

LATE ITEM

***DRAFT 15 YEAR FINANCIAL PLAN AND DRAFT 2007-08 SUMMARY OF BUDGET ESTIMATES***

WARD All  
DATE 5<sup>th</sup> July  
2007  
REF AFM  
RESPONSIBLE MANAGER EDCorpS

**In Brief:**

- This report presents the Draft Fifteen Year Plan and Draft 2007-08 Summary of Budget Estimates prepared on the basis of the considerations and outcomes from the series of Councillor Workshops held over the last 3 months;
- The Report resolution is that the Draft Plan and Draft 2007-08 Summary of Budget Estimates be approved thereby enabling both documents to be advertised for public comment prior to when, at the Special Meeting of the City Strategy Committee scheduled for 30.7.07, both documents will be reconsidered and recommended to Council for adoption.

**Tabled Items**

Nil

**Officer Interest Declaration**

Nil

**Strategic Implications**

Developing our Organisation – improve the overall financial viability of Council by implementing financial strategies including, investment, rating and infrastructure funding.

**Legislation Implications**

Section 6.2 of the Local Government Act 1995 refers, ie.

***6.2. Local government to prepare annual budget***

- (1) During the period from 1 June in a financial year to 31 August in the next financial year, or such extended time as the Minister allows, each local government is to prepare and adopt\*, in the form and manner prescribed, a budget for its municipal fund for the financial year ending on the 30 June next following that 31 August.
- (2) In the preparation of the annual budget the local government is to have regard to the contents of the plan for the future of the district made in accordance with section 5.56 and to prepare a detailed estimate for the current year of —
  - (a) the expenditure by the local government;
  - (b) the revenue and income, independent of general rates, of the local government; and
  - (c) the amount required to make up the deficiency, if any, shown by comparing the estimated expenditure with the estimated revenue and income.
- (3) For the purposes of subsections (2)(a) and (b) all expenditure, revenue and income of the local government is to be taken into account unless otherwise prescribed.

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**Council Policy/Local Law Implications**

Nil

**Budget/Financial Implications**

In accordance with the recently reported 2007-08 Budget Timetable, this report serves to present the Draft Fifteen Year Financial Plan and Draft 2007-08 Summary of Budget Estimates for Committee's consideration and resolution purposes.

**Consultation**

The Draft Plan and Draft Budget documents presented in this Report have been prepared on the basis of a series of Councillor Workshops held over the last 3 months.

**BACKGROUND**

Since 1998 the City has ensured all of its decision-making is predicated on the Strategic Plan and the objective that strong economic and population growth is essential to the Armadale community's future sustainability.

A small and stagnant Armadale would never be able to fund vital infrastructure, environmental or cultural programmes, let alone sustain its basic services.

These principles are contained in a document titled "*Fifteen Year Plan – a 2007 Snapshot*" (**refer Attachment A-3**) prepared by the CEO to accompany discussions on a new Draft of the City's long-term strategy.

Since April of this year, Council has participated in a series of 7 workshops, aimed at delivering information, exploring concepts and clarifying options prior to reaching formal decisions through the Committee process.

This report will reflect on those discussions and lead City Strategy Committee to the decisions necessary to advertise a Draft 2007/08 Budget. It will also formulate a Draft 15 Year Plan which will be suitable for public consultation before the first five years are adopted as the City's mandatory "Plan for the Future".

The "Plan for the Future" will then replace the City's former "Strategic Plan".

This Report is also presented in accordance with the following recent resolution from the Council Meeting held on 2<sup>nd</sup> July 2007, ie.

*That Council, pursuant to Sections 5.16 and 5.17 of the Local Government Act 1995, delegate to the City Strategy Committee at its ordinary meeting to be held on 9<sup>th</sup> July 2007, the authority to resolve the Draft 15 Year Financial Plan and the Draft 2007-08 Summary Budget Estimates (being the estimates from the first year of the Draft 15 Year Financial Plan), thereby enabling:*

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- (a) *the Draft 2007-08 Summary of Budget Estimates to be advertised for public comment purposes prior to final recommendations being made on the 2007-08 Annual Budget at the proposed Special Meeting of the City Strategy Committee to be held on 30<sup>th</sup> July 2007, and*
- (b) *the adoption of the 2007-08 Annual Budget at the ordinary Council Meeting to be held on the 7<sup>th</sup> August 2007 as originally planned.*

### **DETAILS OF PROPOSAL AND COMMENT**

In accordance with the 2007-08 Budget Timetable (as reported to the Council Meeting held on 2<sup>nd</sup> July 2007), the purpose of this Report is to provide Committee with:

- A précis of the discussions and considerations arising from the (7) Councillor Workshops that were held over the last 3 months covering a range of financial and project planning aspects dealing with the Draft Fifteen Year Financial Plan, and
- A Draft Fifteen Year Financial Plan and Draft 2007-08 Summary of Budget Estimates thereby enabling public advertising and comment prior to adoption of the Budget.

Final consideration of the Annual Budget and Fifteen Year Financial Plan is planned to occur at the July 30<sup>th</sup> Special City Strategy Committee meeting. At that meeting, having regard for the following matters, Committee will make final recommendation on the 2007-08 Annual Budget to the August 7<sup>th</sup> Ordinary Council Meeting, ie.

- Public comment received on the Draft Budget Estimates and Fifteen Year Financial Plan;
- Resolutions from each of the Standing Committees having considered and developed the works programs commensurate with the first year estimates of the Draft Fifteen Year Financial Plan;
- The June 30<sup>th</sup> 2007 year-end financial position inclusive of proposed carry forwards relating to works and programs in progress;
- Any other budgetary matters arising between now and then requiring consideration in the context of the Annual Budget.

### **Précis of Councillor Workshops**

The Draft Plan and 2007-08 Summary of Budget Estimates documents attached to this Report, have been prepared based on the information, material and discussions held at the (7) Councillor Workshops scheduled over the last 3 months.

The following recaps on the material covered at each of the Workshops including suggestions which have served to shape and formulate the Plan as presented for Committee's consideration and approval.

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**Workshop 1 – held on 24.4.07 – Councillors in attendance (12)**

This Workshop was primarily a familiarization process, ie. a recap on the Plan as adopted the previous year, in particular the structure of the Plan, the principles that underpin the Plan and its contents, especially the Strategic projects;

The Workshop was also presented with details of revenue and expenditure variations required due to circumstances which had changed since the previous year. The majority of those circumstances had been the subject of a report to the 19.2.07 Council Meeting, ie. the Half Yearly 2006-07 Budget Review Report. Over the life of the Plan, it was reported that operating revenues were estimated to have increased by \$34.6m, operating expenditures by \$9.8m and capital/strategic project costs by \$12.3m, since the Plan was last reported.

In summary, the Workshop was advised that the Plan inclusive of the proposed revenue and expenditure variations remained deliverable. Overall there was an increase in net funding which would serve to partially close the asset preservation funding gap, there was also a funding shortfall identified in years 2-5 of the Plan suggesting may be the need for re-scheduling of some capital projects to the later years of the Plan.

**Workshop 2 – held on 30.4.07 – Councillors in attendance (10)**

Subject matters presented at this Workshop included:

- The cost of maintaining higher standard POS areas in the new residential estates and proposed funding via a specified area rate (SAR); and
- Library relocations at Armadale and Kelmscott and the Aquatic Centre Enclosure project.

*On the new residential POS/SAR subject*, the Workshop was advised that more recent work done on whole-of-life cost estimates had identified that a specified area rate limited to \$150 per annum per lot would fail to cover the whole-of-life cost of the new developments. Options were presented on how the funding gap might be addressed.

*Proposed Library Relocations* – details of the proposed relocations of the Armadale and Kelmscott Library Services as provided in the existing Plan were presented. The view of the Workshop generally was that these projects remain in the Plan for presentation.

*Proposed Enclosure of the Aquatic Centre* – updated details of this project were presented. Due to building cost increases, the revised capital cost estimate is now \$5.1m (was previously \$3.7) and associated due diligence works on the pool bowls and water circulation, were reported to cost \$2.9m. Given the increase in capital costs and the associated due diligence works, comparative costs on the alternative option of constructing a new 25m indoor pool facility was requested as a matter requiring further consideration at a subsequent Workshop.

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**Workshop 3 – held on 7.5.07 – Councillors in attendance (10)**

The focus of this Workshop was a consultant’s interim report commissioned a few months earlier re: *active reserves needs and feasibility assessment*, ie. reviewing existing provision of active sporting reserves in the City to meet current and future needs.

The material presented at the Workshop included :-

- (i) issues relating to active reserves, for example,
  - Not enough sporting reserves
  - Poor planning in new developments
  - Developer driven proposals ignore “active” sporting needs
    - Cost effectiveness (single reserves at best)
    - Passive provision dominates
  - Inadequate maintenance of grounds/facilities
  - Capacity – overuse / best use / programming
  - Limited Joint use (planning)
  - Environmental – water
  
- (ii) based on current and future sporting participation rates and population projections, there is a foreseeable need for additional capacity equivalent to at least 13 new reserves within the next 15 years.

**Workshop 4 – held on 8.5.07 - Councillors in attendance (12)**

Three related subject matters were presented at this Workshop, ie.

- (i) *A proposed POS and Freehold Land Sales Strategy*

Following Council’s analysis of Public Open Space it was apparent a considerable amount of POS and freehold land was either inappropriate or poorly located for public use. Council has followed a strategy whereby Council holdings may be rationalized but the funds released will be allocated to strategic projects or re-invested in accordance with the strategy.

Sale of land will not be used to subsidise recurrent expenditure or falsely reduce revenue sources such as rates.

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Details of possible POS and Freehold land sales were presented together with related conditions (on how the funds could be spent).

<b>Summary - Proposed POS Land Sales</b>						
Precinct POS/Yr of sale(s)	Sales	Less Purchase cost & GST	Less 30% T/F to Regional Reserve A/C	Plus DSR Grants & Club Contrib'n	Less Project Cost	Balance remaining in Precinct Reserve A/C
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
A - Westfield (7/8 & 8/9)	900.00	135.00	243.00	150.00	550.00	122.00
B - Seville Grove (7/8 & 8/9)	900.00	135.00	243.00	35.00	150.00	407.00
C - W Armadale (7/8)	1,260.00	189.00	340.20	110.00	840.80	-
I - Roleystone (7/8 & 8/9)	720.00	108.00	194.40	30.00	100.00	347.60
G - Creyk (7/8 & 8/9)	1,285.20	114.75	206.55	35.00	150.00	848.90
E - Mt Richon (9/10)	900.00	135.00	243.00	-	-	522.00
F - Clifton Hills (9/10)	1,170.00	175.50	164.50	370.00	1,200.00	-
H - Mt Nasura (9/10)	1,620.00	243.00	437.40	-	-	939.60
O - Rural West (10/11)	135.00	20.25	36.45	-	-	78.30
	8,890.20	1,255.50	2,108.50	730.00	2,990.80	3,265.40

<b>Summary of Freehold Land Sales Proposed</b>						
	2007/08	2008/09	2009/10	2010/11	2011/12	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales (Gross)	225.00	1,467.00	450.00	9,585.00	11,475.00	23,202.00
Less GST	22.50	146.70	45.00	958.50	1,147.50	2,320.20
Less T/F to Strategic Investments Reserve A/C	141.75	924.21	283.50	6,038.55	7,229.25	14,617.26
<b>Balance Remaining for capital works</b>	60.75	396.09	121.50	2,587.95	3,098.25	6,264.54

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(ii) *Possible projects enabled following disposal of selected land holdings*

<b>Summary of Proposed Capital Works for funding from Freehold land sales</b>								
	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Next 5 yrs</b>	<b>Next 5 Yrs</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><i>New Projects</i></b>								
Palomino Reserve - 2013/14 - \$250k less grants/contributions \$55k						270.2	94.0	364.2
Alfred Skeet Reserve - \$350k less grants/contributions \$60k					316.2	131.0	131.0	578.2
\$150k less grants/contributions \$35k						159.8	56.0	215.8
Pries Park - \$100k less grants/contributions \$35k		68.7	7.4	7.4	7.4	37.0	37.0	164.9
Morgan Park - 2012/13 - \$200k less grants/contributions \$30k						227.5	75.0	302.5
Frye Park - \$300k less grants/contributions \$100k			211.2	22.5	22.5	112.5	112.5	481.2
Golf Course - 2012/13 - \$600k less grants /contributions \$400k & COA loan \$200k						424.8	369.1	793.9
Skateboard Park - \$300k less grants/contributions \$100k		213.8	27.5	27.5	27.5	137.5	137.5	571.3
Ex PCYC Facility Champion Drive - \$100k	100.0							100.0
Property Mgmt Services - CCTV initiatives	70.0	50.0	30.0					150.0
Baker's House Refurb - \$750k (over 2 yrs) less grants/contributions \$650k				50.0	127.5	387.5	387.5	952.5
Nth Forrestdale Sporting Facility - \$450k less grants/contributions \$300k				187.0	52.0	260.0	260.0	759.0
Community Facility Wungong - 2015/16 - \$700k less grants/contributions \$350k						455.0	262.5	717.5
Cultural/Performing Arts Facility - 2017/18 - \$5m less grants/contributions \$500k & COA loan \$4.5m							3,964.5	3,964.5
Regional Recreation Facility - 2012/13 - \$2m less grants/contributions \$1m & COA loan \$1m						1,039.5	1,155.0	2,194.5
<i>Total Net Expend</i>	170.0	332.5	276.1	294.4	553.1	3,642.3	7,041.6	12,310.0
Revenues available from Freehold Land sales	60.7	396.0	121.5	2,588.0	3,098.0	-	-	6,264.2
<i>Net Cost</i>	109.3	(63.5)	154.6	(2,293.6)	(2,544.9)	3,642.3	7,041.6	6,045.8
Cumulative Balance		45.8	200.4	(2,093.2)	(4,638.1)	(995.8)	6,045.8	

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(iii) *Asset preservation funding gap*

In order to maintain the current level of service and amenity it is necessary to maintain and renew existing assets such as roads, buildings, parks, street furniture, plant, equipment etc. The City's recurrent expenditure allocates enough for general maintenance but there is a funding gap for asset preservation.

The material presented to this part of the Workshop revealed that, based on revised whole-of-life asset renewal costs over the life of the 15 Year Plan, there is an asset preservation funding gap

- (a) on existing assets of \$17.2m (ie. roads \$15m and parks \$2.2m) and
- (b) on developer contributed assets of \$36.6m (ie. roads \$12m and parks \$24.6m)

**Workshop 5 – held on 14.5.07 - Councillors in attendance (12)**

The focus of this Workshop was Council office/civic accommodation needs for the future. The CEO emphasized that as the City centre redevelopment is completed the City's own accommodation will not only need extension for growth but will be sadly outdated and in need of refurbishment. It is important the civic buildings be as "marketable" as the new private buildings surrounding it. The material presented demonstrated a strong case for increased Council office space (commensurate with projected population figures, service demand trends and office space standards) occurring earlier in the Plan than is currently scheduled (ie. 2014-15) and the need to retain the temporary office accommodation (behind the Armadale Library building) longer than originally planned. Officers were requested to consider the possibility of bringing forward the planned extensions from 2014-15 by at least 3 years and to have regard for commissioning a feasibility report. This report would identify options for addressing the City's future longer term civic and administration land and accommodation needs preferably within the current civic precinct but possibly elsewhere within the City.

**Workshop 6 – held on 22.5.07 - Councillors in attendance (11)**

The purpose of this Workshop was to consolidate all of the information and material presented at the previous Workshops with a view to "balancing the Plan" in preparation for consideration and recommendation by the City Strategy Committee. The Workshop examined the following material:

- the proposed recurrent revenue variations to the Plan;
- the proposed recurrent expenditure variations to the Plan;
- the proposed capital expenditure variations to the Plan;
- the possible POS land sale revenues and the capital reserve development projects to which these sale revenues might be applied;
- the possible freehold land sale revenues and the capital/strategic projects to which these sale revenues might be applied;
- the rate growth factor to be applied for the duration of the Plan;
- what adjustments might be required to Balance each year of the 15 Year Plan.

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**Workshop 7 – held on 11.6.07 - Councillors in attendance (12)**

This Workshop was in effect a continuation of the previous Workshop with the focus being to “balance the Plan” for consideration by Council. Questions raised at the previous Workshop for further consideration at this Workshop included:

- what would be the impact on the year end position of other rate growth models?
- how would the costs of the new 25m pool facility option compare with the current pool enclosure proposal? - If they are comparable then there would be a preference for the separate 25m pool facility.
- Does the Plan have the capacity to include the option of a new separate 25m pool facility in lieu of the currently proposed enclosure option?

As a result of these discussions, the following matters are now put forward for consideration and approval by the City Strategy Committee for inclusion in the 15 Year Plan.

- a rate growth factor of 3% in years 1 and 2 and thereafter 1% pa,
- the addition of a new 25m Pool Facility project in year 2010-11 (if finances permit preferably a year earlier) in lieu of the currently planned Pool Enclosure project,
- the planned extensions to the Administration Building being brought forward in the Plan to year 2011-12,
- that the asset preservation allocations for new capital asset projects, be reallocated in the Plan (but not reduced overall) to accommodate items 2 and 3 above,
- the current Plan being adjusted in the following manner:

<b>Proposed Adjustments</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>Next 5 yrs</b>	<b>Next 5 Yrs</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Contingency cost increase allowance deleted		(100)	(100)	(100)	(100)	(500)	(500)	(1,400)
ARA Works - program reduced to 3 yrs at \$200k pa	(38)	(46)	(46)	(61)	(76)	(365)	(113)	(745)
Reduction in Muni funded Reserve Develop't in lieu of POS projects	(100)	(100)	(150)	(200)	(200)	-	-	(750)
Better than Budgeted 30 June 2007 year-end position ONE-OFF GAIN	(600)	-	-	-	-			(600)
<i>Total</i>	<b>(738)</b>	<b>(246)</b>	<b>(296)</b>	<b>(361)</b>	<b>(376)</b>	<b>(865)</b>	<b>(613)</b>	<b>(3,495)</b>

**A. Draft Fifteen Year (2007-2022) Financial Plan**

Presented at **Attachment A-2** to this Report (circulated separately) for Committee’s consideration and approval is the Draft Fifteen Year Financial Plan.

The Draft Fifteen Year Financial Plan as now presented has been compiled having regard for the consensus views and deliberations expressed at the (7) Councillor Workshops.

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The key elements of the Draft Fifteen Year Financial Plan are summarized hereunder, ie.

- (a) The Plan has been prepared on the basis of each year of the Plan returning a balanced year-end financial position, ie. the sum of the revenues = sum of the expenditures, with minimal or no year-end surplus or deficit positions.
- (b) Rates growth factor of +3% for years 2007-08 and 2008-09 and thereafter, +1% per annum. The rates growth factor is designed to fund
  - (i) new expenditure initiatives considered essential to the City's future economic prosperity and sustainability, and
  - (ii) the shortfall in day-to-day actual cost increases that are not adequately measured by the CPI factor.NB: for the 2007-08 year, the proposed rates increase will therefore be 6.5%, ie. an inflationary cost factor of 3.5% (equal to the Perth Consumer Price Index for the 12 month period ended 31.3.07) plus a rates growth factor of 3%;
- (c) a Managed Loan Borrowing program which restricts loan borrowings to purposes of asset/infrastructure creation and contains loan repayments expressed as a percentage of ordinary revenue (debt service ratio) to not more than 10% - the maximum debt service ratio in the Plan as presented, is 5.1% ;
- (d) Recognition of the City's future asset preservation requirements and funding allocations over the life of the Plan totaling \$35.2m representing, 100% funding of all future asset creation initiatives, 30% funding of existing assets and 0% funding of contributed assets (eg. public infrastructure works created by developers);
- (e) Recognition of future rate revenues arising from new residential developments to occur across the City, ie. over the life of the Plan, it is estimated that 9,700 new residential lots will be developed;
- (f) A Freehold Land Sales & Investment Strategy which seeks to more effectively manage the City's Land assets by maximizing returns, disposing and investing in new assets where appropriate, and allocating funds to strategic capital works, ie. 70% of the proceeds from proposed land sales are to be re-invested in income producing assets yielding a higher investment return and 30% of the proceeds may be directed to asset/capital creation programs. The estimates for this strategy as contained in the Plan are summarized as follows:
  - potential gross proceeds from proposed land sales - \$23.2m
  - 70% reinvestment in income producing assets/investments - \$14.6m
  - allocation to strategic capital works - \$6.2m
- (g) Public Open Space Land Sales Strategy which has as its primary objective more efficient and effective utilization of public open space lands across the City, ie. the Strategy seeks to identify and sell POS lands that are superfluous to current and future requirements with 30% of the net sale proceeds being directed to a Regional Recreation Reserve Account

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and the balance to be spent on improving those POS lands to be retained. All of this is underpinned by a Precinct methodology which effectively means that the majority of proceeds from POS sales in a particular precinct (of which there are 10) are to be spent on improving the remaining POS's *in that same precinct*. The estimates for this Strategy are summarized as follows:

- potential gross proceeds from proposed POS sales - \$8.4m
- 30% reinvestment in regional recreational initiatives - \$2.3m
- new capital works on remaining POS lands - \$3m + \$2.6m for which works programs are being developed.

(h) the following strategic projects/initiatives:

<b>Project Description</b>	<b>Year</b>	<b>Total Funding (\$'000)</b>
Civil Works - ARA related projects - \$216k pa for first 3 yrs	1-3	971
Former PCYC Facility Refurbishment - \$100k	1	100
Forrestdale Community Contribution - \$27k in yr 1 and \$54k thereafter + capital of \$539k in yr 15/16	1-15	1,321
Armadale Library Relocation	2	8,218
Kelmscott Library Relocation	4	3,875
Community Facility - Bakers House - Refurbishment - \$750k	4-5	953
Aquatic Centre - Due Diligence Works - \$1m	1 & 3	2,054
New 25m Indoor Aquatic Facility - \$9m	3-4	16,143
Development of Recreational Reserves - \$216k	6 onwards	3,721
New Estates - POS - SAR (self funding)	2 onwards	14,025
Asset Preservation Allocation	1 onwards	18,465
Armadale Library - Conversion to Office Space - \$431k	2	998
Administration Office - Refurbishment - \$1.35m	3	3,518
Administration Office - Extensions - \$3.5m	5	5,764
Additional Staff Resources and Associated Expenses	1 onwards	14,823
Replacement of Core Computer System	3 onwards	2,588
Closed Circuit Television Initiative	1-3	150
CSRFF Reserve Development projects	1 onwards	1,758
<i>Capital Works Associated with Freehold Land Sales</i>		
- Morgan Park Development - \$200k	6	303
- William Skeet Reserve Development - \$150k	7	216
- Palomino Reserve Development - \$250k	7	364
- Alfred Skeet Development - \$350k	5	578
- Pries Park Development - \$100k	2	165
- Frye Park Development - \$300k	3	481
- Golf Course Redevelopment \$600k	6	903
- Skateboard Park Construction - \$300k	2	571
- Wungong Community Facility - \$700k	9	718
- Wungong Regional Recreational Facility - \$2m	6	2,195
- Cultural / Performing Arts Centre - \$5m	11	3,965
- North Forrestdale Sporting Facility - \$450k	4	759
<i>POS funded Active Reserve Development - \$3m</i>		
- Reg Williams Precinct - \$540k	2	
- Gwynne Park - \$300k	2	
- Cross Park - \$100k	5	
- Creyk Park - \$150k	4	
- Frye Park - \$1m	3	
- Rushton Park - \$200k	3	
- John Dunn - \$550k	4	

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- (i) The Draft Plan includes the revenue and expenditure variations due to circumstances which had changed since the previous year as reported to the first Workshop, the majority of which were reported in the Half Yearly 2006-07 Budget Review Report.

A final aspect for Committee to note about the Draft Fifteen Year Plan as presented, is its appearance. That is, whilst it differs slightly to the format of previous years, its structure remains the same. The Plan is basically a fund allocation statement showing:

- firstly, a *Summary Position* detailing for each year of the Plan, the opening year surplus/deficit balance PLUS Revenues available from Corporate Sources (ie. revenues not directly connected with operational areas, such as, rates, investment interest) LESS Directorate Funding Allocations LESS Strategic Project Allocations EQUALS closing year surplus/deficit balance. This Summary section also includes other corporate information such as, details of loan borrowings (including the related debt service ratio) and asset preservation allocations.
- secondly, funding allocations made towards what's been referred to as *Strategic Items/Projects* (these are generally significant capital type projects associated with the growth of the City) and
- thirdly, funding allocations made towards what's been referred to as *Directorate Requirements*, which basically means the *net funding* (ie. the difference between the revenues and expenditures directly associated with services) required to deliver Council's day-to-day services consistent with Council's policies and agreed works programs, such as for example, library services, civil works, etc.

<b>B. Draft 2007-08 Summary of Budget Estimates</b>
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Presented at **Attachment A-5** to this Report (circulated separately) for Committee's consideration and approval is the Draft 2007-08 Summary of Budget Estimates totaling approx. \$50M.

This document primarily shows the revenue and expenditure estimates, both operating and capital, for each Directorate and the organization as a whole. Details of the works programs that represent the estimates presented in this document, will be provided via the Directorate Budget Reports to be presented to the Standing Committees over the next 2 weeks, eg. whilst the attached document will show the total estimate for capital road works, it will be the Directorate Budget Report that will show the particular road works by road, section and cost estimate.

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The key components of the Draft 2007-08 Summary of Budget Estimates are noted and explained hereunder, ie.

**(i) Proposed Rates for 2007-08**

The proposed rates for 2007-08 are shown in the following Table:

<b>Proposed 2007-08 Rates</b>				
<b>Particulars</b>	<b>Rate in \$ (cents)</b>	<b>Min rate \$</b>	<b>No.of props</b>	<b>Total Rates Levied</b>
GRV properties (including interims)	11.99	685	21,726	22,608,030
UV Properties	0.295	823	205	672,750
<i>sub total</i>			21,931	23,280,780
<b>Specified Area Rates (GRV basis)</b>				
Area A - Armadale Town Centre	0.763	N/A	89	88,020
Area B - Kelmscott Town Centre	1.422	N/A	67	58,690
Area C - Kelmscott Industrial Area	0.374	N/A	296	14,690
Area D - South Armadale Industrial Area	1.023	N/A	115	16,760
Area E - Shopping Precincts	1.157	N/A	13	22,230
<i>sub total</i>			580	200,390
<b>Total</b>			<b>22,511</b>	<b>23,481,170</b>

Aspects to note about the **Proposed 2007-08 GRV Rates** include:

- The rate in the \$ of 11.99 cents and the minimum rate of \$685 include the inflationary cost factor of 3.5% and the rate growth factor of 3%;
- For the average residential property which will attract annual rates of \$845 (not including the annual rubbish charge of \$171 and the State Government’s Emergency Service Levy (details of which are provided hereunder), the annual \$increase will be \$52 or \$1 per week;
- There has been no revaluation of GRV rated properties (the next triennial GRV revaluation will occur during the 2007-08 year and apply from the 1<sup>st</sup> July 2008) and accordingly the % increase to apply for the 2007-08 year, will be uniform for all GRV rated properties;

Aspects to note about the **Proposed 2007-08 UV Rates** include:

- The rate in the \$ of 0.295 cents and the minimum rate of \$823, again include the inflationary cost factor of 3.5% and the rate growth factor of 3%;

LATE ITEM

- Unlike the GRV properties, all UV rated properties have been revalued by the Valuer Generals Office effective from 1.7.07, and based on the following revaluation analysis, UV \$rate increases will not be uniform given the wide variation in valuation movements, ie.

Suburb	Number of Assessments	Min %	Max %	Average %
Armadale	2	0	79	40
Bedforddale	29	30	81	71
Brookdale	30	0	187	64
Forrestdale	41	25	552	86
Karragullen	69	30	114	80
Roleystone	32	30	81	59
Wungong	2	59	80	70
Overall	205	0	552	74

- applying the rate in the \$ of 0.295 cents and the minimum rate of \$823, the comparative results to the 2006-07 rates, are summarized as follows:
  - 81 properties (40% of the total UV properties) will receive a less than 6.5% increase with 26 receiving a decrease;
  - 124 properties (60% of the total UV properties) will receive a 6.5% or greater increase; and
  - of the 124 properties with a 6.5% or greater increase, the average rates increase (barring 5 properties with valuation increases greater than 100%) is 17% which in dollar terms equals approximately \$273.
- the methodology applied in striking the proposed 2007-08 UV rates has been to mirror the movement in valuation increases, ie. approx 40% of the properties have a less than average valuation increase and accordingly their rate increase will be less than 6.5% and the remaining 60% of the properties with a greater than average valuation increase, will receive a greater than 6.5% increase. This methodology is consistent with the approach taken last year when again there were considerable variations in property value increases.

Aspects to note about the **Proposed 2007-08 Specified Area Rates**

- The Draft 2007-08 Budget proposes the continuation of the (5) separate Specified Area Rates (on business properties) their purpose being to enhance the amenity of specified townscapes by way of increased and improved service levels. The service – referred to as the “*Townscape Amenity Service*” and which was first introduced in 2005-06 – provides for increased and improved levels of street bin emptying, litter pick-ups, road and path sweeping, water blasting of paths, garden maintenance, general maintenance (street furniture, signs, bin cleaning, graffiti removal, etc) and weed control spraying. The proposed percentage rate increase for all (5) specified area rates, is commensurate with applicable cost increases, that being, 3.5%.

## LATE ITEM

Aspects to note about the **Emergency Service Levy (ESL)** are:

- The ESL is a State Government charge which is levied on rate notices issued by local governments. All ESL money collected by Councils is sent directly to the Fire & Emergency Services Authority (FESA) and 100% of it is used to fund fire and emergency services.
- To ensure all property owners only pay an ESL charge relative to the level of emergency service response that is available to them, all properties are classified into one of five categories. This distributes the annual ESL budget fairly across all property in WA;
- The category rates for 2007-08 (category 1 applies to most properties in the City of Armadale) are as follows:
  - Category 1 (metro area) - \$0.0152 = 4.1% or an increase of approx \$4.20 pa.
  - Category 2 (regional cities) - \$0.0114 = 3.6% increase
  - Category 3 (Perth surrounds) - \$0.0076 = 4.1% increase
  - Category 4 (100 country towns) - \$0.0053 = 3.9% increase
  - Category 5 (rest of the state) - \$38 fixed charge = 8.6% increase

### **(ii) Directorate Key Directions and Projects**

Hereunder is a *snapshot* of the key projects and initiatives that each of the Directorates is proposing to undertake during the course of the 2007-08 budget year with the funds that are proposed to be allocated – refer to the attached Document for more details.

Each of the Directorates is currently in the process of developing draft works programs (commensurate with the resource/funding allocations as per year one of the Draft Plan) for presentation to their Standing Committees over the next 2 weeks. The Standing Committees having considered their Directorate Draft Budgets will then make recommendation to the Special Meeting of the City Strategy Committee scheduled for 30.7.07.

A *snapshot* of the Directorate Key Directions and Projects for 2007-08 is as follows:

#### **CEO's Office & Corporate Services Directorate**

##### *2007 Council Elections*

The Governance and Administration section of the Directorate will be assisting the Electoral Commissioner in the conduct of the October 2007 Council Elections. The election will be conducted on the postal voting method and votes, will for the first time in many years, be counted on a proportional preferential basis.

##### *Revaluation of Properties for Rating Purposes*

The 2007-08 year is a revaluation year for all rateable properties in the City. The Valuer Generals Office is expected to provide the City with new valuations in March/April 2008 and these new valuations will for rating purposes, have effect from the 1<sup>st</sup> July 2008. Properties valued on a gross rental value are revalued every 3 years and properties on an unimproved value, are revalued every year. The task of inputting, balancing and applying new values will be the responsibility of the Rates Section of the Directorate.

## LATE ITEM

### *Redesign of the City's Website*

The City's Public Relations and Information Technology Sections will be undertaking a redesign process of the City's website to allow greater flexibility and to provide dynamic content. The redesign will include:

- more photos to promote the City of Armadale, with additional content to compliment; and
- more on-line functionality, such as, on-line bill payments, on-line mapping and on-line demographic data.

### *Computer Systems - Development and Implementation*

The Directorate will be:

- completing the implementation of the recently introduced (May 2007) Electronic Records Management System, and
- implementing an improved Customer Request Management System and an Electronic Agendas and Minutes processing system.

### *Risk Management/Governance*

The Directorate will also be developing improved risk management and governance programs for application across the organization.

## Community Services Directorate

A number of successful services will continue, including the Indigenous Children's Program and the Armadale Gosnells Volunteer Resource Service, whilst there will also be additional future challenges. In the next 5 years we will continue to improve our service standards, quality and community focus.

As is evident from the City's Strategic Plan, Plan for the Future and 15 Year Forward Financial Plan there will also be a number of key strategic projects that will dominate some of our core activities including:

- Planning for the future provision of an enclosed Aquatic Centre.
- Relocation of the Armadale Library to a new facility in the Armadale CBD.
- Planning for new Community and Recreation Facilities in North Forrestdale and Wungong Urban Waters (Brookdale).
- The development of Champion Lakes as a Regional Recreation Facility.
- Provision of a successful Cultural Events Program.
- Planning for a new Library facility in Kelmscott, and
- Additional staffing resources to cope with the increased workloads, population and community needs/expectations.

LATE ITEM

**Within each Department we will also focus on:**

- Indigenous Social Service Delivery.
- Development of a Graffiti Policy.
- Community Facility Review and Future Planning.
- Youth Art Projects.
- Grey Light Disco.
- Careers Conference.
- Development of an Art Policy.
- Advisory Committee Review.
- Services for Seniors Gap Analysis.
- Development of Disability Network Forum – ‘DNet’.
- Implement, monitor and maintain our Community Plans.
- Development of a Community Communication Policy (community consultation).
- Investigation of partnerships and further funding for Indigenous projects and plans.
- Map existing and proposed Community Services and Facilities.
- Implementation and review of the Recreation Strategic Plan.
- Development of a Physical Activity Plan for the City.
- Review and upgrade District Fire Management Plans In conjunction with Local Volunteer Bush Fire Brigades and FESA.
- Administration of Armadale Visitor Centre.
- Provide ongoing support to the PCYC to ensure the success of the partnership at the Armadale Arena.
- Prepare and implement Business and Marketing Plans for Armadale Aquatic Centre.
- Assist in the development of Asset Management Plans for the City’s major facilities.
- Review the Community Services Directorate Fees and Charges and implement new fee schedule and review all fees as part of the 2007-08 budget process.
- Building the capacity of local clubs and community groups.
- Review the sponsorship and grants strategy to identify opportunities for attracting additional funding for Council facilities, events and programs.
- Review the City’s Cultural Events Program to ensure that it meets the needs of Council and the community.
- Present an interesting and diverse program of cultural events for residents and visitors to the City.

**Development Services Directorate**

Directorate priorities will include the implementation and monitoring of TPS No. 4 and its associated policies, the planning and facilitation of development in the new areas of North Forrestdale and Wungong Urban Water, the active participation with the ARA in its redevelopment projects, and the finalisation of the review of the Municipal Heritage Inventory.

LATE ITEM

This year's focus encompasses the following:

*Respond to the challenges of TPS No. 4.*

To achieve this we will:

- Provide advice on the implications of the new scheme to landowners
- Monitor development proposed under the new Scheme, review policies and provide more detailed structure planning as required
- Carefully assess significant development applications to ensure that they enhance local amenity.

*Continue a mutually beneficial relationship with the ARA*

To achieve this we will:

- Participate in studies of mutual benefit to the City and the ARA
- Cooperate with the ARA in accordance with the Memorandum of Understanding
- Assist the ARA in compliance matters
- Assist the ARA in the development of planning and land coordination arrangements in Wungong Urban Water.

*Improve the environment for effective governance and decision-making*

To achieve this we will:

- Review and advance fresh delegation instruments
- Monitor, review and evaluate Council's planning policies
- Monitor, review and evaluate Council's local laws
- Prepare and review structure plans where coordinated planning is required

*Coordinate the development and future service provision for North Forrestdale*

To achieve this we will:

- Implement Development Contribution Plan No. 3 in the most efficient and effective manner practicable and review the Infrastructure Cost Schedule when significant changes occur to costs to maximise equity between developers and over time.
- Continue to provide a lead in bringing private landowners, State Government departments and City of Armadale departments together in future planning.
- Assist with the progressing of further amendments to the MRS and TPS.

*Finalisation of the City's Municipal Heritage Inventory*

To achieve this we will:

- Address the public comments and bring the matter to Council for adoption.

*Significantly progress the Implementation of the POS Strategy*

To achieve this we will:

- Allocate additional resources to coordinate the POS Strategy initiatives

LATE ITEM

**Technical Services Directorate**

**Civil Works**

The City has 550km of sealed roads and approximately 30km of unsealed roads. In order to maintain this asset base the Civil Works Department has a total expenditure budget of \$12.3m of which new works amount to \$8m, asset preservation works amount to \$2.54m and maintenance works of \$1.9m. This is offset by the amount of road grant contributions of \$7.8m requiring a municipal component of \$4.5m.

*New Works*

Significant new projects include the continuing construction of a dual carriageway along Ranford Road between Tonkin Highway and Warton Road at a cost of \$5.6m. Other major projects will be carried out on roundabouts on Green Avenue, Forrest Road and Church Avenue as part of CBD upgrading and a roundabout on Merrifield/Railway Avenues associated with the Kelmscott Station.

In order to maintain the existing road asset an amount of \$832k has been allocated to resurface 27 roads that will increase the life expectancy by another 20 years.

New Black Spot funding includes works on Clifton, Lucich, Poad Streets and Lowanna Way .

Construction of new footpaths and bike paths, amounting to 5.60km, and replacement paths at a cost of \$500k will be carried out in a total of 10 locations.

Other civil works include carparks, bus shelters, street furniture and minor community safety projects.

This year drainage projects amounting to \$382k have been identified. These works are Carrawatha Ave, Bernard Street, Slab Gully Stage 3, Rails Crescent and Lake Road.

*Asset Preservation*

In order to preserve Council's asset base there is an amount of \$2.4m allocated to keeping the road infrastructure at appropriate standards.

*Maintenance*

Civil works maintenance totals \$1.9m. Principal activities in this area focus on maintaining road and pathway surfaces, drainage cleaning and keeping road shoulders and verges safe.

**Parks and Reserves**

The City maintains 233 parks with a total area of 1,640 ha and 67 parks have playgrounds.

In line with its determination to continually improve the quality of the parks and reserves Council has allocated additional funding for park development and maintenance. However the continual growth in parks and reserves generates a continuous demand for maintenance growth.

## LATE ITEM

The 2007-2008 financial year commitment is \$4.4m to parks and reserves. New Works amounts to \$589k, Asset Preservation \$235k and a maintenance total in the order of \$3.60m

### *New Works and Asset Preservation*

Lighting upgrades continues to be carried out at the Alfred Skeet Oval, Gwynne Park Oval and Bob Blackburn Reserve. This will raise the lighting standard to the appropriate competition standards and to spread the illumination across a wider area of the ovals at training times in order to reduce wear and tear of the grass surface.

Other park activities include continued upgrading of landscaping at the entrance of the Armadale Aquatic Centre, Community Tree Planting and the erection of Memorial Plaques.

The Armadale Bowling Club will have one Grass Green converted to Synthetic with contributions from Council, the Club and a CSRFF Grant.

Asset preservation of the City's Parks and Reserves infrastructure includes the repair of play ground equipment to comply with Australian Standards, the implementation of the street tree replacement programme, upgrading of cricket wicket and nets and maintenance of turf on active playing fields and sport surfaces.

### *Maintenance*

Parks and Reserves maintenance totals \$3.60m. Principal activities in this area focus on maintaining:-

- Active reserves as well as dry and irrigated passive parks
- Natural areas and undeveloped public open spaces including regional bushland
- Community facilities
- Verge maintenance
- Street trees, townscape amenity services
- Landscaping around roundabouts, streets and gardens.

## **Property Development**

The City has 186 buildings that it currently maintains.

In order to maintain these buildings and furnishings Council has allocated \$2.4m for development, asset preservation and maintenance. However, like the Parks and Reserves Department there is also a continual growth that generates a demand for additional funds.

### *New Works and Asset Preservation*

New Works amount to \$249k. Significant projects include Heating at the Greendale Hall, the relocation of Armadale Library and major upgrade of the air conditioning, and office works at the City's Administration Building. Works at other buildings include installation of security protection, building modification to ensure universal access in compliance with building codes and statutory requirements.

LATE ITEM

Asset Preservation expenditure of \$444k includes the Administration Building, Roleystone Theatre, Morgan Park Pavilion and the Historic Church.

*Maintenance*

Property maintenance totals \$1.72m. Principal activities in this area focus on maintaining and cleaning of Council's buildings, including all contract cleaning and utility payments (electrical, water and gas), building insurances and FESA's levies and significant removal and repairing of vandalism and graffiti damage. Also carried out are regular inspection of statutory requirements in relation to fire and electrical safety requirements.

**Waste Services**

The Waste Department contains funding for the collection of domestic waste, verge junk collection and the replacement of general waste Mobile Garbage Bins.

In order to meet statutory requirements a collection service of 20,886 properties is undertaken each week amounting to 1,629,108 collections per year (general refuse 52 weeks and recyclable 26 weeks). The annual cost of this service is \$3.6m

**Support Services**

The 2007-2008 Vehicle and Plant Acquisition and Replacement schedule, totals \$2.3m for the purchase of new vehicles and plant. The City has 268 significant plant items as well as a great number of minor plant items.

**C. Other Budget Matters to be Noted**

An outcome of the following report resolution will be to give public notice of the approved Draft Plan and Draft Budget for public comment purposes. The Draft Plan and Draft Budget as approved in this instance by Committee will be made available for public comment, for period of (14) days from the 12.7.07 to 25.7.07.

The final part of the following Report resolution relates to the final step in the process of developing and adopting the Annual Budget, namely, a referral of all budget matters considered and arising to a Special Meeting of the City Strategy Committee to be held on the 30.7.07. It will be at this Special Meeting that final recommendation on the 2007-08 Annual Budget will be made to the Council Meeting to be held on 7.8.07.

The matters that will be reported to the Special City Strategy Committee meeting on 30.7.07 will include:

- public comment received on the Draft Plan and Draft Budget,
- the 30.6.07 year-end surplus position inclusive of carry forwards for works in progress,
- resolutions from each of the Standing Committees have considered their respective budget estimates and works programs;

LATE ITEM

- the annual staff establishment report,
- ‘unfunded proposals’ such as the civic centre feasibility study as previously mentioned in this report;
- other budgetary matters arising between now and the Special Meeting, such as, may be the notional grant advice from the WA Grants Commission.

**RESOLVED**

**That Committee,**

- 1. Approve the Draft Fifteen Year Financial Plan as presented at Attachment A-4 to this Report noting that this Plan is inclusive of the following key elements, ie.**
  - (a) the Plan has been prepared on the basis of each year of the Plan returning a balanced year-end financial position.**
  - (b) A rates growth factor of +3% for years 2007-08 and 2008-09 and thereafter, +1% per annum**
  - (c) A managed Loan Borrowing program which restricts loan borrowings to purposes of asset/infrastructure creation and limits loan repayments expressed as a percentage of ordinary revenue (debt service ratio) to not more than 10%;**
  - (d) Recognition and partial funding of the City’s estimated future asset preservation requirements;**
  - (e) Recognition of future rate revenues arising from new residential developments to occur across the City.**
  - (f) A Freehold Land Sales & Investment Strategy which seeks to more effectively manage the City’s land assets by maximizing asset returns, disposing and investing in new assets where appropriate, and allocating funds to strategic capital works.**
  - (g) A Public Open Space Land Sales Strategy which has as its primary objective more efficient and effective utilization of public open space lands across the City and improvement of the POS areas to be retained.**

LATE ITEM

**(h) The following strategic projects/initiatives:**

<b>Project Description</b>	<b>Year</b>	<b>Total Funding (\$'000)</b>
Civil Works - ARA related projects - \$216k pa for first 3 yrs	1-3	971
Former PCYC Facility Refurbishment - \$100k	1	100
Forrestdale Community Contribution - \$27k in yr 1 and \$54k thereafter + capital of \$539k in yr 15/16	1-15	1,321
Armadale Library Relocation	2	8,218
Kelmscott Library Relocation	4	3,875
Community Facility - Bakers House - Refurbishment - \$750k	4-5	953
Aquatic Centre - Due Diligence Works - \$1m	1 & 3	2,054
New 25m Indoor Aquatic Facility - \$9m	3-4	16,143
Development of Recreational Reserves - \$216k	6 onwards	3,721
New Estates - POS - SAR (self funding)	2 onwards	14,025
Asset Preservation Allocation	1 onwards	18,465
Armadale Library - Conversion to Office Space - \$431k	2	998
Administration Office - Refurbishment - \$1.35m	3	3,518
Administration Office - Extensions - \$3.5m	5	5,764
Additional Staff Resources and Associated Expenses	1 onwards	14,823
Replacement of Core Computer System	3 onwards	2,588
Closed Circuit Television Initiative	1-3	150
CSRFF Reserve Development projects	1 onwards	1,758
<i>Capital Works Associated with Freehold Land Sales</i>		
- Morgan Park Development - \$200k	6	303
- William Skeet Reserve Development - \$150k	7	216
- Palomino Reserve Development - \$250k	7	364
- Alfred Skeet Development - \$350k	5	578
- Pries Park Development - \$100k	2	165
- Frye Park Development - \$300k	3	481
- Golf Course Redevelopment \$600k	6	903
- Skateboard Park Construction - \$300k	2	571
- Wungong Community Facility - \$700k	9	718
- Wungong Regional Recreational Facility - \$2m	6	2,195
- Cultural / Performing Arts Centre - \$5m	11	3,965
- North Forrestdale Sporting Facility - \$450k	4	759
<i>POS funded Active Reserve Development - \$3m</i>		
- Reg Williams Precinct - \$540k	2	
- Gwynne Park - \$300k	2	
- Cross Park - \$100k	5	
- Creyk Park - \$150k	4	
- Frye Park - \$1m	3	
- Rushton Park - \$200k	3	
- John Dunn - \$550k	4	

**(i) all the revenue and expenditure variations reported to the first Workshop due to circumstances which had changed since the previous year, the majority of which, were reported in the Half Yearly Budget Report.**

LATE ITEM

- (j) all revenue and expenditure estimates in the Draft Plan are expressed in 2007-08 dollar values, that is, where applicable the inflationary cost factor of 3.5%pa (equal to the Perth Consumer price Index for the 12 months ended 31.3.07) has been applied.

2. approve the Draft 2007-08 Summary of Budget Estimates as presented at Attachment A-5 to this Report noting that:

- the estimates reported in this document tally with the estimates shown in the first year of the Draft Fifteen Year Financial Plan as referred to in (1) above;
- the document includes reference to the proposed rates for the 2007-08 financial year which are summarized as follows:

<b>Proposed 2007-08 Rates</b>				
<b>Particulars</b>	<b>Rate in \$ (cents)</b>	<b>Min rate \$</b>	<b>No. of props</b>	<b>Total Rates Levied</b>
GRV properties (including interims)	11.99	685	21,726	22,608,030
UV Properties	0.295	823	205	672,750
<i>sub total</i>			21,931	23,280,780
<b>Specified Area Rates (GRV basis)</b>				
Area A - Armadale Town Centre	0.763	N/A	89	88,020
Area B - Kelmscott Town Centre	1.422	N/A	67	58,690
Area C - Kelmscott Industrial Area	0.374	N/A	296	14,690
Area D - South Armadale Industrial Area	1.023	N/A	115	16,760
Area E - Shopping Precincts	1.157	N/A	13	22,230
<i>sub total</i>			580	200,390
<b>Total</b>			<b>22,511</b>	<b>23,481,170</b>

3. That Committee recommit the matters of the Draft Fifteen Year Plan and Draft 2007-08 Summary of Budget Estimates to the Special Meeting of the City Strategy Committee to be held on 30<sup>th</sup> July 2007 for recommendation to Council, following consideration of:

- public comment received on the Draft Plan and Summary of 2007-08 Budget Estimates;
- the 30<sup>th</sup> June 2007 year-end financial position inclusive of the proposed carry-forward budgets for works in progress as at 30<sup>th</sup> June 2007;
- “unfunded proposals” that might be included in the draft budget subject to additional funding being identified, for example, recommendations received from Standing Committees identifying perhaps gaps and/or shortfalls in Directorate

LATE ITEM

- funding allocations as per the Draft Plan, grants commission funding, and the proposal to commission a feasibility study which addresses the City's future longer term civic and administration land and accommodation needs,**
- other matters subsequently arising having budgetary implications;**

Moved Cr \_\_\_\_\_  
Motion Carried/Lost (....)

# CITY STRATEGY COMMITTEE

## *SUMMARY OF "A" ATTACHMENTS*

**9 JULY 2007**

<b>Attachment No.</b>	<b>Subject</b>	<b>Page</b>
<b>A-1</b>	List of Accounts paid for the period 1 June to 30 June 2007	
<b>A-2</b>	Financial Report – May 2007	
<b>A-3</b>	Fifteen Year Plan – A 2007 Snapshot	27
<b>A-4</b>	Draft Fifteen Year Financial Plan	Circulated separately
<b>A-5</b>	2007-2008 Draft Summary Budget Estimates	Circulated separately

LATE ITEM

**FIFTEEN YEAR PLAN – A 2007 SNAPSHOT**

The City's CEO provides the following insight into Armadale's ongoing 15 Year Plan.

Over recent months Councillors and staff have been engaged in a series of seven workshops to review the plan.

Late in the 1990s Armadale set itself the discipline that it would adopt a strategic approach to the City's future. That meant that all key decisions were measured against the City's future objectives. Many Councils spend their time and resources on day to day issues and sectional interests with the result that strategically their community goes nowhere. Since 1998 this strategic approach engaged both the State Government and commercial interests leading to major Government investment, formation of the Armadale Redevelopment Authority and significant City-centre commercial growth.

In 2004 the City's 10 Year Plan was extended to a 15 Year Financial Plan. At that time the CEO advised that a 5 or 10 year timeframe was too short for the major decisions ahead. While the City had reduced its debt to zero, borrowing is an important financial tool and major projects will require loans to spread the pay-back period.

The CEO equated this to an individual making personal financial decisions. You either save up your money until you can afford to buy, or you borrow and pay back with interest. It's important to have a healthy mix of both. Unfortunately, previous generations had not set aside anything to replace our ageing facilities and infrastructure.

Consequently, the City is planning to borrow for special projects as well as put some in the bank for the future." But, how much can our community afford?

Cities, Towns and Shires deemed to be "sustainable" around the world are those who are able to meet their recurrent costs, provide facilities and services and the replacement of those facilities from their regular annual income - the same principles as any large or small business.

And there-in lies the challenge. What will be the City's regular income 15 years from now when its population will be over 100,000. Armadale relies on rates for 54% of its income, with most of that (86%) coming from the residential sector. Approximately 17% of Council income comes from fees and charges (often set by statute) and a similar amount from Government Grants which continue to fall each year. Consequently, only about **half** of the City's income (ie rates) is within its power to vary. If costs go up by 2%, unless we reduce services the rates need to go up 4%. This is a formula the City has grappled with for decades. Armadale continues to lead the charge to Government and the development industry to increase grant funding and private contributions to growing communities such as ours. Improvements are expected, but it won't close the gap.

LATE ITEM

No West Australian Council is yet able to fully fund the depreciation of its assets. Armadale has a current back-log of \$17M in depreciated infrastructure. Unless something changes dramatically by 2022, that figure will increase to approximately \$70M with the new assets needed to service a population of 105,000.

Why allow growth you might ask, if it can't pay for itself??

The answer is, 54000 people can't pay for new shopping centres, cinemas, aquatic facilities, railway stations or libraries. You need a larger population to sustain our new Strategic Centre.

So, we have to grow, but work to close the sustainability gap over the 15 to 20 years period.

I'm confident our 15 Year Plan will have the answers within the next 1 to 2 years. Our work will influence change in the development industry and Federal/State funding because Armadale is typical of growth Councils around Australia and we share our work with Cities such as Wyndham and Whittlesea in Victoria, Penrith and Campbelltown in NSW, Pine Rivers and Logan City in Queensland – all growth Councils with similar problems.

The Council wants to provide 2 new libraries, a new aquatic centre and upgrade its own "shop-front" to service the growing district, over the next 4 years. Private enterprise has invested strongly in our City over the past 2 years and it's important the City rises to the same standards of quality. And of course, these new "strategic initiatives" must be provided on top of the basic Council functions which have rapidly expanded over the past decade.

To fund all of these steps, since 2003 we've had to steadily increase rates by 3% on top of CPI each year. The 15 Year Plan shows that these increases are still required for a few more years and thereafter rates will still need to outstrip inflation by 1%. This will cover about half of the infrastructure gap mentioned above.

Sadly, people are paying double the mortgages they were paying for their home just a few years ago. The public can now pay their rates weekly or fortnightly and we hope the community will see that 1% of their rates is less than \$10 a year, (20¢ a week) and the modest increases we propose are worth it when you see the improvements rolling out.

The rates from new areas will pay for the maintenance of new roads and facilities, but **not** their refurbishment and replacement.

Some special rating will be needed to pay for maintenance of the high standard of parks and open space in new areas. Existing residents won't be expected to contribute to this additional work.

We believe that over the \$436M 15 Year Plan, the City of Armadale can fund about half (\$35M) of its total infrastructure need (including the new initiatives mentioned above). It's unfortunate we don't have large industrial and corporate entities in Armadale to share this cost with our residents.

LATE ITEM

But if we deliver the projects planned over the next 5 years, plus show the community of 2022 how we've set up their finances **and** pass on the infrastructure contribution planned, Armadale will be a leader in WA local government. We are planning a future for Armadale's children and grand-children. We are planning it so the community knows what it can afford and how to manage the payments. Future Councils may change this direction, but our plan will tell them the consequences beforehand.

The work continues.....

LATE ITEM

# DRAFT FIFTEEN YEAR PLAN

(Circulated as a Separate Document)

LATE ITEM

DRAFT  
2007-08 SUMMARY  
BUDGET ESTIMATES

(Circulated as a Separate Document)