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***Minutes***

***Special Council Meeting***

***30 June 2020***

**Attention**

**These Minutes are subject to confirmation.**

Prior to acting on any resolution of the Council contained in these minutes, a check should be made of the Ordinary Meeting of Council following this meeting to ensure that there has not been a correction made to any resolution.

**Table of Contents**

[Declaration of Opening 3](#_Toc43981483)

[Present and Apologies and Leave of Absence (Previously Approved) 3](#_Toc43981484)

[1. Public Question Time 4](#_Toc43981485)

[2. Addresses by Members of the Public 4](#_Toc43981486)

[3. Disclosures of Financial and/or Proximity Interest 4](#_Toc43981487)

[4. Disclosures of Interests Affecting Impartiality 5](#_Toc43981488)

[5. Declarations by Members That They Have Not Given Due Consideration to Papers 5](#_Toc43981489)

[6. Adoption of Annual Budget 2020/21 6](#_Toc43981490)

[Declaration of Closure 29](#_Toc43981491)

**City of Nedlands**

**Minutes of a Special Meeting of Council held online via Teams and livestreamed for the public and onsite in the Council Chambers, 71 Stirling Highway, Nedlands (Councillors Only) on Tuesday 30 June 2020 at 5.30 pm for the purpose adopting the 2020/21 Annual Budget and any available Responsible Authority Reports.**

# Declaration of Opening

The Presiding Member declared the meeting open at 5.41 pm and drew attention to the disclaimer below.

# Present and Apologies and Leave of Absence (Previously Approved)

**Councillors** Her Worship the Mayor, C M de Lacy (Presiding Member)

Councillor F J O Bennett Dalkeith Ward

Councillor A W Mangano Dalkeith Ward

Councillor B G Hodsdon Hollywood Ward

Councillor P N Poliwka Hollywood Ward

Councillor J D Wetherall Hollywood Ward

Councillor R A Coghlan Melvista Ward

Councillor G A R Hay Melvista Ward

Councillor R Senathirajah Melvista Ward

Councillor N B J Horley Coastal Districts Ward

Councillor L J McManus Coastal Districts Ward

Councillor K A Smyth Coastal Districts Ward

**Staff** Mr M A Goodlet Chief Executive Officer

Mrs L M Driscoll Director Corporate & Strategy

Mr P L Mickleson Director Planning & Development

Mr J Duff Director Technical Services

Mrs N M Ceric Executive Assistant to CEO & Mayor

**Public** A maximum of 6 members of the public logged into the live stream of the proceedings and 2 members of the public attended for the public address session only.

**Leave of Absence** Nil.

**(Previously Approved)**

**Apologies** Nil.

**Disclaimer**

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council’s position. For example, by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material.

# Public Question Time

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question.

The order in which the CEO receives registrations of interest shall determine the order of questions unless the Mayor determines otherwise. Questions must relate to a matter affecting the City of Nedlands.

Nil.

# Addresses by Members of the Public

Addresses by members of the public who have completed Public Address Session Forms to be made at this point.

Mr Ian Mumford, 95 Stanley Street, Nedlands Item 6

(spoke in support of a grant request for The Nedlands Golf Club)

Mr Wilfred Ong, 120 Melvista Avenue, Nedlands Item 6

(spoke in support of a grant request for The Nedlands Golf Club)

# Disclosures of Financial and/or Proximity Interest

The Presiding Member reminded Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

There were no disclosures of financial interest.

# Disclosures of Interests Affecting Impartiality

The Presiding Member reminded Councillors and Staff of the requirements of Council’s Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

There were no disclosures affecting impartiality.

# Declarations by Members That They Have Not Given Due Consideration to Papers

Nil.

# Adoption of Annual Budget 2020/21

|  |  |
| --- | --- |
| **Council** | 30 June 2020 |
| **Applicant** | City of Nedlands |
| **Employee Disclosure under *section 5.70 Local Government Act 1995*** | Nil. |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **CEO** | Mark Goodlet |
| **Attachments** | 1. Annual Budget 2020/21. 2. Operating Budget by Business Unit 2020/21. 3. Capital Works and Acquisition Budget 2020/21. 4. Schedule of Fees & Charges 2020/21 and 5. Local Government Operational Guidelines – Financial Ratios |

Moved – Mayor de Lacy

Seconded – Councillor Senathirajah

**That the Recommendation to Council be adopted subject to:**

1. **Amend clause 7 ‘Reserve Funds’ to withdraw:**
   1. **an extra $200,000 from the Building Replacement Reserve for the full replacement of (renewal)/or creation of (new) City footpaths (excluding Stirling Highway) and amend the purpose of that Reserve to reflect as such**
   2. **$0.5m from the Business System Reserve for the purposes of funding the new finance system**
2. **Amend clause 13 to read “….and that the proceeds are placed in the Major Projects Reserve (75%) and Underground Power Reserve (25%) for the purposes intended by those Reserves.”**
3. **Add clause 16 to read ‘Community Events’ – “Suspends community events (Summer Concerts, Special Events and Tours) at a cost saving of approximately $83,600.”**
4. **Add clause 17 to read ‘Employee costs’ – “Target savings in employee costs that are equivalent to budget request of $422,000 for new positions.”**
5. **Add clause 18 to read ‘Business Case for potential relocation of Broome St Depot’ – “Increase Technical Services Consultancy Budget by $40,000 to prepare a business case for potential relocation of the Broome St Depot as per Council Resolution of 23 June 2020.”**
6. **Amend clause 10. Other Matters to add the words “subject to Council Resolution” after “$20,000”.**
7. **Amend clause 13. Asset Disposition to add the words “and final approval by Council Resolution” after the words “subject to a sound business case to be developed”.**
8. **Add a clause 19. Grant Funding**

**Add Asquith Street Median Treatment (subject to final approval by Council Resolution)**

Moved – Councillor Smyth

Seconded – Councillor Horley

**That Standing Oder 10.11(2) be suspended to allow more than 2 amendments to be resolved.**

**CARRIED 9/3**

**(Against: Crs. Mangano Poliwka & Wetherall)**

Councillor Bennett left the meeting at 6.21 pm and returned at 6.22 pm.

Amendment

Moved - Councillor Smyth

Seconded - Councillor McManus

**Add clause 20. Capital Works Program 2020-21:**

1. **Group 3 - Change $246,961 to $146,961 Nameless Laneway (Nth of Haldane)**
2. **Group 14 – Change $20,141 to $120,141 Cottesloe Golf Club Playground design & construct.**
3. **Group 19 - Add $50,000 from the Public Art Reserve Fund for Public Art.**
4. **Group 3 - Remove $585,336 being the sum of 3 line-items:**
   * 1. **2500 Stirling Hwy - Louise to Mountjoy (South side) = $181,117**
     2. **5500 Stirling Hwy - Martin to Baird (North side) = $179,470**
     3. **6500 Stirling Hwy - Broome to Martin (North side) = $224,749**

**CARRIED 8/4**

**(Against: Crs. Mangano Poliwka Wetherall & Hay)**

**Add clause 21. Operational Budget 2020-21:**

1. **Urban Planning Projects – Add $25,000 for Mt Claremont North East Master Plan.**
2. **Footpath Maintenance– Add $45,000 for the Stirling Hwy Footpath maintenance (in lieu of Capital Works Projects).**

**CARRIED 8/4**

**(Against: Crs. Mangano Poliwka & Wetherall & Hay)**

Amendment

Moved - Councillor Senathirajah

Seconded - Councillor Smyth

That points 1 and 2 of the recommendation to Council be amended to read:

1. The City of Nedlands Statutory 2020/21 Annual Budget as detailed in the attachment to this report is amended representing a 7.0% ($ 1.7 million) decrease in rates income when compared to 2019/20; this is matched by maintaining operating expenses at 2019/20 levels ($30.78 million) and reducing the footpath replacement along Stirling Highway.
2. The following rates in the dollar of GRV based on the predominant purpose for which the land is held:

Residential the advertised rate be reduced to match decrease in rates income

Residential Vacant Land a rate of 8.220 cents in the dollar

Non-residential a rate of 7.314 cents in the dollar

The AMENDMENT was PUT and was

Lost 3/9

(Against: Mayor de Lacy Crs. McManus Bennett Mangano

Hodsdon Poliwka Wetherall Coghlan & Hay)

Amendment

Moved - Councillor McManus

Seconded - Councillor Bennett

That in point 16 to read suspends two Summer Concerts at a cost saving of approximately $33,000.”

LOST ON CASTING VOTE 6/6

(Against: Mayor de Lacy Crs. Horley Smyth Hodsdon

Coghlan & Senathirajah)

That point 18 be deleted

The AMENDMENT was PUT and was

LOST ON THE CASTING VOTE 6/6

(Against: Mayor de Lacy Crs. Smyth Hodsdon Poliwka

Wetherall & Coghlan)

Amendment

Moved - Councillor Horley

Seconded - Councillor McManus

**Point 16 to read:**

**Community Events – “Suspends community events (Summer Concerts) at a cost saving of approximately $66,800 noting that Special Events remain in the budget.”**

**The AMENDMENT was PUT and WAS**

**CARRIED 11/1**

**(Against: Cr. Mangano)**

**The Substantive was PUT and WAS**

**CARRIED 7/5**

**(Against: Crs. Bennett Mangano Coghlan Hay & Senathirajah)**

**ABSOLUTE MAJORITY REQUIRED**

**Regulation 11(da) –** Council agreed further savings could be made via these amendments in recognition of the current economic situation. Therefore, Council priorities were adjusted in accordance with the various amendments.

**Council Resolution**

**That Council approves:**

1. **the City of Nedlands Statutory 2020/21 Annual Budget as detailed in the Attachments to this report representing a 0.0% increase in rates income when compared to 2019/20.**
2. **the following rates in the dollar of GRV based on the predominant purpose for which the land is held:**

* **Residential a rate of 6.558 cents in the dollar**
* **Residential Vacant Land a rate of 8.220 cents in the dollar**
* **Non-Residential a rate of 7.314 cents in the dollar**

1. **Minimum Rate Payment**

**Pursuant to Section 6.35 of the Local Government Act 1995 a minimum rate to be imposed based on the predominant purpose for which land is held:**

* **Residential Property a rate of $1,484**
* **Residential Vacant Property a rate of $1,968**
* **Non-Residential Property a rate of $1,957**

1. **Rate Payment Options**

**In accordance with Section 6.45 of the Local Government Act 1995, the City of Nedlands provides the options of one or four instalments for the payment of rates, with interest (subject to legislative change) and administration fees applicable as follows:**

* 1. **An amount of 5.5% per annum interest to be charged if a four-instalment option is selected**
  2. **An administration charge of $48 is to be applied to four instalment options if selected: and**
  3. **The following dates be set for payment of rates by instalments**
* **22 September 2020**
* **2 November 2020**
* **21 January 2021**
* **29 March 2021**

1. **Late Payment Interest**

**In accordance with 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) Regulation 1996, adopts an interest rate of 8% (a reduction from the 11% previously charged) for rates and costs of proceedings to recover charges that remain unpaid after becoming due and payable.**

1. **Schedule of Fees & Charges**

**The Schedule of Fees and Charges to be applied are attached to this report. Noting that the majority of fees and charges have been maintained at 2019/20 rates with the exception of those that relate to 3rd party contracts eg Nedlands Community Care or Management Licence Fees resolved previously by Council.**

**Waste Management Fees have been maintained at 2019/20 levels; the City has not increased these fees for 3 years.**

1. **Reserve Funds**

**Approves the following transfer from reserves of $1.53M to fund capital expenditure projects:**

* + **Plant Replacement Reserve $ 35,200 \*\***
  + **City Development Reserve $200,000**
  + **North Street Reserve $200,000**
  + **Building Replacement Reserve $164,000**
  + **All Abilities Play Space Reserve $ 66,000**
  + **Underground Power Reserve $872,505**

**\*\* this transfer expires this reserve**

* 1. **an extra $200,000 from the Building Replacement Reserve for the full replacement of (renewal)/or creation of (new) City footpaths (excluding Stirling Highway) and amend the purpose of that Reserve to reflect as such**
  2. **$0.5m from the Business System Reserve for the purposes of funding the new finance system**

1. **Creation of Reserve Funds**

**The creation of the following Cash Backed Reserves (purpose of Reserve as stated below) in accordance with Section 6.11(1) of the Local Government Act 1995:**

* **Lawler Park Infrastructure Reserve**

**This reserve is established to receive a donation from the Hackett Civic Association to fund the specific requests of the Association within Lawler Park, the specific request are for covered seating, an item of exercise equipment and a plaque acknowledging the donation.**

1. **Elected Member Fees**

**In accordance with *Section 5.99* and 5.98 of *the Local Government Act 1995*, set the fees as following:**

* **Mayor $31,149**
* **Council Member $23,230**

**In accordance with *Section 5.98* and 5.98A of *the Local Government Act 1995*, set the Allowance as following:**

* **Mayor $63,354**
* **Deputy Mayor $15,839**

**In accordance with *Section 5.99A* of *the Local Government Act 1995*, set the sets the ICT (Information Communication Technology) Allowance as follows:**

* **Mayor $3,500**
* **Councillors $3,500**

1. **Other Matters**

**The CEO to submit an application of membership to the West Australian Local Government Association (WALGA) at a cost of $20,000, subject to Council Resolution.**

1. **Variance Reporting**

**A percentage or value to be used in the reporting of material variances for 2020/21 Financial Year of $10,000 or 10%, whichever is the greater.**

1. **COVID-19 Matters**

**Applies the principles as per Special Council Meeting of 14th April 2020.**

1. **Asset Disposition**

**The budget includes a land asset disposition subject to a sound business case to be developed and final approval by Council immediately following adoption of the 2020/21 budget and that the proceeds are placed in the Major Projects Reserve for the purposes intended by that Reserve and that the proceeds are placed in the Major Projects Reserve (75%) and Underground Power Reserve (25%) for the purposes intended by those Reserves.**

1. **Point Resolution Child Care Centre Service**

**Commence review of the Point Resolution Child Care Centre Service and to present the results and recommendations of that review to the September Meeting of Council.**

1. **Underground Power Project – Design Costs**

**The operational expense budget includes design costs of $180,000 for the design of Underground Power in Hollywood East, Nedlands North and Nedlands West. Noting that Western Power have revised their design estimates (approx. $755,000 higher than originally quoted) and that this information was received too late to be included in the 2020/21 budget. The CEO will bring the accurate estimates to Council in July and will propose to fund the additional costs using funds in the Underground Power Reserve Fund.**

1. **Community Events**

**Suspends community events (Summer Concerts) at a cost saving of approximately $66,800 noting that Special Events remain in the budget.**

1. **Employee costs**

**Target savings in employee costs that are equivalent to budget request of $422,000 for new positions.**

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7. **Urban Planning Projects – Add $25,000 for Mt Claremont North East Master Plan.**
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Recommendation to Council

That Council approves:

1. the City of Nedlands Statutory 2020/21 Annual Budget as detailed in the Attachments to this report representing a 0.0% increase in rates income when compared to 2019/20.
2. the following rates in the dollar of GRV based on the predominant purpose for which the land is held:

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1. Reserve Funds

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Commence review of the Point Resolution Child Care Centre Service and to present the results and recommendations of that review to the September Meeting of Council.

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The operational expense budget includes design costs of $180,000 for the design of Underground Power in Hollywood East, Nedlands North and Nedlands West. Noting that Western Power have revised their design estimates (approx. $755,000 higher than originally quoted) and that this information was received too late to be included in the 2020/21 budget. The CEO will bring the accurate estimates to Council in July and will propose to fund the additional costs using funds in the Underground Power Reserve Fund.

**Executive Summary**

The 2020/21 Annual Budget, as specified in this report, is presented to Council for adoption.

**Discussion/Overview**

The 2020/21 City of Nedlands budget has been developed to reflect the principles of prudence, sound financial management, in consideration of the prevailing economic environment. Additionally, the recommendations from the Special Council meeting of 14th April 2020 have been considered in the budget preparations and are reflected in the statements presented.

Requests that the CEO prepares the draft 20/21 budget.

* + based on a zero overall dollar value increase on rates and waste; and
  + targeting the following Financial Ratios which will assist the City’s increased fiscal response to COVID-19 and ensure future financial viability and ensure continued emphasis on asset renewal.
    - Liquidity (Current) Ratio 1.10, or 0.80 if borrowing for underground power.
    - Asset Consumption Ratio 0.6
    - Asset Renewal Funding Ratio 0.9
    - Asset Sustainability Ratio 1.10
    - Debt Service Cover Ratio 2.0, or 1.8 if borrowing for underground power
    - Operating Surplus Ratio 0.01, or -0.15 if borrowing for underground power
    - Own Source Revenue Coverage Ratio 0.4

The development of the budget has been influenced by the City’s Strategic Community Plan and by recent Global matters caused by the COVID-19 pandemic. In April 2020 The Hon David Templeman MLA Minister for Local Government; Heritage; Culture & the Arts implemented a COVID-19 Response Order outlining a number of provisions available to Local Governments, the City of Nedlands has considered the provisions and adopted what it believes are the most financially prudent for its Community, whilst also providing for long term sustainability. The Economy, Response Order and Strategic Community Plan have all been factors in the development of the 20201/21 budget.

City income is roughly 2/3rds rates income and 1/3rd a combination of fees & charges, grants and interest earnings. It is critical that to ensure services to the community that the budget is struck as normal in June, rather than delaying the budget adoption, to allow sufficient cash flow for much needed projects within the Community and to support the economy.

The City has implemented a zero-based approach to its budgets, where each expense item has been justified, given the challenging economic conditions a number of savings have been made across the operations, examples of reductions are:

* precinct plans have been reduced
* costs relating to nuisance issues such as noise testing, mosquito monitoring, removal of asbestos on public land
* reduction in Ranger services
* No salary increases across the board

Whilst the 2020/21 budget preparation has been more challenging than previous years it represents a natural progression of the work the Administration has been undertaking over the last few years in terms of reviewing efficiencies across the business and questioning expenditure at every opportunity.

**Overview of the Budget**

A summary of the 2020/21 Rate Setting Statement

**Rate Setting Statement ($million)**

|  |  |
| --- | --- |
| Operating Revenues | $ 33.58 |
| Operating Expenses | ($31.99) |
| **Net Operating Surplus** | **$1.59** |
| Add Capital Grants | $2.18 |
| **Net Income** | **$3.77** |
| Adjust for: |  |
| Capital Expenditure | ($7.89) |
| Loan Repayments & Lease Payments | ($1.79) |
| Net Reserve Funds Created | ($ 2.94) |
| Opening Funds | $0.99 |
| Add back Non-Cash Expenses | $4.47 |
| Asset Disposal Proceeds | $3.41 |
| **Surplus/Deficit** | **$0.02** |

* Rates revenue for 2020/21 is based on a 0% increase in yield, and minimum rates have remained at consistent levels with 2019/20. Noting 1.25% of rates revenue has been identified as being required each year up to 2023/24 to repay borrowings taken out to fund the Hollywood Underground Power Project and to fund future Underground Power Projects.
* The decision to maintain rates revenue at 2019/20 levels is an acknowledgement that the Community is facing challenges given the tough economic conditions recently experienced and is consistent with the approach of other Local Governments.
* Average rates in 2020/21 are $2,963 which compares favourably to average rates in 2019/20 of $2,980, a reduction of 0.06%.
* The proposed Differential Rates for 2020/21 were advertised on 1st June 2020 and public submissions were invited. No public submissions have been received.
* The majority of fees and charges have remained at the same levels as were set in 2020/21, the exceptions are those relate to 3rd party contracts. Total revenue for parking is expected to decline due to the City’s COVID-19 response.
* Interest income is expected to decrease in 2020/21 due to the impact of the global economy and in particular the low interest rate environment.
* No additional borrowings have been included in the 2020/21 budget and the City continues to pay down debt and not to take advantage of the Response Orders’ option to delay repayment of debt.

**Overview of Operational Expenditure**

**Operational Budget**

Approximately 70% of all operational spend is non-discretionary, meaning that the City has existing services, contracts in place, or statutory commitments to those expenses and must bear the increases in these areas, for example: given recent events including the catastrophic bush fire season and the COVID-19 pandemic it is predicted that insurance premiums across the board will increase. As discussed earlier in this report, each item of operational expenditure is closely monitored and justified by the CEO and Executive Team with a focus on;

* realising operational efficiencies
* service reviews.
* greater transparency in resource allocation decisions;
* value for money analysis and
* accountability for use of resources.
* employee cost efficiencies resulting in savings for the coming financial year will continue to be identified wherever possible.

The operational budget contains several planning related projects necessitated by the implementation of the new planning scheme e.g. the Nedlands Town Centre Precinct Plan, the Broadway, and Waratah Precinct Plans. Budgets have been reduced for several business units for 2020/21 except for staffing related to planning and associated flow on functions (building and environmental health), which accounts for an addition to staffing.

**Some of the initiatives included in our budget development include:**

* Local Planning Scheme 3 initiatives.
* Underground Power – continuing design on the remaining lots in the City, subject to a further Council report in July.
* Business improvement initiatives – ensuring that our processes are as efficient as possible and aligned to policy;
* Regular business unit reviews, to match community demand
* Strategic Recreation Plan – continuation of the work commenced in 2019/20
* Master Planning – funds have been set aside to fund a Master Plan which is likely to eventuate as a result of the Strategic Recreation Plan outcomes
* Community Plan
* Land Investment Strategy; and
* Service reviews – in particular those that have been impacted by changing environmental factors.

The most recent formal consideration of WALGA membership by Council, was at its 28 November 2017 Ordinary Meeting of Council, where a notice of motion to re-join WALGA was lost.  It has therefore been 2 years and 7 months since Council has formally considered its position on this matter.   The impetus for including this in the 20/21 budget report is primarily driven by the fact that the Local Government Insurance Scheme is likely to offer significant savings when the City’s insurance is put to the market this year, and a pre-condition for accessing those savings is membership of WALGA.   When insurances were tested in the market last year the LGIS tender offered potential annual savings of more than $100,000 (after membership costs) over the nearest alternative tender.  Beyond the potential financial incentive to join WALGA, Council may consider the following:

* is an organisation whose membership is made up entirely of councillors
* WALGA provides a platform for advocacy to the State and Federal Government
* WALGA has a simplified and legislatively protected panel procurement system, allowing for easier access to the open marketplace for goods and services
* WALGA provides advice to local governments, unlike the Department of Local Government which does not have the capacity to do so.

**Overview of Capital Expenditure**

During the 2020/21, the City will be investing $7.89M (including incomplete / in-progress projects carried forward from 2019/20 of $0.99) in capital projects.

The 2028 Strategic Community Plan identified that the community remains concerned about the City’s deteriorating assets, and that corrective action must take place to ensure the community’s vision can be realised. The budgeted capital program recognises those concerns and includes several key projects consistent with our stated goal of bringing infrastructure to a condition of ‘good’ within 13 years.

The capital works are partially funded through the following sources:

* a transfer from Reserves of $435,200
* grants and contributions of $2.18M

**Capital Program**

|  |  |
| --- | --- |
|  | $ M |
| Footpath Rehabilitation | $1.09 |
| Road Rehabilitation | $0.85 |
| Drainage Rehabilitation | $0.12 |
| Grant Funded Projects | $3.12 |
| Building Construction | $0.57 |
| Major Projects | $0.09 |
| Parks & Reserves Construction | $0.72 |
| Plant & Equipment | $0.17 |
| ICT | $1.19 |
| Furniture & Equipment | $0.001 |
| **Total for 20/21** | **$7.89** |

**Key Projects for 2020/2021**

|  |  |
| --- | --- |
|  | $ M |
| Continuation of footpath rehabilitation on sections of Stirling Highway | $0.58 |
| Design for drainage infrastructure upgrades on Government Road & Dalkeith Road to avoid local flooding and facilitate new laneway construction | $0.12 |
| Brockway Road Lemnos to Underwood Shared Path Stage 1 | $0.42 |
| Safe Active Streets Project Stage-2 (Dalkeith to Rockton Road) | $0.90 |
| Nedlands Golf Club Greenkeeper Shed | $0.05 |
| Parks Projects   * Upgrade Hamilton park Softfall and Shade Sails * Bishop Road Reserve access improvements to River Foreshore * Cruickshank Reserve Passive recreation upgrade adjacent to Tennis Court | $0.05  $0.03  $0.02 |
| Replacement Finance System | $0.75 |
| **Total for 20/21** | **$2.92** |

The requirement for the $750,000 is for the replacement of our current and dated finance/human resource and budgeting capabilities, which has been identified as a representing a key risk by the Audit and Risk Committee.

This will prove to be a major exercise as it will consist of several components:

* Identification of a solution to meet our needs
* Data Cleaning and Migration to the new solution
* Temporary resourcing so that staff can be engaged in implementation and learning the new systems
* Cost of the new solutions, then the associated annual maintenance and support.

We will be approaching the market in a different manner looking to achieve an outcome and not looking to just replace like for like. Buying like for like creates challenges as the organisations work to show off features and functions forgetting the outcomes. In approaching the market with our agreed outcomes, we can obtain a better result and more effective solution that meet our needs.

The deficiencies of our current system have been the subject of several important Audit issues which will be fully addressed going forward.

**Reserves**

The main purpose of establishing cash backed Reserve funds is to strategically accumulate funds for known future capital project initiatives and to smooth the rating impact of funding for major, multi-year capital projects.

In addition to the existing cash backed Reserves which have specific purposes and identified timelines for the use of accumulated funds, the City has, is recommending the establishment of a new reserve as follows:

|  |  |
| --- | --- |
| **Reserve** | **Purpose** |
| Lawler Park Infrastructure | This reserve is established to receive a donation from the Hackett Civic Association to fund the specific requests of the Association within Lawler Park, the specific request are for covered seating, an item of exercise equipment and a plaque acknowledging the donation. |

**Borrowings**

The City of Nedlands does not intend to take out any new borrowings in 2020/21. Borrowings outstanding at 2020/21 year end are estimated to be approx. $4.1m

The City has actively adopted a prudent approach to borrowings not only to minimise its exposure but to effectively gear up for future projects of a significant nature outlined in the Long-Term Financial Plan.

**Budget Ratios**

The City’s Financial Ratios and Budget Ratios for the past two years are presented below shown below.

|  |  |  |  |
| --- | --- | --- | --- |
| **Budget Ratios** |  |  |  |
|  | **2020/21** | **2020/21** | **2019/20** |
|  | **Target** | **Budget** | **Actual** |
| Current Ratio | **0.80 - 1.10** | 0.93 | 0.99 |
| Operating Surplus | **0.01 or -0.15 (UGP)** | 0.05 | 0.09 |
| Funds After Operations | **0.01** | 0.25 | 0.24 |
| Own source revenue coverage ratio | **0.4** | 1.00 | 1.03 |
| PPE | **N/A** | (0.85) | 0.06 |
| Infrastructure | **N/A** | 3.27 | 4.32 |
| Asset sustainability ratio | **1.1** | 1.50 | 1.44 |
| Asset consumption ratio | **0.6** | 0.59 | 0.59 |
| Cash Reserves | **N/A** | 0.36 | 0.24 |
| Borrowings | **<0.5** | 0.17 | 0.23 |
| Debt Servicing | **2.0 - 1.8** | 3.24 | 3.95 |
| Average Rates (GRV) | **N/A** | $2,963 | $2,980 |

The Operational Guidelines (see attachment 5) provide recommended minimum standards for the various ratios. These are guidelines and the City is able to work outside of the standard ratios providing it does so with it overall financial health in hand and with a plan to return to the standards in future. The 2020/21 Budget combined with the COVID-19 emergency is a time when it is appropriate to consider the minimum ratios that the City should adhere to in order to ensure the City maintains financial viability, while supporting the Statement of Principles and has such set itself targets in April 2020. Additional ratios and metrics have been included to the normally presented financial ratios to provide a more fulsome overview of the financial position of the City.

**Liquidity (Current) Ratio**

Liquidity refers to how quickly and cheaply an asset can be converted into cash. This ratio provides information on the ability of a local government to meet its short-term financial obligations out of unrestricted current assets.

The Standard is met at 1.0, or 100%. The proposed Liquidity Ratio is 1.10, or 0.80 if borrowing for underground power.

**Operating Surplus Ratio (or Financial Performance Ratio)**

If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having regard to asset management and the community’s service level needs, then it is considered financially sustainable.

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

The basic standard is met at 0.01 to 0.15. The standard is advanced at >0.15. The proposed standard is 0.01, or -0.15 in the event of funding underground power.

**Funds After Operations**

An indicator of the objective that the local government should generate a surplus of rate revenue plus untied grants after meeting operating outflows for the purpose of contributing to its capital program and financing activity. An increasing ratio over time suggests an improvement in the local government’s overall capacity to fund capital acquisitions and support its financing activities.

Measured as a percentage of general funds provides an indication of the size of the surplus relevant to the local government’s discretionary revenue.

The basic standard is met at >0.01.

**Own Source Revenue Coverage Ratio (Coverage Ratio)**

A local government’s ability to cover its costs through its own taxing and revenue efforts.

The basic standard is met at 0.40 to 0.60. The intermediate standard is met at >0.6 to 0.9. The advanced standard is met at >0.9. The proposed standard is 0.40.

**PPE (Property Plant & Equipment)**

An indicator of the objective that the value of local government fixed assets (after depreciation) should at least keep pace with inflation over time. An improving average ratio (after allowing for the impact of inflation on valuations) indicates the local movement is increasing its PPE asset stock which may indicate a capacity to maintain and improve service levels.

The ratio for 2020/21 is affected negatively by the disposal of a property worth $3.3m thereby reducing the written down value of PPE compared to 2019/20.

**Infrastructure**

An indicator of the objective that the value of local government fixed assets (after depreciation) should at least keep pace with inflation over time. An improving average ratio (after allowing for the impact of inflation on valuations) indicates the local movement is increasing its Infrastructure asset stock which may indicate a capacity to maintain and improve service levels.

The reducing ratio is due to lower level of infrastructure capital works program budgeted in 2020/21.

**Asset Sustainability Ratio (ASR)**

This ratio approximates the extent to which assets managed by a local government are being replaced as these reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense. Expenditure on new or additional assets is excluded.

The standard is met at 0.90. The standard is improving at 0.90 to 1.10. The proposed standard is 1.10.

**Asset Consumption Ratio (ACR)**

This ratio seeks to highlight the aged condition of a local government’s stock of physical assets. If a local government is responsibly maintaining and renewing / replacing its assets in accordance with a well prepared asset management plan, then the fact that its Asset Consumption Ratio may be relatively low and/or declining should not be cause for concern – providing it is operating sustainably.

The basic standard is met at 0.50 to <0.60. The standard is improving at 0.60 to 0.75. The proposed Asset Consumption Ratio is 0.6.

**Cash reserves**

An indicator of the level of cash reserves available to the local government to fund future activities. An increasing ratio suggests the local government has an improved capacity to fund capital acquisitions and support financing activities.

**Borrowings**

An indicator of the level of principal on past borrowings owed by the local government to external parties. An increasing ratio over time suggests the local government is using borrowings to fund capital acquisitions which will require repayment in future periods.

The basic standard is met at <0.5.

**Debt Service Cover Ratio**

A local government’s ability to service debt is measured by the ‘Debt Service Cover Ratio’. This is the measurement of a local government’s ability to produce enough cash to cover its debt payments.

The basic standard is met at 2.0 to <5.0. The standard is advanced at >5.0.

The proposed standard is 2.0 or 1.8 if borrowing for underground power. The main impact being the recognition of the owners’ portion of short-term borrowings for the underground power project as a liability on the City’s balance sheet.

The City is in the fortunate position of having a strong debt servicing capacity. This will allow is to consider adding debt to undertake projects such as the underground power or other stimulus projects that may arise. It may also allow consideration of support to worthwhile community group projects.

**Average Rates (non-minimum)**

An indicator of the average rate revenue per assessment for the period. An analysis of the change in average rates over multiple periods can help assess the impact changes in rating policy is having on ratepayer’s contribution levels over time.

**Key Relevant Previous Council Decisions:**

* Adoption of the City’s Corporate Business Plan 2014 to 2018 at its meeting of 20 June 2013.
* Adoption of the City’s Strategic Community Plan “Nedlands 2028” at its meeting of 22 May 2018.
* Adoption of the City’s COVID Response at its Special Council Meeting 14 April 2020.

**Conclusion**

The 2020/21 budget has been prepared in conjunction with the Corporate Business Plan, the COVID-19 Response Order supports a 0.0% rate increase.

**Consultation**

Required by legislation: Yes  No

Required by City of Nedlands policy: Yes  No

As required by the *Local Government Act 1995*, the City advertised proposed differential rates on 01 June 2020, inviting comments over a period of 21 days. The advertised rates proposed a 0.0% increase in rates revenue compared to 2019/20.

In building its budget the City takes the requests from the community throughout the year and presents the information to Councillors at briefing sessions. Councillors also bring feedback from the Community to the briefing sessions. This process captures the communities concerns relative to the immediate and ongoing needs in relation to services the City is able to provide. This process is more comprehensive and in-depth mechanism for garnering community feedback on budgetary issues that matter to the community than a single annual request for feedback.

**Strategic Implications**

**How well does it fit with our strategic direction?**

Great Governance and Civic Leadership

We value our Council’s quality decision-making, effective and innovative leadership, transparency, accountability, equity, integrity and wise stewardship of the community’s assets and resources. We have an involved community and collaborate with others, valuing respectful debate and deliberation.”

The adoption of the annual budget addresses the operations and programs of the City of Nedlands as identified in the context of our 10-year Financial Plan and the five-year capital works programme.

**Who benefits?**

The 2020/21 budget has been developed with the interests of the Community in mind, it strives to achieve the right balance of capital investment and financial responsibility.

**Does it involve a tolerable risk?**

Financial risk assessments have been incorporated in decision making around the preparation of the 2020/21 Budget, the biggest risk is the potential for a slowdown in rate payments due to prevailing economic conditions. Cash Flow Management is key to mitigating this risk.

A risk management approach has been applied throughout the preparation of the 2020/21 Annual Budget to ensure the ongoing maintenance, upgrade or replacement of the City’s buildings and infrastructure and other assets. A stronger focus on Asset Management is also improving the City’s ability to assess and deliver its future capital and maintenance needs.

**Do we have the information we need?**

The draft 2020/21 Annual Budget has been considered in stages over the past 3 months. Councillors have reviewed proposals presented by Administration at a series of budget workshops held in April, May and June.

**Budget/ Financial Implications**

**Can we afford it?**

The 20/21 budget has been drafted:

* with a focus on maintaining capitals works for renewal purposes and to continue to support economic activity; and
* based on no overall increase of cost to the ratepayer for the rates and waste service charges.

Affordability in the 20/21 budget development will be guided through the application of the financial ratios and are dealt with earlier in this report. For easier understanding the Department of Local Government and Communities Operational Guidelines on Financial Ratios are provided in Attachment 5.

**How does the option impact upon rates?**

This budget has a 0% impact upon rates revenue increase for 2020/21.

# Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed at 7.16 pm.