



Special Council Meeting

AGENDA

Monday 26 June 2023

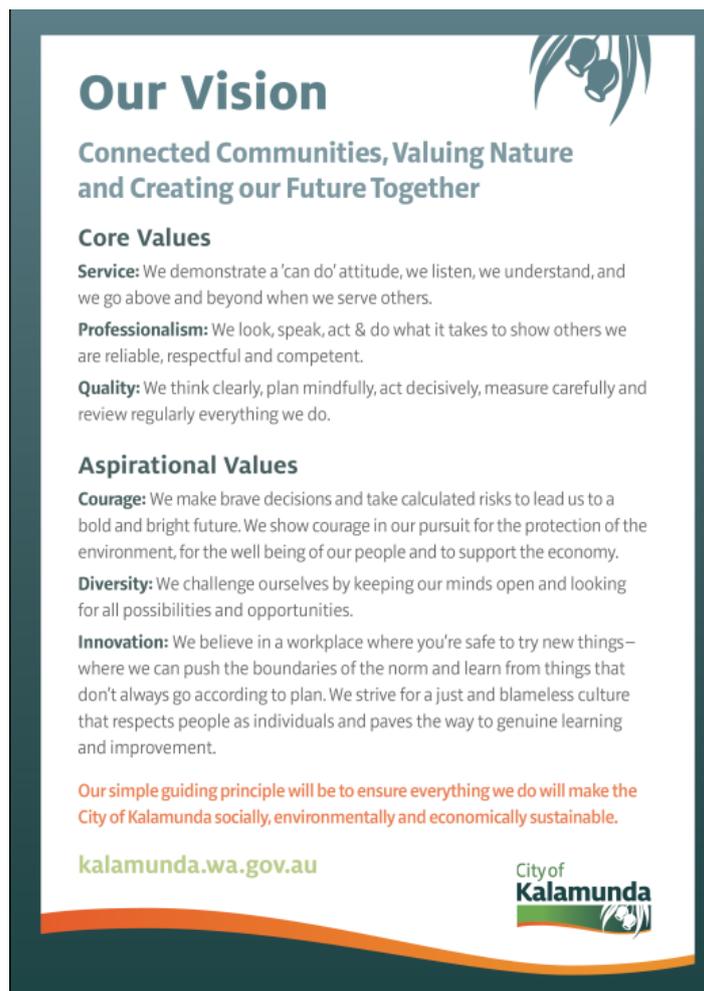
NOTICE OF MEETING SPECIAL COUNCIL MEETING

Dear Councillors

Notice is hereby given that a Special Meeting of Council will be held in the Council Chambers, Administration Centre, 2 Railway Road, Kalamunda on **Monday 26 June 2023 at 6.30pm.**



Gary Ticehurst
A/Chief Executive Officer
22 June 2023



Our Vision

Connected Communities, Valuing Nature and Creating our Future Together

Core Values

Service: We demonstrate a 'can do' attitude, we listen, we understand, and we go above and beyond when we serve others.

Professionalism: We look, speak, act & do what it takes to show others we are reliable, respectful and competent.

Quality: We think clearly, plan mindfully, act decisively, measure carefully and review regularly everything we do.

Aspirational Values

Courage: We make brave decisions and take calculated risks to lead us to a bold and bright future. We show courage in our pursuit for the protection of the environment, for the well being of our people and to support the economy.

Diversity: We challenge ourselves by keeping our minds open and looking for all possibilities and opportunities.

Innovation: We believe in a workplace where you're safe to try new things—where we can push the boundaries of the norm and learn from things that don't always go according to plan. We strive for a just and blameless culture that respects people as individuals and paves the way to genuine learning and improvement.

Our simple guiding principle will be to ensure everything we do will make the City of Kalamunda socially, environmentally and economically sustainable.

kalamunda.wa.gov.au



INFORMATION FOR THE PUBLIC ATTENDING COUNCIL MEETINGS

Welcome to this evening's meeting. The following information is provided on the meeting and matters which may affect members of the public.

If you have any queries related to procedural matters, please contact a member of staff.

Special Council Meetings – Procedures

1. Council Meetings are open to the public, except for Confidential Items listed on the Agenda.
2. Members of the public who are unfamiliar with meeting proceedings are invited to seek advice prior to the meeting from a City Staff Member.
3. Members of the public are able to ask questions at a Special Council Meeting during Public Question Time on matters relating to the functions of this meeting.
4. To facilitate the smooth running of the meeting, silence is to be observed in the public gallery at all times except for Public Question Time.
5. All other arrangements are in general accordance with Council's Standing Orders, the Policies and decision of the City or Council.

Acknowledgement of Traditional Owners

We wish to acknowledge the traditional custodians of the land we are meeting on, the Whadjuk Noongar people. We wish to acknowledge their Elders' past, present and future and respect their continuing culture and the contribution they make to the life of this City and this Region.

Emergency Procedures

Please view the position of the Exits, Fire Extinguishers and Outdoor Assembly Area as displayed on the wall of Council Chambers.

In case of an emergency follow the instructions given by City Personnel.

We ask that you do not move your vehicle as this could potentially block access for emergency services vehicles.

Please remain at the assembly point until advised it is safe to leave.

INDEX

1. Official Opening.....	5
2. Attendance, Apologies and Leave of Absence Previously Approved.....	5
3. Public Question Time	5
4. Petitions/Deputations.....	5
5. Announcements by the Member Presiding Without Discussion	5
6. Matters for Which the Meeting may be Closed	5
7. Disclosure of Interest.....	5
8. Reports to Council.....	6
8.1. Development Services Reports	6
8.2. Asset Services Reports.....	6
8.3. Corporate Services Reports	6
8.4. Community Engagement Reports	6
8.5. Office of the CEO Reports	6
8.6. Chief Executive Officer Reports	7
8.6.1. Adoption of Budget 2023/2024	7
8.6.2. Long Term Financial Plan 2023 to 2038.....	30
8.6.3. Kalamunda Achieving 2023- 2027	47
9. Meeting Closed to the Public.....	52
10. Closure	52

- 1. Official Opening**
- 2. Attendance, Apologies and Leave of Absence Previously Approved**
- 3. Public Question Time**
- 3.1. Public Question Time**

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of this meeting. For the purposes of Minuting, these questions and answers will be summarised.

- 4. Petitions/Deputations**
- 5. Announcements by the Member Presiding Without Discussion**
- 6. Matters for Which the Meeting may be Closed**
- 7. Disclosure of Interest**
- 7.1. Disclosure of Financial and Proximity Interests**
 - a. Members must disclose the nature of their interest in matter to be discussed at the meeting. (Section 5.56 of the *Local Government Act 1995*.)
 - b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)
- 7.2. Disclosure of Interest Affecting Impartiality**
 - a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

8. Reports to Council

8.1. Development Services Reports

No reports presented

8.2. Asset Services Reports

No reports presented

8.3. Corporate Services Reports

No reports presented

8.4. Community Engagement Reports

No reports presented

8.5. Office of the CEO Reports

No reports presented

8.6. Chief Executive Officer Reports

8.6.1. Adoption of Budget 2023/2024

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

Previous Items	
Directorate	Corporate Services
Business Unit	Financial Services
File Reference	
Applicant	N/A
Owner	N/A
Attachments	1. Statutory Budget 2023-2024 [8.6.1.1 - 68 pages]

TYPE OF REPORT

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

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

EXECUTIVE SUMMARY

1. The purpose of this report is to adopt the Municipal Fund Budget for the year ended 30 June 2024, representing the Financial Year 2023/2024, together with supporting schedules including striking of the Municipal Fund Rates, adoption of fees and charges and other consequential items arising from the Budget papers (Attachment 1).
2. The adoption of the Budget will enable the City of Kalamunda (City) to continue to deliver upon its strategic objectives and to ensure the City is financially sustainable.
3. It is recommended Council adopt the Municipal Budget together with supporting schedules for the 2023/24 Financial Year.

BACKGROUND

4. The Annual Budget is an important part of the City's Integrated Planning Framework, being the annual financial plan that facilitates the delivery of services and infrastructure to the community, as envisaged by the strategies set out in the City of Kalamunda Strategic Community Plan.
5. The budget process commenced early in 2023 with several workshops held with Elected Members. During these workshops, the City reviewed current and projected economic metrics before arriving at the current budget position.
6. On 23 May 2023, Council resolved to advertise the Differential Rates for 2023/24, with submissions closing on 17 June 2023. There were no submissions received during the advertising period.

DETAILS AND ANALYSIS

7. There is currently widespread economic uncertainty at both international and domestic levels, characterised by record levels of inflation (the highest in three decades), record low levels of unemployment and significant disruption to supply chains. Recent illustrations of economic uncertainty, include:
 - a. Perth CPI 7% (March 2023)
 - b. Fuel Prices increasing by 34% year on year.
 - c. Unemployment levels at historic lows which is expected to put upward pressure on wages.

In addition to the traditional economic metrics around CPI and unemployment rates, the WA Local Government Association (WALGA) Local Government Cost Index (LGCI) considers the typical costs borne by local governments, some categories have reported significantly higher increases:

- a. Road and bridge construction costs, increased by 9.5% over the year December 2022
 - b. non-residential building costs increased by 5% over the year to December 2022;
8. In May 2022, the Reserve Bank of Australia increased the official interest rate for the first time in more than a decade from 0.1%, with further increases bringing the cash rate to 4.1% as of June 2023. It also revised its CPI forecast to increase by up to 7.8% before reducing it to 3.5% for the year ending 30 June 2024.

9. **Financial Ratios**

Financial ratios are intended to provide a clearer interpretation of the performance and financial results of a local government and a comparison of trends over several years. These indicators provide a short-term measure of the financial sustainability of the local government. The seven ratios are:

- a. Current Ratio
 - b. Asset Consumption Ratio
 - c. Asset Renewal Funding Ratio
 - d. Asset Sustainability Ratio
 - e. Debt Service Cover Ratio
 - f. Operating Surplus Ratio
 - g. Own Source Revenue Coverage Ratio.
10. The City's Financial results for the year ending June 2022, highlighted a trend that was occurring showing a deterioration in one of the ratios over the past few years – namely the Operating Surplus Ratio (OSR).
11. This trend was also identified by the Office of the Auditor General (OAG) and the Council at its Audit & Risk Committee in 2021 agreed to develop a plan to address this matter and align rates revenue with operating costs to improve this ratio. The Operating Surplus Ratio Action Plan (OSRAP) was created to provide a deliberate focus on the OSR over a six-year period.
12. In consideration of the declining OSR the 2023/24 budget and future budgets, will need to be focused on addressing the declining OSR to ensure that the City remains financially sustainable.

13. The following table provides results of the operating surplus ratio of the City for the last 4 years.

Ratio	2022	2021	2020	2019	Benchmark Required
Operating surplus ratio	(0.08)	(0.04)	(0.10)	(0.04)	Between 0.01 and 0.15

What is the Operating Surplus Ratio (OSR)?

14. Operating Surplus Ratio Calculation

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

15. This ratio is a measure of a local government’s ability to cover its operational costs and have revenues available for capital funding or other purposes.

16. Required Standards

1. Basic Standard between 1% and 15% (0.01 and 0.15)
2. Advanced Standard > 15% (>0.15).

Why has the OSR declined?

17. A declining OSR basically means that the City doesn't earn enough operating revenue to pay for operational expenditure.

18. The 3 key reasons that this ratio is in decline are:

1. Rates revenue not matching operating expenditure.
2. Depreciation increases.
3. Increase in cost of services and provision of assets.

19. For the 2023/2024 year, the City now faces a fourth issue increasing inflation because of global and domestic economic issues generating high levels of economic uncertainty, and further upward pressure on costs.

20. Each of these issues is discussed in detail as follows.

Rates

21. In 2013/14 when the inaugural Long Term Financial Plan (LTFP) was adopted by Council, it was predicated on rate increases set at 7% over the 10 years to fund the growth in asset renewals and new assets. This was in recognition of the backlog of assets renewals and ageing facilities that the City was carrying on its books. Furthermore, the City has grown its population base with many new development fronts being created and demand for services increasing subsequently in line with growth.
22. Since 2018 the Council reduced rate increases which were well below the 7% pa target which was set in the inaugural 2013 LTFP, which has resulted in a cumulative loss of revenue over the past 5 years. The table below highlights the annual increases in rates.

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

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

Depreciation

25. The change in accounting standards to fair value accounting in 2017 is a key cause of the deterioration of the Operating Surplus Ratio. The City had no option but to comply with the change and now must deal with a legacy issue from the change.

26. As the City continues to add new assets and doesn't rationalise old, underutilised assets, depreciation will continue to rise and negatively impact the financial viability of the City in the future.

Further, the revaluation of infrastructure assets is due by 30 June 2023 and it is expected that the valuation of these assets will increase leading to a significant increase in depreciation expense. The table below highlights the changes in depreciation expense.

DEPRECIATION		
YEAR	ACTUAL	% CHANGE
2016	\$ 6,043,120	
2017	\$ 10,130,153	68%
2018	\$ 10,237,301	1%
2019	\$ 10,986,630	7%
2020	\$ 11,316,721	3%
2021	\$ 13,385,719	18%
2022	\$ 13,764,916	3%

Cost of Services and Assets

27. The City has a significant asset base (approximately \$549M) and a wide range of services which requires a strong revenue base to maintain.
28. In the past 5 years, the City has experienced an increase in new assets. These assets are largely grant-funded, however, still require operational funding to design, deliver and maintain the assets. There have also been new services introduced without the corresponding revenues being raised to pay for these services.
29. The following table shows materials and contract costs that had been contained over the past 4 years to mitigate prevailing increases in depreciation and costs and minimise rate increases. However, 2022 has seen an increase in materials due to recent inflation and increased service levels.

MATERIALS & CONTRACTS		
YEAR	ACTUAL	% CHANGE
2017	\$23,059,891	
2018	\$20,563,241	-11%
2019	\$20,391,297	-1%
2020	\$22,443,971	10%
2021	\$20,233,774	-10%
2022	\$23,253,381	15%

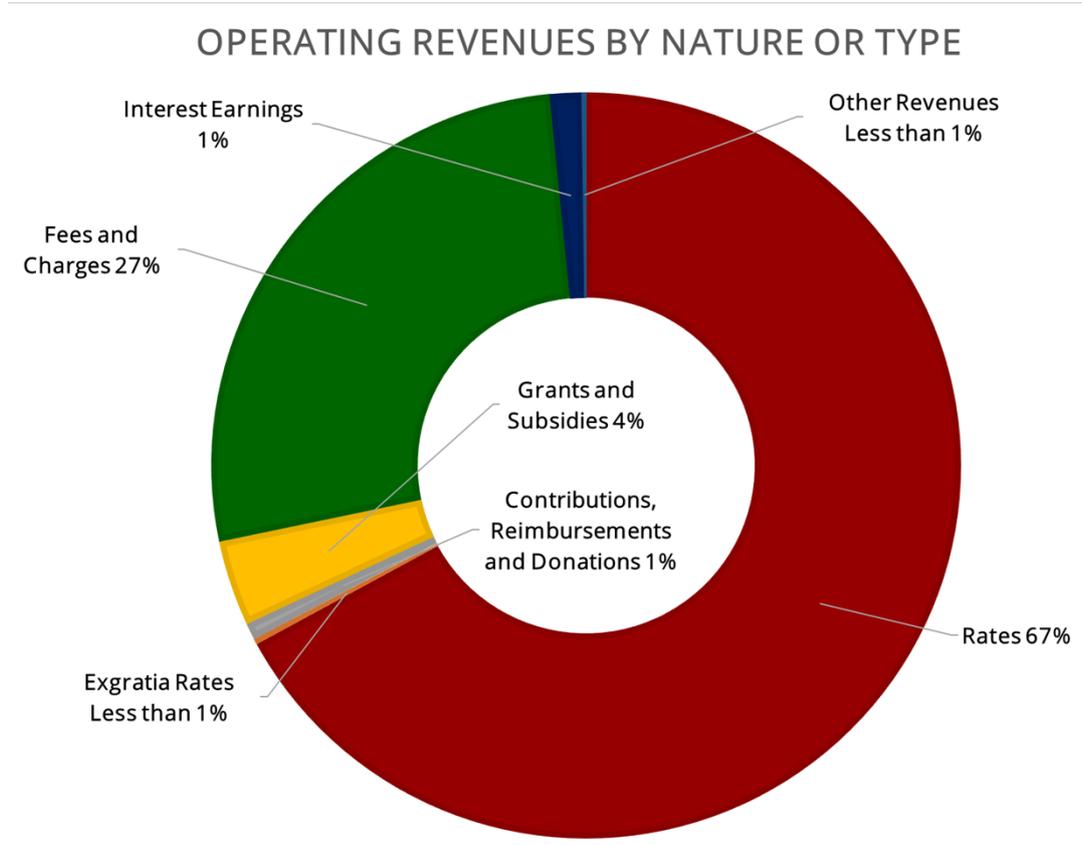
30. During the past five years in response to Council resolutions, the City has grown services to address service gaps in the community. This has included growth in:
- a) Community Engagement and Public Relations.
 - b) Strategic Planning.
 - c) Economic Development and Tourism.
 - d) Arts and Culture.
 - e) Youth Services.
31. Whilst the growth in services was viewed as necessary and has delivered significant benefits to the community there has also been a corresponding increase in human resourcing, depreciation, and maintenance costs into the City's budget. These increases have had to be mitigated through cost-cutting in other service areas to balance the budget and deliver minimal rate increases. Whilst this approach is useful in the short term, it also has a deleterious effect in the longer term.
32. Whilst the City has, through annual cost-cutting managed to balance its budget, over time this approach reached a point where costs cannot be reduced further without a corresponding reduction in services and service standards, an increase in rates, or the introduction of new revenue streams.

Waste Charges

33. Waste Charges are developed to meet the City's costs of providing waste management services to the community on a simple cost recovery basis. The 2023/2024 financial year will see uplifts in costs incurred due to increased operating costs (including fuel and labour) for contractors involved in collecting waste and the various contractors involved in the acceptance and processing of all waste streams.
34. At the March 2021 OCM, Council considered the matter of pensioner discounts for waste charges and determined to maintain the existing \$230 discount adjusted annually for CPI unless determined otherwise at Budget Adoption.
35. For 2023/2024, the Full-Service Residential Waste Charge is proposed at \$633.80 and the Full Service Pensioner Residential Waste Charge is proposed at \$369.00 (a discount of \$264.80)
36. In effect, this means that the standard resident waste charge is subsidising Pensioners, by an amount of approximately \$44.35 per household.

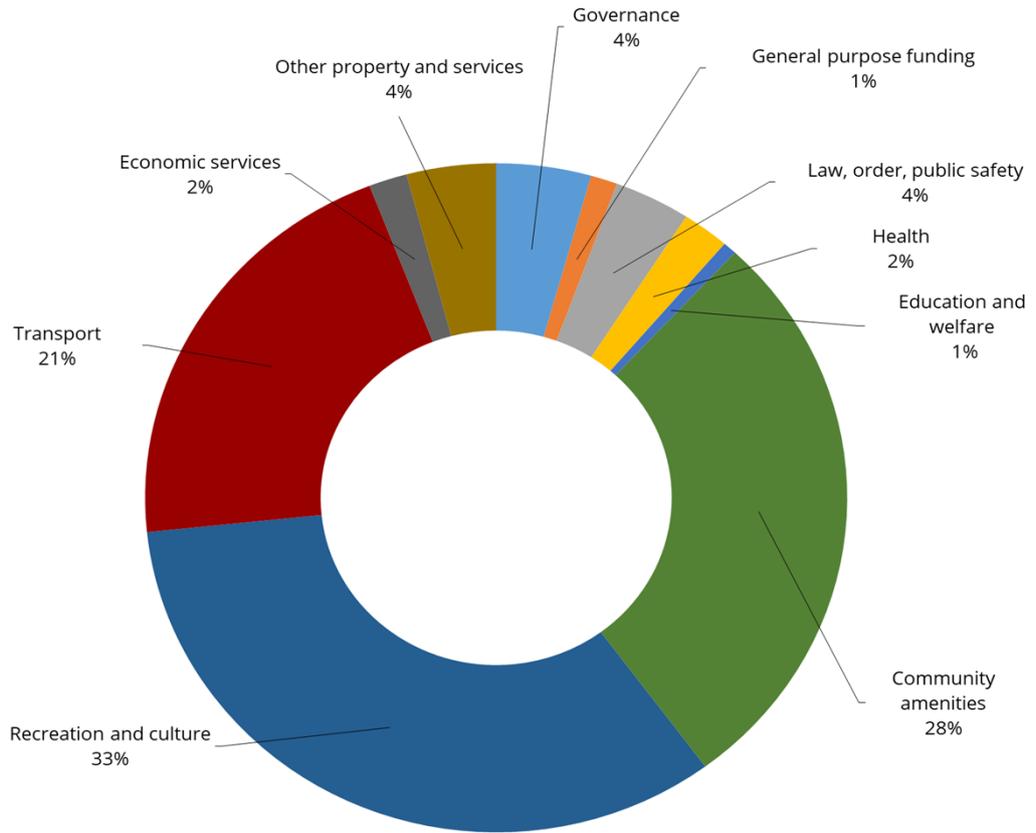
Budget 2023/24

- 37. Council at its meeting on 23 May 2023, resolved to advertise for public comment the proposed differential and minimum rates in line with the level of rate increase to be 5.5%.
- 38. The rate in the dollar was advertised in the local newspaper for a period of 21 days with no submissions received.
- 39. The proposed level of rate revenue increase has since been revised downwards from the advertised 5.5% to 4.9%. This is to reflect a reduction in budgeted expenditure due to a revision in Western Power’s proposal to increase street light tariffs by 43.85% to an estimate of 7.5%.
- 40. The year 2023/24 is subject to a triennial valuation. The new GRV values are effective from 1 July 2023. The overall average change in the GRV valuations rolls was 17.38% increase based on 23,447 properties.
- 41. The charts below provide an outline of the revenue and expenditure for budget 2023/24 depicted as follows:
- 42.



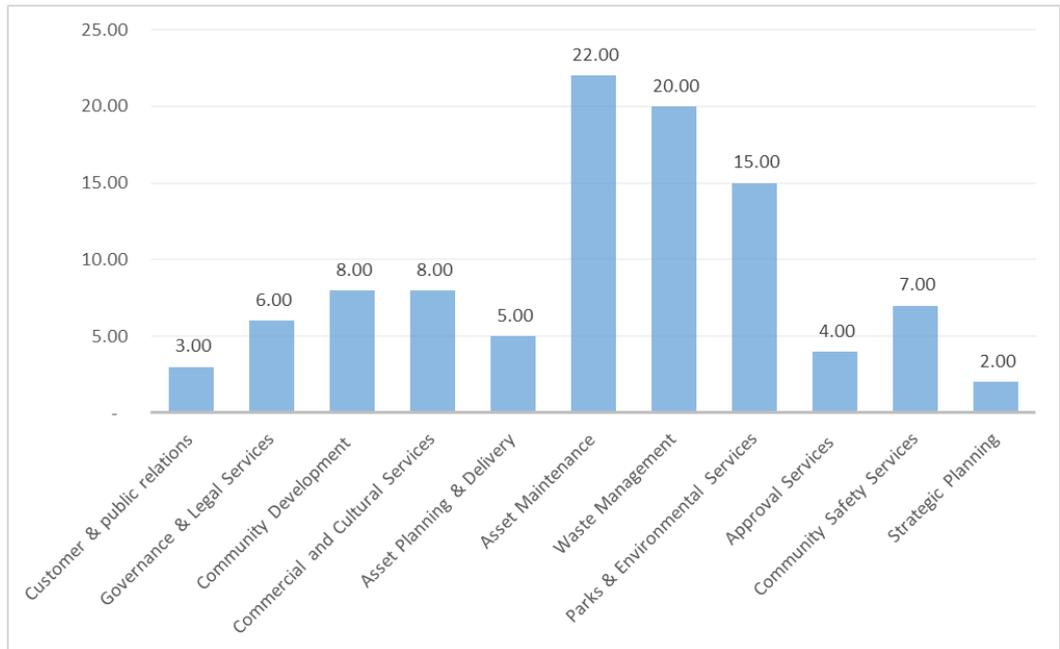
43.

EXPENDITURE BY PROGRAM



44.

For every \$100 Council receives this is a breakdown of where the money is spent:



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

- a) Adoption of a Percentage for Reporting Material Variances – each financial year, a local government is to adopt a percentage or value, calculated in accordance with Australian Accounting Standards, to be used in statements of financial activity for reporting material variances. The level proposed for 2023/2024 is 10% or \$50,000, whichever is greater.
- b) The State Administrative Tribunal in April 2023 increased Elected Members' Allowances by 1.5%, rounded to the nearest \$5. Adoption of the following annual fees for the payment of Councillors in lieu of individual meeting attendance fees: -
 - i. Mayor \$32,410
 - ii. Councillors \$24,170.
- c) Adoption of the following annual allowances: -
 - i. Telecommunications, Communication and Technology Allowance (Where Councillors provide their own device) \$3,500
 - ii. Telecommunications, Communication and Technology Allowance (Where the City provides Councillors with a device) \$2,300
 - iii. Travel Allowance \$100
 - iv. City Mayor annual allowance \$65,915
 - v. Deputy City Mayor annual allowance \$16,480
- d) The comparison between budget 2022/2023 and the proposed budget for 2023/2024.
Overall Operating Income has increased by \$2M, made up of the following key changes:
 - i. Rates revenue has increased by \$1.9M compared to budget 2022/2023.
 - ii. Fees and charges have increased by \$500K with Waste Charges adjusted by \$423K. The City's waste charges are calculated on a cost-recovery basis for all the waste-related services. As the costs for services have increased it means that the charges have increased consequently.

Discretionary fees and charges have been increased in line with costs and with an aim to improve the OSR. By increasing discretionary fees and charges the subsidy on those services is reduced. It should be noted that several of the Fees and Charges are statutory fees and not set by the Council.

- iii. Interest earnings have increased by \$452K in line with rising interest rates and thus higher return on investments.
- iv. Other revenue has decreased by \$168K, primarily due to a review of the manner in which the City approaches non-compliance matters resulting in a reduction in fines and penalties.

Overall Operating Expenditure has increased by \$1.7M, made up of the following:

- i. Employee costs increase of \$1.3M,
- ii. Materials and Contracts increase of \$2.0M,
- iii. Utility charges increase of \$461K,
- iv. Depreciation increase of \$85K,
- v. Other expenditure decrease of \$2.0M,
- vi. with minor variances in the other categories.

The key reasons for the above increases are:

- i. Employee costs increase due to Enterprise Bargaining Agreement and statutory increase in superannuation
 - ii. Waste costs increase mainly due to the following:
 - The increase in fuel prices, increasing the costs associated with the collection of waste from different locations
 - Increased costs from the waste disposal facilities such as landfill
 - Decreased values of the recycling materials collected
 - iii. Utility charge increases due to the proposed tariff increase by Western Power for street lighting of 7.5%
- e) A Capital Works program is outlined on Attachment pages 36-38 (Budget document pages 33-35).
 - f) Reserves as per note 9 on Attachment page 25 (Budget document pages 22).
 - g) Borrowings as per note 7 on Attachment page 22 (Budget document page 19). This includes new loans of \$2M.

46. In accordance with Section 6.2 of the *Local Government Act 1995*, a local government is required to adopt its budget prior to 31 August each year.

47. The early adoption of the budget enables the City to commence its extensive Capital Works Program. It also ensures that the City maintains a positive cash flow which is crucial for the sustainable operations of the City.

48. The estimated unaudited year-end 30 June 2023 position is a surplus of \$465,151 with a proposed 30 June 2024 forecast closing position surplus of \$41,197.

49. The 2023/2024 Budget contains the triennial Gross Rental Valuation (GRV) review which means all rateable GRV properties have been subject to a gross rental revaluation. Properties not on a GRV will be rated on an Unimproved Value (UV), updated annually by Landgate.
50. Rates are calculated as GRV, or UV valuations multiplied by the rate in the dollar. The rate in the dollar outlined in this report for each rating category is as follows:

General GRV	6.3605	Cents in the dollar
Industrial/Commercial GRV	7.6090	Cents in the dollar
Vacant GRV	9.5900	Cents in the dollar
General UV	0.3655	Cents in the dollar
Commercial UV	0.4380	Cents in the dollar
Waste Avoidance and Resource Recovery Levy (All Categories)	0.0443	Cents in the dollar

APPLICABLE LAW

51. Section 6.2 of the *Local Government Act 1995* requires a local government to adopt its budget prior to 31 August each year.
52. Divisions 5 and 6 of Part 6 of the *Local Government Act 1995* refer to the setting of budgets and the raising of rates and fees and charges. The 2023/2024 Budget as presented is considered to meet these statutory obligations.

APPLICABLE POLICY

53. The 2023/24 Budget has been developed on the principles contained within the Long-Term Financial Plan.

STAKEHOLDER ENGAGEMENT

54. The City has worked closely with elected members to review budget line items in the development of the Annual Budget for 2023/2024.
55. The City held a strategic direction-setting meeting with elected members in March 2023 which was subsequently followed by a series of Budget workshops during April and May discussing all aspects of the budget formulation and giving regard to the City's Long Term Financial Plan.
56. The City has met its statutory obligations with respect to community consultation whereby a Notice of Intention to Levy Differential Rates was advertised in the local newspaper.

57. The Objects and Reasons for raising differential rates have been made available for inspection at the Administration Centre, City Libraries and on the City's Website.
58. A period of 21 days was provided for public comment concluding on 17 June 2023. There was no feedback received from the Public Advertising period.

FINANCIAL CONSIDERATIONS

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

SUSTAINABILITY

Social Implications

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

Economic Implications

63. The Budget has been developed based on sound financial management and accountability principles and is considered to deliver a sustainable economic outcome for the Council and community.
64. There is currently widespread economic uncertainty at both international and domestic levels, characterised by record levels of inflation (the highest in three decades), record low levels of unemployment and significant disruption to supply chains. Recent illustrations of economic uncertainty, include:
- I. Perth CPI 7% increase (March 2023)
 - II. Fuel Prices increasing by 34% year on year.
 - III. Unemployment levels are at historic lows which is expected to put upward pressure on wages.
 - IV. Reserve Bank increases the cash rate to 4.1%, with possibly more expected cash rate increases.

65. In addition to the traditional economic metrics around CPI and Unemployment rates, the WA Local Government Association (WALGA) Local Government Cost Index (LGCI) considers the typical costs borne by Local Governments. Moreover, some categories reported significantly higher increases such as:
- i. Road and bridge construction costs, increased by 9.5% over the year to December 2022
 - ii. Non-residential building costs increased by 5% over the year to December 2022;
 - iii. Street lighting tariffs are expected to increase 7.5%.

Environmental Implications

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

RISK MANAGEMENT

67.

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

68.

Risk: Capital Works project cost estimates are insufficient to fully fund projects		
Consequence	Likelihood	Rating
Moderate	Possible	Medium
Action/Strategy		
Improved Project Management procedures to ensure that project designs are well costed prior to budget adoption and implementation.		

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

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

CONCLUSION

- 71. The City has undertaken a thorough analysis of its budget working proactively with Councillors to generate efficiencies and maintain control over operating expenses.
- 72. The 2023/24 Budget provides a framework to deliver on the strategies adopted by the Council and maintains high levels of service across all programs while ensuring an increased focus on road and associated infrastructure as well as on renewal of assets at sustainable levels.
- 73. The 2023/24 Budget is guided by the City’s Long Term Financial Plan which is closely aligned to the Integrated Planning Framework.
- 74. The City is committed to maintaining a strong focus on ensuring that it manages its financial ratios in order to ensure its long-term financial sustainability.
- 75. The 2023/24 Budget proposes a 4.9% increase in rate revenue.

76. The City will continue to focus strongly on cash-flow management and on maintaining control over operating expenditure. The City will continue to manage its income and cash reserves to enable the City to continue to operate in a financially sustainable manner.

Voting Requirements: Absolute Majority

2023/2024 BUDGET RECOMMENDATIONS

Part 1 – Elected Members’ Fees and Allowances for 2023/2024

That Council:

- a) ADOPT, pursuant to Section 5.99 of the *Local Government Act 1995* and Regulation 34 of the *Local Government (Administration) Regulations 1996* the following annual fees for the payment of Elected Members in lieu of individual meeting attendance fees: -
- | | |
|-------------------|----------|
| City Mayor - | \$32,410 |
| Elected Members - | \$24,170 |
- b) ADOPT, pursuant to Section 5.99A (b) of the *Local Government Act 1995* and Regulations 34A and 34AA of the *Local Government [Administration] Regulations 1996*, the following annual allowances:-
- | | |
|---|---------|
| Telecommunications, Communication and Technology Allowance – (Councillors provide their own device) | \$3,500 |
| Telecommunications, Communication and Technology Allowance (City provide Councillors with a device) | \$2,300 |
| Travel Allowance - | \$100 |
- c) ADOPT, pursuant to Section 5.98 (5) (b) of the *Local Government Act 1995* and Regulation 33 of the *Local Government [Administration] Regulations 1996*, the following annual local government allowance to be paid in addition to the annual meeting allowance: -
- | | |
|--------------|----------|
| City Mayor - | \$65,915 |
|--------------|----------|
- d) ADOPT, pursuant to Section 5.98 (A) of the *Local Government Act 1995* and Regulation 33A of the *Local Government [Administration] Regulations 1996*, the following annual local government allowance to be paid in addition to the annual meeting allowance: -
- | | |
|---------------------|----------|
| City Deputy Mayor - | \$16,480 |
|---------------------|----------|

Moved:

Seconded:

Vote:

Part 2 – Schedule of General Fees and Charges for 2023/2024

That Council:

1. ADOPT pursuant to Section 6.16 of the *Local Government Act 1995*, the Fees and Charges as per (Attachment 1).
2. Endorse the Rules applying to the Schedule of Charges For Community Facilities 2023/2024.
3. ADOPT, pursuant to Regulation 53 of the *Building Regulations 2012*, a swimming pool inspection fee of \$47.00.
4. ADOPT, pursuant to Section 67 of the *Waste Avoidance and Resources Recovery Act 2007*, the following charges: -
 - a) Walliston Transfer Station (including GST where applicable)
The deposit of rubbish at Walliston Transfer Station and Collection of specific items will be charged as follows: -

Verge Collection Services		
		\$
Collection of Whitegoods or Mattresses (resident)	Per item	39.50
Collection of Whitegoods or Mattresses (pensioner and/or concession card holder)	Per item	19.75

Walliston Transfer Station - (Non-commercial resident only)		
		\$
Car & Motorcycle Tyre (max 5/entry)	Per tyre	9.00
Four Wheel Drive (max 5/entry)	Per tyre	16.00
Truck/Tractor Tyres (max 2/entry)	Per tyre	37.50
Additional Resident Entry Pass	Per Entry	56.00

Walliston Transfer Station - (Commercial Resident only)		
		\$
Clean Green waste	Per tonne	49.50
Mattress disposal fee (max 5/entry)	Each	39.50
Car & Motor Cycle Tyre (max 5/entry)	Per tyre	11.00
Four Wheel Drive (max 5/entry)	Per tyre	23.00
Truck/Tractor Tyres (max 2/entry)	Per tyre	39.50

The City charges commercial fees for any of the following situations:		
		\$
Commercial/Trade Waste		
- Your vehicle or trailer is commercially signed or badged (unless you have a valid Vehicle Permit)		
- Your waste is from a work site		
- You are transporting waste for a fee or reward		
Charges that apply are		
Cars/ Station Wagons	Per Vehicle	40.00
Small Vans/Utes	Per Vehicle	67.00
Trailer (6X4)	Per Trailer	68.00
Trailer (7X5) with High Sides	Per Trailer	86.00
Small trucks up to 3.5 tonnes GVM	Per Vehicle	205.00

b) Waste Avoidance and Resources Recovery Levy

Adopt a levy of 0.0443 cents in the dollar against the Property's GRV valuation as provided by Landgate, with a minimum charge of \$21.20 on all properties.

Moved:

Seconded:

Vote:

Part 3 – Other Statutory Fees for 2023/2024

That Council:

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

Waste Services		\$
Residential Full Service	Property	633.80
Residential Full-Service Pensioner*	Property	369.00
Residential Others (excludes MGB)	Dwelling	282.40
Residential Multi Unit (excludes MGB)	Dwelling	282.40
Residential Multi Unit Pensioner (excludes MGB)	Dwelling	239.80
No Access to Skip Bins Reduced Charge	Property	559.50
Commercial & Industrial (general and recycling only)	Property	1,108.00
Additional General Bin Residential (all properties) *	Bin	407.00
Additional General Bin Residential (all properties) Pensioners*	Bin	407.00
Additional Recycling Bin Residential (all properties) *	Bin	277.00
Additional General or Recycling Bin Commercial / Industrial (all properties) *	Bin	1,085.00
Additional Extra Skip Bin (General Waste)	Bin	125.00
Additional Extra Skip Bin (Green Waste)	Bin	75.00
Removal of Excess or Non-Conforming Waste from Skip Bin	Bin	125.00
* Pensioner Discount applies to the Primary Owner-Occupied Residential property only (excluding restricted sites) and must be valid Pensioner from 1 July of each financial year. No discount is applicable for additional services, commercial or industrial properties.		

Moved:**Seconded:****Vote:**

Part 4– New Loans

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

1. Scott Reserve Development \$2,000,000 over five years at an estimated fixed interest rate of 4.25% per annum.

Moved:

Seconded:

Vote:

Part 5– Municipal Fund Budget for 2023/2024

That Council:

1. ADOPTS, pursuant to the provisions of Section 6.2 of the *Local Government Act 1995* and *Part 3 of the Local Government (Administration) Regulations 1996*, the City of Kalamunda Municipal Fund Budget for the 2023/2024 financial year as contained in Attachment 1, which includes the following: -
 - a) Statement of Comprehensive Income;
 - b) Statement of Cash Flow;
 - c) Statement of Financial Activity (showing, and the amount required to be raised from rates of \$ 43,706,164 and a net surplus current asset at the end of the financial year of \$ 41,197);
 - d) Notes to and forming part of the Budget;
 - e) Transfers to/from Reserve accounts; and
 - f) Capital Budget.

Moved:

Seconded:

Vote:

Part 6– General and Minimum Rates, Instalment Payment Arrangements, and Incentives for Early Payments for 2023/2024

That Council:

1. IMPOSE, pursuant to Sections 6.32, 6.33, 6.34 and 6.35 of the *Local Government Act 1995* the following differential general and minimum rates on Gross Rental and Unimproved Values adopted for the purpose of yielding the deficiency disclosed by the Municipal Fund Budget adopted at Part 5 above.
 - a) General Rates
 - i. General - Gross Rental Values (GRV) 6.3605 cents in the dollar
 - ii. Industrial/Commercial Values (GRV) 7.6090 cents in the dollar
 - iii. Vacant Land Value (GRV) 9.5900 cents in the dollar
 - iv. General - Unimproved Values (UV) 0.3655 cents in the dollar
 - v. Commercial – (UV) 0.4380 cents in the dollar
 - b) Minimum Rates
 - i. General - Gross Rental Values (GRV) \$970
 - ii. Industrial/Commercial – GRV \$1,220
 - iii. Vacant Land – GRV \$770
 - iv. General - Unimproved Values (UV) \$970
 - v. Commercial – UV \$1,220
 - c) Instalment Arrangements
 - i. NOMINATE, pursuant to Section 6.45 of the *Local Government Act 1995* and Regulation 64(2) of the *Local Government (Financial Management) Regulations 1996*, the following due dates for the payment of rates in full and by instalments:-
 - A. Full payment Option
Full amount of rates and charges, including arrears, to be paid on or before 18 August 2023 or 35 days after the date of issue appearing on the rate notice, whichever is later.
 - B. Two Payment Option
First Instalment to be paid on or before 18 August 2023 or 35 days after the date of issue appearing on the rate notice, whichever is later, including all arrears; and
Second Instalment to be paid on or before 22 December 2023, or 2 months after the due date of the first instalment, whichever is later.
 - C. Four Payment Option

First Instalment to be paid on or before 18 August 2023 or 35 days after the date of issue appearing on the rate notice, whichever is later, including all arrears; and

Second Instalment to be paid on or before 20 October 2023, or 2 months after the due date of the first instalment, whichever is later.

Third Instalment to be paid on or before 22 December 2023, or 2 months after the due date of the second instalment, whichever is later.

Fourth Instalment to be paid on or before 23 February 2024, or 2 months after the due date of the third instalment, whichever is later.

- d) IMPOSE, Pursuant to Section 6.45(3) of the *Local Government Act 1995* and Regulation 67 of the *Local Government (Financial Management) Regulations 1996*, Council adopts an instalment administration charge where the owner has elected to pay rates (and service charges) through and instalment option of \$8 for each instalment after the initial instalment paid.
- e) IMPOSE, Pursuant to Section 6.45 of the *Local Government Act 1995* and Regulation 68 of the *Local Government (Financial Management) Regulations 1996*, Council adopts an interest rate of 5.5% where the owner has elected to pay rates and services charges through an instalment option.
- f) IMPOSE, Pursuant to Section 6.51(1) and subject to Section 6.51(4) of the *Local Government Act 1995* and Regulation 70 of the *Local Government (Financial Management) Regulations 1996*, Council adopts an interest rate of 11% for rates (and service charges) and costs of proceedings to recover such charges that remains unpaid after becoming due and payable.

Moved:

Seconded:

Vote:

Part 7 – Material Variance Reporting for 2023/2024

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

Moved:

Seconded:

Vote:

8.6.2. Long Term Financial Plan 2023 to 2038

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

Previous Items	N/A
Directorate	Corporate Services
Business Unit	Financial Services
File Reference	
Applicant	
Owner	
Attachments	attachment-list-do-not-remove}

TYPE OF REPORT

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

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

Strategy 4.1.2 - Build an effective and efficient service-based organisation.

EXECUTIVE SUMMARY

1. The purpose of this report is for Council to consider the amended City of Kalamunda's (City) Kalamunda Accountable: Long Term Financial Plan to 2037/2038 (LTFP) (Attachment 1).

2. The LTFP presents a financial analysis of key strategic goals and objectives outlined in the integrated planning framework over fifteen years and is a core component of the City's strategic planning process.
3. In accordance with the requirements of the *Local Government Act 1995* (the Act), a local government is required to produce an LTFP for the Future under s5.56 (1) of the *Local Government Act 1995*. The *Local Government (Administration) Regulations 1996* stipulate the minimum requirements for an LTFP.
4. It is recommended the Council adopt the amended LTFP (Attachment 1).

BACKGROUND

5. The Department of Local Government, Sport and Cultural Industries defines the Integrated Planning and Reporting Framework for local governments as a framework for establishing local priorities and linking this information to operational functions.
6. The Integrated Planning and Reporting Cycle is outlined below:



7. The Long-Term Financial Plan (LTFP) is the cornerstone of the Integrated Planning Framework enabling the City to establish priorities and align them with available resources to enable the delivery of short- and long-term priorities. The LTFP is a rolling fifteen-year plan informing the Corporate Business Plan to activate Strategic Community Plan priorities.

8. The purpose of the LTFP is to present a financial analysis of the strategic objectives outlined in the Integrated Planning Framework over fifteen years. It is a core component of the Council's strategic planning process, and it is aligned with other core planning documents, including the Strategic Community Plan, and the City's Corporate Business Plan. Information contained in other strategic documents including the Asset Management and Workforce Plans has informed the LTFP which is the basis for the preparation of the Annual Budget.
9. The LTFP creates a long-term outlook, provides a road map to guide "big picture thinking", allows early identification of financial challenges to ensure financial sustainability, shows linkages between specific plans and strategies and enhances transparency and accountability of the City to our community.
10. The LTFP has been expanded to represent a rolling fifteen-year plan. As the Annual Budget is adopted each year, a new year is added to the LTFP. The LTFP intends to indicate the City's long-term financial sustainability and to allow early identification of financial issues.
11. The City has chosen a fifteen-year planning horizon to enable the provision of infrastructure and service delivery in a financially sustainable fashion cognisant of the substantial reliance upon rate revenue for funding capital works within the City.

DETAILS AND ANALYSIS

12. The *Kalamunda Accountable: Long Term Financial Plan to 2037/2038* is informed from Budget Workshop discussions with Councillors as part of the Budget 2023/2024 process. The budget process commenced early in 2023, with workshops held with Councillors, the City's Executive and the Senior Management Group.
13. The LTFP has been informed of the:
 - a) Capital Works Program – which incorporates the various strategies and planning documents containing the capital works projects.
 - b) Asset Management Plans - sets out the financial resource requirements for renewal of existing assets at expected service levels.
 - c) Workforce Plan - identifies the human resources required to deliver the City's normal operations and proposed future actions and projects.
 - d) The adverse trend in the City's Operating Surplus Ratio (OSR).
 - e) Budget 2023/2024, which is tabled for the Special Council Meeting on 26 June 2023.

14. **Economic Outlook**

Economic growth in Australia is forecast to slow this year as rising interest rates, the higher cost of living and declining real wealth weigh on growth.

Headline consumer price inflation was 7.8% over 2022. Inflation is forecast to decline to around the top of the 2–3% Reserve Bank target band over the coming years. The easing in global price pressures already underway is expected to flow through to domestic prices over time. In addition, slower growth in domestic demand and moderation in labour market conditions are expected to reduce domestic inflationary pressures.

The following table depicts a summary of key economic indicators

	Year-ended					
	Dec 2022	June 2023	Dec 2023	June 2024	Dec 2024	June 2025
GDP growth	2¾	2¼	1½	1½	1½	1¾
(previous)	(3)	(2)	(1½)	(1½)	(1½)	(n/a)
Unemployment rate(b)	3.5	3½	3¾	4	4¼	4½
(previous)	(3½)	(3½)	(3¾)	(4)	(4¼)	(n/a)
CPI inflation	7.8	6¾	4¾	3½	3¼	3
(previous)	(8)	(6¼)	(4¾)	(4¼)	(3¼)	(n/a)

Source; Statement on Monetary Policy – February 2023

15. The LTFP has been developed based on several key assumptions, which are set out in the LTFP. For example, assumptions have been made about the interest rate for investments, the inflation rate and population growth and key cost drivers that materially impact the City's operations. The annual review of the LTFP will ensure that the projections are reviewed in line with the current economic environment, ensuring they are as accurate as possible. Some of the key assumptions include the following:

- a) Maintain the benchmark for the Financial Health Indicator of 70 over the life of the LTFP.
- b) Achieve the basic standard in the Operating Surplus Ratio after six years as per the agreed OSRAP (Operating Surplus Recovery Action Plan) detailed in this report.
- c) Rates Revenue Growth to be contained and closely aligned with economic metrics, at 4.9% for the 2023/2024 financial year.
- d) Inflation is set for 2023/24 at 5% and reducing to 3% for the remainder of the plan. The inflation rate influences the expenditure and revenue contained in the plan. Thus, if in future

the actual inflation rate is different to the expected rate it would not have a significant overall impact on the LTFP.

- e) Rate increases are to be maintained at 4.5% throughout the plan as part of the OSRAP model. Noting that with the increase in depreciation as new assets come on board further increases in rates, or reductions in expenditure will be required to maintain the OSR over the remaining years of the plan.
- f) Investment income earned from the City's cash investments is projected at 5% throughout the Plan.
- g) Employment costs – have increased by approximately 4%, largely due to increases in the Enterprise Bargaining Agreement (EBA), and the statutory increase to the Employee Superannuation Contributions. Employment costs in the LTFP are projected to increase by 4% in 2024/2025, 2025/2026 and by 3% afterwards to account for EBA and Superannuation increases in outer years, however, this will be reviewed as EBA negotiations are concluded.

The Capital Works program for outer years identifies significant new projects which are assumed to be predominantly grant-funded and thus not reliant on municipal funds. The construction of grant-funded projects does however have an operating budget impact once constructed. The increase in maintenance and depreciation expenses will impact the financial ratios and necessitate rate increases and/or rationalising aging or underutilized assets to balance increases with the construction of intergenerational assets such as the High Wycombe Aquatic and Recreation Centre.

16. The LTFP is underpinned by the following key principles:
- a) Strengthening operating results to ensure long-term financial sustainability, including a plan to improve the City's OSR.
 - b) Strategic use of borrowings to fund intergenerational assets or those assets with the capacity to produce an income stream.
 - c) Maintaining tight control over expenditure growth.
 - d) Building cash reserves to meet future needs.
 - e) Maintaining a fair and equitable rating structure.
 - f) Undertaking regular reviews of the service levels to balance community needs and affordability.
 - g) Undertaking advocacy to generate Government funding support.
 - h) Focusing on continuous improvement to drive efficiencies.
 - i) Strategic management of assets ensuring that underutilised assets are reviewed.
 - j) Revenue diversification.

17. **Financial Ratios**

The City formulates its LTFP aiming to achieve positive results against the financial ratios that measure the City's financial performance and to ensure that it remains financially sustainable.

18. Financial ratios are designed to provide a clearer interpretation of the performance and financial results of a local government and a comparison of trends over several years. These indicators provide a short-term measure of the financial sustainability of the local government.

The seven ratios are:

1. Current Ratio.
2. Asset Consumption Ratio.
3. Asset Renewal Funding Ratio.
4. Asset Sustainability Ratio.
5. Debt Service Coverage Ratio
6. Operating Surplus Ratio; and
7. Own Source Revenue Coverage Ratio.

19. The City's Financial results for the year ending June 2022, highlighted a trend showing a deterioration in one of the ratios over the past few years – namely the Operating Surplus Ratio (OSR).

20. This trend was also identified by the Office of the Auditor General (OAG) and the Council at its Audit & Risk Committee in 2021 agreed to develop a plan to address this matter and align rates revenue with operating costs to improve this ratio. The Operating Surplus Ratio Action Plan (OSRAP) was created to provide a deliberate focus on the OSR over six years.

21. Considering the declining OSR the 2023/2024 budget and future LTFP will need to be focussed on addressing the declining OSR to ensure the City remains financially sustainable.

The following table provides results of the operating surplus ratio of the City for the last four years.

Ratio	2022	2021	2020	2019	Benchmark Required
Operating surplus ratio	(0.08)	(0.04)	(0.10)	(0.04)	Between 0.01 and 0.15

22. **What is the Operating Surplus Ratio (OSR)?**

Operating Surplus Ratio Calculation

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

23. The OSR is a measure of the City's ability to meet its operational costs and have revenues available for capital funding or other purposes.

24. Required Standards

1. Basic Standard between 1% and 15% (0.01 and 0.15)
2. Advanced Standard > 15% (>0.15).

25. **Why has the OSR declined?**

A declining OSR means that the City doesn't earn enough operating revenue to pay for operational expenditure.

26. There are 3 key reasons that this ratio is in decline they are:

1. Rates revenue not matching operating expenditure
2. Deprecation increases
3. The increasing cost of services and provision of assets

27. The LTFP was built on the assumption that an improvement in the Financial Ratios is to be achieved. The different scenarios considered the achievement of the OSRAP over a one-to-six-year timeframe. It was agreed with Council during budget deliberations that a six-year term for addressing the OSRAP is the preferred option.

28. For the 2023/2024 year, the City faces a significant economic issue with high inflation, as a result of global and domestic economic issues generating high levels of economic uncertainty, and further upward pressure on costs.

29. **Rates**

30. In 2013/2014 when the inaugural Long Term Financial Plan (LTFP) was adopted by Council, it was predicated on rates increases set at 7% over 10 years to fund the growth in asset renewals and new assets. This was in recognition of the backlog of assets renewals and aging facilities that the City was carrying on its books. Furthermore, the City has grown its population base with many new development fronts being created and demand for services increasing subsequently in line with growth.

31. Since 2018 the Council adopted rate increases that were well below the 7% per annum target that was set out in the original LTFP This has resulted in a significant cumulative loss of revenue over the past 5 years.

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

32. Had the Long-Term Financial Plan been maintained with its required rates projections being adopted annually, the City would likely have been in a stronger position to be covering its operating costs, as well as being able to build reserves that will provide capacity to fund future major facilities development and partially withstand unforeseen inflation impacts being experienced.

33. In the absence of significant alternative revenue streams, the City will need to grow its rates revenue, identify ongoing cost savings and or reduce service levels to avoid deterioration in its operating capacity.

34. **Depreciation**

35. The change in accounting standards to fair value accounting in 2017 is a key cause of the deterioration of the Operating Surplus Ratio. The City had no option but to comply with the change and now must deal with a legacy issue from the change.

36. As the City continues to add new assets and doesn't rationalise old under-utilised assets, depreciation will continue to rise and negatively impact the City's financial viability into the future.

37. The table below demonstrates the % change in Depreciation Expense since 2016:

DEPRECIATION		
YEAR	ACTUAL	% CHANGE
2016	\$ 6,043,120	
2017	\$ 10,130,153	68%
2018	\$ 10,237,301	1%
2019	\$ 10,986,630	7%
2020	\$ 11,316,721	3%
2021	\$ 13,385,719	18%
2022	\$13,764,916	3%

Further, the revaluation of infrastructure assets is due by 30 June 2023 and it is expected that the valuation of these assets will increase leading to a significant increase in depreciation expense.

Cost of Services and Assets

38. The City of Kalamunda has a significant asset base and a wide range of services delivered from the asset base.
39. The City's net assets equate to approximately \$549 million.
40. Maintaining and renewing such a large asset base and delivering a wide range of services requires revenue to match the recurrent operating costs required. The City's main revenue source is rates, more specifically GRV rates.
41. In the past 5 years, the City has experienced an increase in new assets. These assets are largely grant-funded, however, they still require operational funding to design, deliver and maintain the assets. There have also been new services introduced without the corresponding revenues being raised to pay for these services.

42. Although the City has been able to contain materials and contract costs to some extent, the past year has seen significant inflationary pressures on Materials and Contract costs. In particular, the City's building and construction costs have been subject to large increases.

MATERIALS & CONTRACTS		
YEAR	ACTUAL	% CHANGE
2018	\$20,563,24	-11%
2019	\$20,391,297	-1%
2020	\$22,443,971	10%
2021	\$20,233,774	-10%
2022	\$23,253,381	15%

43. Whilst the City has, through annual cost-cutting managed to balance its budget, over time this approach reached a point where costs cannot be reduced further without a corresponding reduction in services and service standards, an increase in rates, or the introduction of new revenue streams.
44. Without a reduction in services and assets or increases in rates, the City will continue to erode its financial sustainability.
45. By way of example, service areas that have increased over the past 5 years are as follows.

1. Community Engagement & Public Relations

- a) In 2016/2017, in response to Council's direction for increased community engagement and communications, the City created the Customer and Public Relations Business Unit.
- b) Funding for resourcing was allocated by Council to expand this service area.

2. Strategic Planning

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

3. Economic Development & Tourism

- a) In 2017/2018 the Council adopted its Economic Development Strategy and Tourism Strategy as well as Advisory Committees to support Economic Development and Tourism. A Business unit was created to implement these strategies.

4. Arts & Culture

- a) In 2017/2018 the Council adopted its Arts Strategy and created Advisory Committees to support increased focus and service delivery for culture & the arts. Council allocated funding to employ a Cultural Coordinator to deliver the strategy and support the Arts Advisory Committee.

5. Master Planning Community Facilities & Reserves

- a) Since 2013 the City has developed a masterplan approach for all of its major City reserves, district parks and community facilities precincts.
- b) The creation of a master plan approach has been to support the need to attract funding through advocacy. To date, the City has received funding to upgrade sporting reserves, provide community facilities such as the Kalamunda Community Centre and more recently a \$60 million commitment to build the High Wycombe Aquatic and Recreation Centre.
- c) Masterplans have provided an effective approach to achieving proper planning and decision-making based on usage, growth, needs, and priority. The management of master planning and ongoing implementation also required additional resourcing.

6. Youth Services

- a) In 2015/2016 Council viewed the provision of services to youth as lacking. The City created a Youth Plan which outlined a series of strategies to improve youth engagement across the City.
- b) This plan required an increase in resources to implement the strategy.

7. Environment

- a) In 2022/2023 the Council adopted the "Climate change action plan" (CCAP). The purpose of CCAP is to ensure the City is prepared and ready to adapt to the climate challenges that lie ahead. The plan commits the City's support and advice to businesses and the community to help them meet the challenges.
- b) This plan requires an increase in resources to implement the actions.

46. Whilst the growth in services was viewed as necessary and has delivered significant benefits to the community there has also been a corresponding increase in human resourcing, depreciation, and maintenance costs into the City's budget. These increases have had to be mitigated through cost-cutting in other service areas to balance the budget and minimise rate increases. Whilst this approach is useful in the short term, it also has a deleterious effect in the longer term.

Inflation

47. Widespread economic uncertainty at an international and domestic level has seen record levels of inflation, with the most recent increases the greatest in 3 decades. This has been illustrated by:

- a. Perth CPI 7% (March 2023)
- b. Fuel Prices increasing by 34% year on year
- c. Building Construction costs increased by 10%
- d. The cost of asphalt increased by 22% and Bitumen costs increased by 30.1%.
- e. Western Power Street light tariff increase proposed by 7.5%
- f. Significant supply chain disruption resulting in delays in procuring materials and putting further upward pressure on costs.

48. Material to the LTFP will be anticipated escalation in construction costs over time (which may not be as simple as CPI rates). Advice from the Western Australian Local Government Association (WALGA) has been received in their most recent quarterly economic update regarding near-term forecasts in construction costs as shown in the following table:

Component	2022-2023	2023-2024	2024-2025
Furniture	3.6%	1.3%	1.3%
Non - Residential Building	1.8%	3.8%	1.3%
Machinery & Equipment	10.7%	2.4%	1.9%
Non -Road Infrastructure	4.4%	2.7%	1.8%
Road & Bridge Construction	5.1%	2.8%	2.8%

49. At the same time, unemployment levels are also at historically low levels which is likely to put upward pressure on wages. The Reserve Bank has recently increased the cash rate by a further 25 basis points to 4.10% which is designed to dampen expenditure and bring the inflation rate back to within the Reserve Bank’s preferred target band of 2-3%.

Employee Costs

50. The City of Kalamunda is essentially a service-based organisation, hence its cost base mainly comprises employee costs and materials and contracts to support service-related activities.
51. The Council is responsible for determining service levels and for determining the City’s Capital Works Program that provides for the construction of new assets and the renewal of existing assets. The CEO has the responsibility to determine the resources both human and physical requirements needed to deliver the service and then Council will allocate the funding. These roles are clearly defined in the Act.
52. The City over the past five years has kept staffing levels closely aligned to the services that Council has determined it wants delivered to its community.
53. The City, given the pressures imposed upon it from increasing depreciation and low rates increases, has needed to undertake annual cost cutting, reallocating existing resources to services that need to be increased and reducing in other areas to fund the changes in Council direction or legislation without substantially increasing its cost base.
54. The following table highlights this approach and shows that human resources have reduced in the past 5 years due to cost pressures arising from depreciation increases, low rate increases and unavoidable annual inflationary cost pressures.

EMPLOYEE FULL-TIME EQUIVALENTS				
YEAR	FTE	% CHANGE	\$ACTUAL	% CHANGE
2018	259	-0.4%	\$24,026,597	-7%
2019	257	-0.8%	\$25,256,690	5%
2020	251	-2.3%	\$25,144,391	0%
2021	254	1.2%	\$24,892,251	-1%
2022	247	-2.7%	\$25,170,251	1%

What options Does Council have to Address the OSR?

55. **Option 1 Do Nothing**

The do-nothing option comes with risk as previously outlined and is not a recommended approach that would be supported by the City's Administration or the OAG and possibly the Department of Local Government, Sport & Cultural Industries.

However, if it was a decision that Council and the Community determined it would accept, this option would need to be discussed with the regulatory bodies that the City reports to and agreed upon.

56. **Option 2 Increase Revenues**

The City has only two types of own source revenues it can increase, these include:

1. Increase Rates

The Council can set a fixed rate increase for the period of the OSRAP. This additional fixed rate would need to be levied on top of the LG cost Index to ensure business as usual can occur whilst also addressing the OSR.

2. Increase fees & Charges

The City collects fees and charges for several of its services. The 2021-2022 year-end actual result for fees and charges was \$17 million. Of this amount, \$13 million was collected from waste fees. Waste fees are a charge that is based on cost recovery and hence raising waste fees will not address the OSR issue.

57. **Option 3 Decrease Operating Expenditure**

The City has undertaken a detailed operating expenditure review where each cost centre outlined opportunities where savings could be made. The City will continue to progress these reviews annually.

58. **Option 4 A combination of Options 2 and 3**

This is the most preferred option as it reduces pressure on service reduction whilst also ensuring that the impact of addressing the OSR is equally borne by all ratepayers.

The Council has chosen option 4 which reflects the proposed increase to rates for 2023/2024 as well as further reductions in operating costs where possible.

59. Considering all the supporting documentation and key assumptions the LTFP for 2023/2024- 2037/2038 has been developed, as documented in attachment 1 and consists of:

- a) Forecast Statement of Financial Position.
- b) Forecast Statement of Comprehensive Income – by Nature and Type.

60. The LTFP includes 7 Key Financial Indicators. These indicators provide a measure of the City's sustainability and financial performance over the fifteen years of the LTFP. Targets have been included to allow the projected ratios to be compared against a benchmark figure. The LTFP 2023/2024 -2037/2038 achieved an average Financial Health Indicator of 79 over the life of the plan and aligns with the key assumptions set while sustainably delivering the services and facilities for the future.
61. The financial projections are reliant on a mix of funding sources including municipal funding, minimal loans, and grants for large strategic projects which in this case is to deliver several future master plans for community facilities.

APPLICABLE LAW

62. The Integrated Planning & Reporting Framework requires that the LTFP be reviewed in conjunction with reviews of the Strategic Community Plan.

All local governments are required to produce an LTFP for the Future under s5.56 (1) of the *Local Government Act 1995*. The *Local Government (Administration) Regulations 1996* stipulate the minimum requirements for an LTFP.

APPLICABLE POLICY

63. Nil.

STAKEHOLDER ENGAGEMENT

64. The City has held several Budget workshops with Councillors to discuss components of the LTFP with a strong focus on the projected capital works programme and measures to enable the City to adequately address the adverse trend in the OSR.
65. No specific public consultation was carried out in relation to the LTFP given that it forms part of the Integrated Reporting Framework and is linked to the Strategic Community Plan.
66. There is no requirement under State guidelines for the City to advertise or consult on the LTFP.

FINANCIAL CONSIDERATIONS

67. The LTFP is formulated based on delivering a sustainable financial position while delivering the services and infrastructure needs of the community now and into the future. The City has a heavy focus on restraining growth in operational expenditure and is working hard to introduce a mix of innovations, cost savings measures and new agile technology for efficient and effective management of its operations.
68. The LTFP is a key component of the Integrated Planning Framework and is by its nature a forecasting document. The plan is based on a significant number of assumptions that drive future year projections. As such this plan is a moment in time to look at the potential future outcomes for the City and future results may vary significantly from this plan. The City undertakes an annual review of the plan.

SUSTAINABILITY

Economic Implications

69. There is currently widespread economic uncertainty at an international and domestic level, highlighted by record levels of inflation and the lowest recorded unemployment rates in more than a decade.

Environmental Implications

70. The LTFP maintains an Environmental Reserve Fund and a direct annual Operational Budget throughout the length of the Plan.

RISK MANAGEMENT

71. An LTFP should allow the early identification of financial issues, so that they may be dealt with promptly.

Risk: Funding budgeted for from State and Federal Governments does not eventuate		
Consequence	Likelihood	Rating
Significant	Possible	High
Action/Strategy		
Grant-funded projects will only commence once written commitments are received. The City will continue to advocate strongly for grant support for significant projects.		

72. **Risk:** The projected rise in Inflation results in costings for capital works projects being understated.

Consequence	Likelihood	Rating
Significant	Possible	High
Action/Strategy		
Improved Asset Management procedures to ensure that project designs are well costed before implementation. Closely manage projects and redirect savings through the Budget Review process.		

73.

Risk: Non-compliance with Financial Regulations		
Consequence	Likelihood	Rating
Significant	Unlikely	Medium
Action/Strategy		
The Long-Term Financial Plan reviews are to be scheduled for future years to ensure compliance with the Financial Regulations.		

74.

Risk: Deterioration in economic conditions results in significant supply chain interruptions.		
Consequence	Likelihood	Rating
Significant	Possible	High
Action/Strategy		
Project Control Group meets to assess project delivery against priority City projects.		

CONCLUSION

75. The LTFP is formulated on the basis that the City is operating in a tight economic environment. In response, the City has maintained tight control over expenditure and has kept rate increases to a minimum.
76. The LTFP is the city's key strategic financial strategy that guides the City over the long term to ensure financial viability and sustainability is achieved and closely monitored. The City will continue to review the Long-Term Financial Plan each year to reflect changes in economic circumstances and strategic directions of the Council.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council ADOPT the amended Kalamunda Accountable: Long Term Financial Plan to 2037/2038 shown as Attachment 1.

8.6.3. Kalamunda Achieving 2023- 2027

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

Previous
Items

Directorate Office of the CEO

Business Unit All

File Reference

Applicant

Owner

Attachments 1. KALAMUNDA ACHIEVING 2023-2027 [8.6.3.1 - 94 pages]

TYPE OF REPORT

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

STRATEGIC PLANNING ALIGNMENT

Kalamunda Advancing Strategic Community Plan to 2031

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

Strategy 4.1.2 - Build an effective and efficient service-based organisation

Priority 4: Kalamunda Leads

Objective 4.1 - To provide leadership through transparent governance.

Strategy 4.1.1 - Provide good governance.

Strategy 4.1.2 - Build an effective and efficient service based organisation.

EXECUTIVE SUMMARY

1. The purpose of this report is to seek Council's endorsement of the Kalamunda Achieving – Corporate Business Plan 2023/2027.
2. The City of Kalamunda (City) has undertaken an extensive review of its Corporate Business Plan (CBP) to ensure it aligns to the Strategic Community Plan 2021-31 and annually reviewed the Corporate Business Plan to ensure it is in alignment with current directions.
3. This report recommends Council adopt Kalamunda Achieving – Corporate Business Plan 2023/27.

BACKGROUND

4. In 2020/21 the City worked extensively with the community to undertake the major 4 yearly review of its Strategic Community Plan – Kalamunda Advancing. The Corporate Business Plan serves to guide the allocation of resources and effort to achieve the vision and strategies adopted in Community Strategic Plan.
5. The Kalamunda Achieving – Corporate Business Plan 2023/27 is revised annually and provides the operating plan that guides the organisation in achieving its objectives.

DETAILS AND ANALYSIS

6. The Kalamunda Achieving – Corporate Business Plan 2023/27 supports the City to achieve the City of Kalamunda vision and the Community Strategic Plan 2021/31 objectives. The CBP demonstrates how the objectives and strategies outlined in KALAMUNDA ADVANCING 2031: Strategic Community Plan will be achieved.
7. The purpose of the Plan is to outline the major projects, including capital works and operational recurrent services. The CBP translates strategy into high level action by describing how the City will drive achievement over the next 4 years.
8. Many of the actions in the CBP are derived from informing strategies and plans such as asset plans, environmental plans, social plans, workforce and economic plans. It also supports the City's annual planning and budgeting processes by setting out detailed actions over four years, which provide the starting point for the annual planning and the budget process.

9. The annual program of works is monitored, and progress is reported on a quarterly basis to Council and the Community through the Quarterly Progress Report and Monthly Financial Report.
10. A key inclusion in the CBP is the development and monitoring of the Operating Surplus Ratio Action Plan (OSRAP). As outlined in the budget the City has to deal with a declining Operating Surplus Ratio, and this will be achieved through a comprehensive plan that examines where cost savings can be found and where revenues can be increased to progressively improve the City's Operating Surplus Ratio.
11. The annual review process enables the City to frequently assess its progress, as well as provide flexibility to respond to the emergent issues or worthy opportunities that will continue to be a characteristic of the local government landscape

APPLICABLE LAW

12. Section 5.56 of the *Local Government Act 1995* requires a local government to plan for the future of the district.

The *Local Government (Administration) Regulations 1996* requires each local government to adopt a Strategic Community Plan and a Corporate Business Plan.

APPLICABLE POLICY

13. This Corporate Business Plan has been developed in accordance with the 'Integrated Planning and Reporting Framework and Guidelines' developed as part of the State Government's Local Government Report Program and the City's Governance & Policy Framework.

STAKEHOLDER ENGAGEMENT

14. This Corporate Business Plan operationalises the Community Strategic Plan 2021/31 and does not require community consultation.
15. Ongoing community involvement will be facilitated as this plan is executed. Projects and activities that are community facing will be subject to community engagement in line with the City's Community Engagement Strategy.

FINANCIAL CONSIDERATIONS

16. The Corporate Business Plan actions are funded through the annual budget process and the Long-Term Financial Plan.

SUSTAINABILITY

Social Implications

17. The Corporate Business Plan provides guidance to deliver social, environmental, and economic outcomes for the City.

Economic Implications

18. The Corporate Business Plan provides guidance to deliver social, environmental, and economic outcomes for the City.

Environmental Implications

19. The Corporate Business Plan provides guidance to deliver social, environmental, and economic outcomes for the City.

RISK MANAGEMENT

20.

Risk: Noncompliance with <i>Local Government Act 1995</i> may result in action by the Department of Local Government.		
Consequence	Likelihood	Rating
Moderate	Unlikely	Low
Action/Strategy		
Ensure the City has a current adopted Corporate Business Plan.		

21.

Risk: A lack of strategic direction through effective integrated planning will result in failures in achieving the Strategic Community Plan.		
Consequence	Likelihood	Rating
Moderate	Possible	Medium
Action/Strategy		
Ensure the City has a current adopted Corporate Business Plan, and the plan is resourced, actioned, and monitored.		

CONCLUSION

22. The Corporate Business Plan has had extensive involvement of Business Unit leaders to ensure plans are realistic and achievable. Priority actions provide the community with high level clarity about the focus of what is to be delivered for the 2023/24 year.

23. The CBP is a key performance driver for the City and the City will provide a quarterly report to Council, providing an update on progress against this plan.
24. The CEO and Directors will align individual employee performance plans to ensure the entire organisation is focused on the achievement of the Corporate Business Plan.

Voting Requirements: Simple Majority

RECOMMENDATION

That Council ADOPT Kalamunda Achieving Corporate Business Plan 2023/27 shown as Attachment 1 to this report.

9. Meeting Closed to the Public

10. Closure