work.

With upward pressures on expenditure, the Chief Finance Officer will introduce more stringent practices for monitoring new initiatives including improved use of project accounting and budgeting together with strict project governance to ensure funds are not released without a clearly defined program of work approved by the CEO or the ARIC if over a certain threshold. A summary of these projects and expenditure will be presented to the ARIC as standard reporting.

Consultation

Nil

Strategic Implications

This item is strategically aligned to the City of Nedlands Council Plan 2023-33 vision and desired outcomes as follows:

Vision	Sustainable and responsible for a bright future
Pillar	Performance
Outcome	11. Effective leadership and governance.

Budget/Financial Implications

As described in the budget.

Legislative and Policy Implications

Nil



Decision Implications

Nil

Conclusion

Nil

Further Information

Nil



Objects and Reasons for Imposing Differential Rates for 2025/26

Published on Thursday, 5 June 2025 at 10:53:11 AM

The following Objects and Reasons are provided in accordance with Section 6.36 of the *Local Government Act* 1995 and the Council's "Notice of Intention to Levy Differential Rates" for the 2025/26 Financial Year on various categories of properties within the City.

The differential rates are to be levied in accordance with Sections 6.33 of the *Local Government Act* 1995. This document outlines the objects and reasons for implementing differential general rates.

Overall rating objective

The overall objective of the proposed rates in the 2025/26 Budget is to provide for the net funding requirement of the City of Nedlands' various programs, services, and facilities.

Pursuant to Section 6.36 (1) of the Act, the City has given local public notice of its intention to apply differential general rates and minimum payments in respect of each differential rating category.

Differential General Rating

The purpose of imposing a GRV differential rating for residential, residential vacant land and non-residential is to obtain a fair and equitable form of revenue raising from all categories of properties in the City.

Under the *Local Government Act*, Section 6.33 Differential general rates, a local government may impose differential general rates according to any, or a combination, of the following characteristics:

- a. the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the *Planning and Development Act* 2005; or
- b. a purpose for which the land is held or used as determined by the local government; or
- c. whether or not the land is vacant land; or
- d. any other characteristic or combination of characteristics prescribed.

The differential rates categories for Residential, Residential Vacant and Non-residential for 2025/26 are proposed as:



Differential Rate	Minimum Rate Proposed	Rate in the Dollar (\$) Proposed
Residential	\$1,652	\$0.063456
Non-Residential	\$2,178	\$0.078298
Residential Vacant	\$2,008	\$0.083959

Following are the objects and reasons for each of the differential rates:

1. Residential Differential Rate

The rate in the dollar and minimum rate have been set on the basis that ratepayers make a reasonable contribution to the cost of local government and facilities.

2. Residential Vacant Differential Rate

The rate in the dollar and minimum rate have been set in an effort to promote development of properties thereby stimulating growth and development in the community.

3. Non-Residential Differential Rate

The rate in the dollar and minimum rate have been set to provide for a reasonable contribution towards infrastructure and the cost of local government.

Electors and ratepayers of the City of Nedlands are invited to submit their comments on the above rates in writing **no later than 11.59pm, Sunday 29 June 2025**.

Submissions should be addressed to the Chief Executive Officer, City of Nedlands, PO Box 9, Nedlands WA 6909 or council@nedlands.wa.gov.au, with "Differential Rates" in the subject line.

Keri Shannon
Chief Executive Officer