

MINUTES

Strategic Financial Management Committee

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING

HELD ON

MEETING DATE

WEDNESDAY 18 APRIL 2007

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City of
Joondalup

CITY OF JOONDALUP

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 2, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON WEDNESDAY 18 APRIL 2007

ATTENDANCE

Committee Members:

| | | |
|--------------------|------------------|--------------------|
| Cr Michele John | Presiding Person | South-West Ward |
| Mayor Troy Pickard | | |
| Cr Tom McLean | | North Ward |
| Cr Geoff Amphlett | | Central Ward |
| Cr Steve Magyar | | North-Central Ward |
| Cr Brian Corr | | South-East Ward |
| Cr Russ Fishwick | | South Ward |

Officers:

| | | |
|-------------------|---|-------------|
| Mr Garry Hunt | Chief Executive Officer | |
| Mr Mike Tidy | Director, Corporate Services | |
| Mr Clayton Higham | Director Planning and Community Development | |
| Mr Ian Cowie | Director, Governance & Strategy | To 2041 hrs |
| Ms Janet Harrison | Administrative Services Co-ordinator | |

DECLARATION OF OPENING

The Presiding Person declared the meeting open at 1852 hrs.

APOLOGIES/LEAVE OF ABSENCE

Nil.

CONFIRMATION OF MINUTES

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD ON 12 SEPTEMBER 2006

MOVED Cr Fishwick SECONDED Cr McLean that the minutes of the meeting of the Strategic Financial Management Committee held on 12 September 2006 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (7/0)

In favour of the motion: Mayor Pickard, Crs John, McLean, Amphlett, Magyar, Corr and Fishwick

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil.

DECLARATIONS OF INTEREST

Nil

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

Nil

PETITIONS AND DEPUTATIONS

Nil

REPORTS

ITEM 1 COMPARISON OF LOCAL GOVERNMENTS RANKED BY TOTAL REVENUE - [03089]

WARD: All

**RESPONSIBLE
DIRECTOR:** Mr Mike Tidy
 Corporate Services

PURPOSE

To provide the Strategic Financial Management Committee with information in relation to a comparative of total rate revenue and total rates levied published in WA Business News 5 October 2006.

EXECUTIVE SUMMARY

As is well known basic statistics need to be considered with care and in context. This is illustrated by the details reported in WA Business News for local governments. Focussing solely on revenues may be a valid comparative in the commercial environment where sales are the sole or principal driver of revenues. Such comparisons in local government, however, can be very deceptive with significant non-rate revenues and the close relationship between revenues and expenditures particularly in the case of grants.

After examining the make up of revenues for the six largest local governments reported in WA Business News (excluding the City of Perth) and extending the analysis to expenditures what on the surface appears to show the City of Joondalup in a poor comparative position in fact reveals that the City of Joondalup not only compares well but by some measures is arguably outperforming the other local governments.

It is recommended that the report be received.

BACKGROUND

The online publication WA Business News publishes once a year information on the major local governments ranked by total revenue and shows some very basic comparative data. The information published on 5 October 2006 is attached (Attachment 1 refers).

This information has been extracted from the Complete Book Of Lists, which in turn has obtained the information from the most recent publication of the West Australian Local Government Directory by Western Australian Local Government Association (WALGA). This is the 2006-07 publication.

The City of Joondalup is ranked third by total revenue with the City of Stirling first, followed by the City of Perth. The City of Wanneroo is fourth, followed by the Cities of Swan, Melville and Canning as the top seven rankings. The information that was published includes the total revenue, total rates levied, number of registered voters, population, area as well as some basic locality information and the names of the CEO, Mayor and Town Planner.

Initial examination of the total rates levied compared to total revenue seems to suggest that the City of Joondalup has a significantly higher portion of its total revenue made up by total rates levied. The City of Joondalup's published revenue is \$72.1m with total rates levied of \$49m. The next ranked city, the City of Wanneroo with a total revenue of \$66.9m only has total rates levied of \$32.3m, ie only a little over \$5m less total revenue than the City of Joondalup but well over \$16m less in total rates levied. Similar scenarios apply in relation to the Cities of Swan, Melville and Canning, all of whom have total revenues of the mid to low \$60 millions but have total rates levied of \$37m down to as low as \$28.8m for the City of Canning.

The City of Joondalup on the surface of this information appears to be at a significant variance to the other major cities and therefore some analysis work has been done in relation to the comparative of the City of Joondalup's situation with the other top seven ranked cities.

DETAILS

Some comparative analysis has been undertaken to examine the financial positions of the top seven ranked Cities and how they compare to the City of Joondalup. The City of Perth has been excluded from the analysis because of the nature of that City's makeup, having significant non-rate revenues particularly in relation to parking and low levels of residential rate revenue and high levels of commercial rate revenue, making its position distinctly different from the other cities.

The source of the information that has been published is the West Australian Local Government Directory 2006/07 (the Directory). In the published information there has been no analysis, it has been taken as published in the directory. In turn the financial information that is published in the directory for 2006/07 is based on 2004/05 annual report actual results. When comparing the data published in the directory to the actual financial statements for each of the respective Councils for that financial year there are a number of variances and anomalies. Some of these are relatively minor in nature but there are a couple of significant ones. It should be noted that WALGA do not extract the information themselves they rely on each local government for the information provided and its accuracy.

Total Rates Levied

In relation to the figures in the directory there seems to be inconsistency in that some Councils appear to have taken total rates levied to mean only the initial rates levied at rate billing, while others have also taken it to include administration fees, interest charges for late payment and penalties, less any discounts applicable.

Separately from this there are other differences the reason for which is not apparent.

The net outcome of this is that when comparing total rate revenue including fees, charges, penalties, net of discounts and comparing the actual 2004/05 financial reports to the total rates levied as published in the directory the following variances were identified –

| City | Variation | Adjustment Required |
|-----------|-------------|---------------------|
| Joondalup | overstated | (\$2,545,343) |
| Stirling | understated | \$834,902 |
| Wanneroo | understated | \$494,431 |
| Swan | correct | \$Nil |
| Melville | overstated | (\$1,213,349) |
| Canning | understated | \$146,978 |

Total Operating Revenues

A similar assessment has then been done in relation to the total operating revenues comparing the published amounts extracted from the directory to the published financial statements for 2004/05 in relation to each of those Councils.

Again, there are variances although the reasons are more readily apparent. The two major variances are for the Cities of Wanneroo and Swan. In the case of the City of Wanneroo the total revenue published in the directory is \$66.9m. The actual revenue as per the financial accounts was \$142.9m. There are two major reasons for this variance. In the first instance in 2004/05 the City of Wanneroo received \$58.4 in non-cash contributions to assets, which are reflected in the actual financial accounts as revenues. In addition there are substantial guided development town planning schemes in progress for which there are significant scheme revenues of over \$14m. It would seem that in providing information to be included in the directory the total revenue was adjusted for these extraordinary variances.

A similar situation applies in the case of the City of Swan whose total revenue in the directory is \$65m when the actual 2004/05 accounts reflect total revenues of \$81.6m. The difference of \$16.6m is non-cash developer contributions.

There is a lesser variance in the City of Melville's total revenue compared to its actual 2004/05 revenue with the actual figure being \$1.3m more than the figure published in the directory. The reason for this variance is not immediately apparent but it is possible that some sort of developer contribution may have been a factor.

The City of Canning also has a variance of a relatively minor nature of \$286,000 more, in actual 2004/05 revenue than what was published in the directory.

The figures for the Cities of Joondalup and Stirling are correct.

Comparative Analysis

A comparison by programme of the revenues for each of the six local authorities is shown in the following table. There have been some adjustments in picking up this information from the annual accounts of each of the respective authorities.

| | Joondalup | Stirling | Wanneroo | Swan | Melville | Canning |
|----------------------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| REVENUES (Actual 2004/05) | | | | | | |
| General Purpose Funding | 53,561,611 | 74,509,119 | 37,464,995 | 41,904,503 | 37,225,188 | 32,274,493 |
| Governance | 9,527 | 1,256,574 | 476,377 | 448,125 | 470,869 | 29,594 |
| Law, Order, Public Safety | 481,298 | 2,078,287 | 765,089 | 1,311,442 | 2,999,801 | 314,434 |
| Health | 353,203 | 247,365 | 250,080 | 206,298 | 226,984 | 204,870 |
| Education and Welfare | 294,744 | 4,616,042 | 3,095,547 | 2,693,044 | 1,110,544 | 6,763,915 |
| Community Amenities | 8,287,505 | 16,719,800 | 15,670,298 | 9,353,444 | 8,382,057 | 7,555,680 |
| Recreation and Culture | 2,861,015 | 6,589,555 | 3,960,938 | 7,679,040 | 8,144,839 | 6,041,977 |
| Transport | 4,759,357 | 3,315,977 | 62,034,162 | 16,085,740 | 2,406,103 | 5,307,047 |
| Economic Services | 1,095,303 | 2,799,326 | 3,273,187 | 1,429,313 | 877,036 | 1,007,339 |
| Other Property and Services | 397,049 | 9,282,346 | 15,910,192 | 554,331 | 2,362,865 | 2,068,203 |
| Total Operating Revenues | 72,100,612 | 121,414,391 | 142,900,865 | 81,665,280 | 64,206,286 | 61,567,552 |

The Cities of Swan, Melville and Canning still have a programme in their accounts for housing, which technically doesn't exist any more. For comparative purposes the revenue that these Councils showed in Housing has been added to the Other Property and Services programme. A couple of the Councils that had non-cash contributions show these separately below the line in their operating statement. Where this is the case, for the purposes of comparison, this non-cash revenue has been added back into the programme to which it relates.

The following comments are made in doing a comparison programme by programme, ignoring for the purposes of the initial analysis General Purpose Funding which is mostly made up of rate revenue -

Governance

Generally this is a relatively minor revenue item in most councils and it is not clear why there is a significant amount of revenue for governance in the City of Stirling.

Law, Order and Public Safety

The Cities of Joondalup, Wanneroo and Canning seem to be relatively speaking in the same low revenue ballpark while the Cities of Stirling, Swan and in particular Melville are much higher. In the case of Stirling and Melville they both charge separately for their security service ie not funded from rate revenue, and the revenue from this is treated as revenue for Law, Order and Public Safety. In the case of the City of Swan they have a significant revenue source of fees and charges and also significant grant revenues in relation to Law, Order and Public Safety.

Health

These are quite comparable and are not worth any further comment.

Education and Welfare

In this programme the City of Joondalup stands out as being significantly different to all of the other five councils. The City of Joondalup revenues are barely \$300,000 while the next lowest, the City of Melville, is \$1.1m and then they range all the way up to the City of Canning with revenues of \$6.7m. The Education and Welfare programme is where most of the funds would be received for those Councils involved in aged care, home and community care grant programmes etc. The City of Joondalup is not involved in these programmes at all. By contrast the City of Canning, by way of example, runs major aged care services and facilities. Obviously on the expenditure side there would also be significant expenditures on Education and Welfare but clearly when you are only examining the revenue side from the point of view of comparing total rates levied to total revenue one of the distorting factors is that it ignores the costs associated with significant non-rate revenues.

Community Amenities

This programme is basically made up of two components, one being, all of the town planning functions and the second one being the waste management functions. Joondalup's revenue for community amenities is on par with the Cities of Swan, Melville and Canning while the Cities of Stirling and Wanneroo have significantly higher revenues. Both the Cities of Stirling and Wanneroo operate major resource recovery facilities, Wanneroo's being a regional facility and further in the case of the City of Wanneroo they are also involved in the City of Joondalup's waste collection. The City of Stirling has a significant commercial waste collection operation.

Recreation and Culture

The comparison here shows that the City of Joondalup's revenues for Recreation and Culture are significantly less than all of the other City Councils. The figures in relation to the Cities of Wanneroo and Swan need to be qualified in that they include developer non-cash revenues. These would pertain to the creation and development of new parks. In Wanneroo's case those contributions are just over \$1m and in the case of the City of Swan \$3.6m. With these two adjustments in mind the Cities of Wanneroo and Swan would then be reasonably comparable to the City of Joondalup leaving the Cities of Stirling, Melville and Canning with significantly higher revenues. In the case of recreation facilities this would be a reflection of a larger number and a larger scale of facilities. This would pertain to recreation centres and aquatic centres. It should be borne in mind that in the case of the City of Joondalup during the period 2004/05 the main recreation centre at Craigie was undergoing redevelopment.

Transport

The two major standouts under this programme are the Cities of Wanneroo and Swan, which as previously mentioned have significant non-cash developer contributions included in their revenues. In the case of the City of Wanneroo they amount to \$57.4m with \$4.6m of other Transport revenues. In the case of the City of Swan the contributions are \$9.5m with \$6.5m of other Transport revenues. On this basis therefore the comparatives are not unreasonable if you accept that the Cities of Wanneroo and Swan are outer metropolitan high growth, Joondalup a bit less so, Melville and Canning a

mixture new and old while Stirling is relatively speaking inner city in the refurbishment phase.

There is a non-cash contribution included in the City of Joondalup's figures of \$1.7m with other Transport revenues of \$3m.

Economic Services

The Cities of Joondalup, Swan, Melville and Canning are all reasonably comparable with the Cities of Stirling and Wanneroo having significantly higher revenues. It is not entirely clear as to the full reasons for the higher levels of revenue under Economic Services although in the case of the City of Wanneroo they do operate a number of trading undertakings including the fleet maintenance service that they provide to the City of Joondalup, the revenues for which would be reflected in this programme.

Other Property and Services

There are a number of qualifications that need to be made in relation to the figures for each Council in this programme but even taking these into account the City of Joondalup stands out with the lowest revenue for Other Property and Services. The qualifications are-

- In the case of the City of Stirling the total of \$9.28m includes profit on land disposals of \$7.5m.
- In the case of the City of Wanneroo the total of \$15.9m includes \$14m in revenues for guided development town planning schemes.
- The Cities of Swan, Melville and Canning all have revenues for a programme they refer to as Housing. For the sake of comparatives in each case these revenues have been added into Other Property and Services. Leaving these amounts out the City of Swan is reasonably comparable to the City of Joondalup but the Cities of Melville and Canning still have significant Other Property and Services revenues.

Adjusted Analysis

Total Operating Revenues

Having identified some major differences between the six local governments it's useful to get a better comparative analysis of the revenues by adjusting the actual revenues to remove these major variances. The major variance adjustments relate to-

- Non-cash contributions to assets
- Guided development town planning scheme revenues
- Extraordinary profit on asset disposals
- Underground power service charges
- Trading undertakings

The other major area of variance identified above is that the other City Councils have significantly higher revenues in relation to Education and Welfare than the City of Joondalup. There is no easy way to analyse this and to extract out those things that are extraordinary or unusual. Given the City of Joondalup's Education and Welfare revenue is so low one way of normalising the impact of this for comparative analysis is to remove this line item completely from all of the Council's revenue figures. It could be well argued in support of this that due to the nature of the revenues there would be an expectation that there would be at least matching expenditures.

The table below summarises the adjustments that have been made from total operating revenues as reflected in the 2004/05 actual accounts.

| | Joondalup | Stirling | Wanneroo | Swan | Melville | Canning |
|---|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| Operating Revenue (Actual 2004/05) | 72,100,612 | 121,414,391 | 142,900,865 | 81,665,280 | 64,206,286 | 61,567,552 |
| Adjustments | | | | | | |
| Non Cash Contributions to Assets | (1,679,895) | | (58,438,960) | (16,601,012) | | |
| TP Scheme Revenues (Self Funding) | | (860,976) | (14,013,621) | (58,972) | | (24,069) |
| Trading Undertakings - | | | | | | |
| Joondalup Waste Services | | | (3,505,978) | | | |
| Fleet Maintenance | | | (457,819) | | | |
| Commercial Refuse | | (1,772,000) | (2,188,055) | | | |
| Materials Recovery Facility | | | (2,204,238) | | | |
| Profit on Asset Disposals (extraordinary) | | (7,544,489) | | | | |
| Underground Power Rates | | (1,095,984) | | | | (259,061) |
| Education & Welfare | (294,744) | (4,616,042) | (3,095,547) | (2,693,044) | (1,110,544) | (6,763,915) |
| Adjusted Operating Revenues | 70,125,973 | 105,524,900 | 58,996,647 | 62,312,252 | 63,095,742 | 54,520,507 |

Total Rates Levied

In the case of total rate revenue the elements that make up this total are the same across the board with one exception. The Cities of Stirling and Melville, separately charge for their security service and this revenue is recognised in Law Order and Public Safety and not as a cost funded from rate revenue as is the case with the City of Joondalup.

It is difficult to identify a notional component of rate revenue that would apply to the security service for any of the Cities that don't separately charge to enable an adjustment to reduce rate revenue. On the other hand the amount of the security service revenue for those two Council's that do separately charge is known and for comparative analysis it is therefore easier to add this amount back into their rate revenue. This effectively causes their rate revenue to reflect what it would be if they funded their security service from rate revenue the same as the other Councils. The table below reflects this adjustment.

| | Joondalup | Stirling | Wanneroo | Swan | Melville | Canning |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Rate Revenue (Actual 2004/05) | 46,549,025 | 65,908,902 | 32,794,431 | 37,072,575 | 31,186,651 | 28,980,232 |
| Adjustments | | | | | | |
| Add Back Separate Security Charge | | 1,498,101 | | | 1,487,212 | |
| Adjusted Rate Revenues | 46,549,025 | 67,407,003 | 32,794,431 | 37,072,575 | 32,673,863 | 28,980,232 |

Comparison of Ratios

Whether considering the original published figures or the adjusted figures arrived at above, doing a straight comparison of the raw numbers is difficult. There significant differences in the size of the six local governments illustrated by population as one example eg City of Stirling 181,079 and City of Canning 76,100. Looking at the figures in the form of a ratio puts them into context.

The figures that were published in WA Business News included the Total Rates Levied, Total Revenue, Population and No. of Voters. A ratio has been calculated for rates levied to total revenue and then rates levied per voter and per head of population. The number of rateable assessments is useful to put the rates levied into context. This information was not published and is not available from the directory but for this comparative has been extracted from actual annual reports.

The ratios are set out in the table below. There are two sets showing ratios based on the WA Business News published figures and on adjusted revenues from the calculations above.

| | Joondalup | Stirling | Wanneroo | Swan | Melville | Canning |
|--------------------------------|-----------|----------|----------|------------|----------|------------|
| Published Figures Stats | | | | | | |
| Rates Levied/Revenue | 68.09% | 53.60% | 48.28% | 56.98% | 51.53% | 47.05% |
| Rates Levied/Voter | \$478.90 | \$528.23 | \$616.66 | \$663.33 | \$470.04 | \$584.57 |
| Rates Levied/Population | \$313.92 | \$359.37 | \$297.69 | \$398.76 | \$332.31 | \$378.90 |
| Rates Levied/Assessment | \$854.13 | \$795.89 | \$731.27 | \$1,031.46 | \$989.40 | \$1,075.78 |
| Adjusted Figures Stats | | | | | | |
| Rates Levied/Revenue | 66.38% | 63.88% | 55.59% | 59.49% | 51.78% | 53.15% |
| Rates Levied/Voters | \$454.07 | \$547.17 | \$626.10 | \$663.33 | \$474.02 | \$587.54 |
| Rates Levied/Population | \$297.65 | \$372.25 | \$302.24 | \$398.76 | \$335.12 | \$380.82 |
| Rates Levied/Assessment | \$809.84 | \$824.42 | \$742.46 | \$1,031.46 | \$997.77 | \$1,081.23 |

To further facilitate the comparison these have been graphed at Attachment 2.

The two sets of columns plot the percentage of rates levied to total revenue. The yellow columns identify the ratio on what was published by WA Business News while the orange plots the ratio on the adjusted total revenue and rates levied figures.

From this analysis it can be seen that the City of Joondalup still has the highest ratio of rates levied to total rate revenue even allowing for adjustments. The variance however between the City of Joondalup and the other Cities has changed significantly. The City of Joondalup ratio has come down slightly while the City of Stirling ratio has risen significantly from a WA Business News published ratio of 53.6% to an adjusted ratio of 63.9%. This is just short of the City of Joondalup adjusted ratio of 66.4%. All of the other Cities adjusted ratios have risen compared to the original published figures although Melville's only slightly.

Overlaid on top of the columns are three sets of double lines that are plotting rates per voter, per person of population and the average rates per assessment. In each case one line plots the ratio on the WA Business News published figures and the second line plots the ratio based on the adjusted figures. In each case the differences between the ratio using WA Business News published figures and the ratio using the adjusted figures are pretty marginal.

More significantly what the graph does identify is that on any one of those three ratios, whether on the WA Business News published figures or on the adjusted figures, the City of Joondalup is amongst the lowest of the six City Councils.

Probably the most important one is the average rates per assessment, which is the top set of lines. On the WA Business News published figures the City of Joondalup is the fourth lowest with only the Cities of Stirling and Wanneroo lower, while using the adjusted figures only the City of Wanneroo is lower than the City of Joondalup.

Outcome of Analysis

Shortcomings of Just a Revenue Comparative

Essentially what the analysis highlights are some of the shortcomings of drawing conclusions from very limited data. One of the very key pieces of information that was not published (its not in the directory either) is the total number of assessments per City. Although the number of dwellings is included in the directory, the number of rateable properties is not. The following table reflects the number of rateable properties as reported in the 2004/05 accounts for each City.

| | Joondalup | Stirling | Wanneroo | Swan | Melville | Canning |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| No. Rateable Properties | 57,479 | 81,763 | 44,170 | 35,942 | 32,747 | 26,803 |
| Published Rates Levied | \$49,094,368 | \$65,074,000 | \$32,300,000 | \$37,072,575 | \$32,400,000 | \$28,834,054 |
| Adjusted Rate Revenues | \$46,549,025 | \$67,407,003 | \$32,794,431 | \$37,072,575 | \$32,673,863 | \$28,980,232 |

There is a significant disparity between Councils with the City of Stirling 89,763 rateable properties down to the City of Canning 26,803 rateable properties. The City of Joondalup with 57,479 rateable properties is the second highest. Below the number of rateable properties in the table is the adjusted rate revenue for each of the Cities and notwithstanding the variance in the average rates per property referred to in the commentary on the graph at Attachment 2 with one exception there is alignment between the number of rateable properties and the adjusted rate revenue. The exception is Wanneroo whose adjusted rate revenue appears to be quite low relative to the number of rateable properties.

The issue that this highlights in looking at the WA Business News published figures is that the cause of the disparity in the ratio of rate revenue to total revenue is not the rate revenue but the other sources of revenue. In this respect comparatives can be easily distorted by revenue that is tied to expenditure commitments. To take an extreme example a Council could have a \$100 million in revenues for recreation and culture which will make the ratio for rates levied to total revenue extremely impressive but if all of those recreation and culture revenues are tied to expenditure commitments it is pretty meaningless.

A Better Comparative

Clearly the real issue is not how much the revenues are in absolute terms for each of the Cities but how much they are after considering the expenditure commitments. That is how much free untied revenue there is across all of the programmes that can be used additional to rate revenue or General Purpose Funding to fund the rest of Council's operations.

To do this you need to look at the net position in relation to each programme rather than just the revenue side. Net figures have been extracted using the 2004/05 actuals from annual reports. For this exercise the previous assumptions in relation to normalising revenues have changed. Working on the assumption that if there is unusual revenue for a particular activity that this will be offset by unusual expenditure, the only adjustments that have been made to the net figures relate to

items where it is known that there is no direct link between the level of revenue and expenditure. These are:

- Non-cash developer contributions because there is no expenditure involved,
- The extraordinary net profit on land transactions for City of Stirling because this is already a net figure with costs taken into account, and
- The net revenues over expenses for the City of Wanneroo's guided development town planning schemes because those revenues vastly exceed the expenses.

The outcome of this is that in almost all cases the expenditure exceeds the revenues for each programme and the net deficiency represents the amount that is required from General Purpose Funding to support that programme and maintain the operating surplus or deficit. The results are shown in the table below.

| | Joondalup | Stirling | Wanneroo | Swan | Melville | Canning |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Adjusted Net Revenue by Programme | | | | | | |
| General Purpose Funding | \$52,820,528 | \$70,412,942 | \$36,582,497 | \$41,553,212 | \$36,031,436 | \$32,274,493 |
| Governance | (\$6,978,837) | (\$9,131,408) | (\$2,449,893) | (\$4,807,569) | (\$4,944,045) | (\$854,510) |
| Law, Order, Public Safety | (\$2,498,099) | (\$1,854,318) | (\$2,667,547) | (\$1,761,725) | (\$463,612) | (\$1,360,356) |
| Health | (\$1,064,620) | (\$1,442,476) | (\$682,925) | (\$758,856) | (\$662,686) | (\$602,984) |
| Education and Welfare | (\$1,120,765) | (\$2,112,953) | (\$1,857,135) | (\$1,655,243) | (\$1,373,266) | (\$1,582,386) |
| Community Amenities | (\$1,265,732) | (\$153,912) | (\$305,351) | (\$1,761,641) | (\$1,876,955) | (\$794,491) |
| Recreation and Culture | (\$19,969,717) | (\$21,629,448) | (\$13,054,189) | (\$13,986,623) | (\$15,326,183) | (\$12,000,875) |
| Transport | (\$13,517,713) | (\$24,200,590) | (\$11,111,540) | (\$16,517,813) | (\$6,286,580) | (\$11,332,449) |
| Economic Services | (\$182,011) | (\$95,496) | \$216,705 | (\$838,954) | (\$531,926) | \$278,361 |
| Other Property and Services | (\$5,149,864) | (\$4,533,575) | (\$662,634) | \$69,599 | \$620,879 | (\$4,862,392) |
| CHANGES IN NET ASSETS FROM OPERATIONS | \$1,073,170 | \$5,258,766 | \$4,007,988 | (\$465,613) | \$5,187,062 | (\$837,589) |
| Governance | 13.49% | 14.02% | 7.52% | 11.44% | 16.03% | 2.58% |
| Law, Order, Public Safety | 4.83% | 2.85% | 8.19% | 4.19% | 1.50% | 4.11% |
| Health | 2.06% | 2.21% | 2.10% | 1.81% | 2.15% | 1.82% |
| Education and Welfare | 2.17% | 3.24% | 5.70% | 3.94% | 4.45% | 4.78% |
| Community Amenities | 2.45% | 0.24% | 0.94% | 4.19% | 6.09% | 2.40% |
| Recreation and Culture | 38.59% | 33.20% | 40.07% | 33.29% | 49.69% | 36.24% |
| Transport | 26.12% | 37.14% | 34.11% | 39.31% | 20.38% | 34.22% |
| Economic Services | 0.35% | 0.15% | -0.67% | 2.00% | 1.72% | -0.84% |
| Other Property and Services | 9.95% | 6.96% | 2.03% | -0.17% | -2.01% | 14.68% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Below the net in dollars, percentages are shown for each programme other than General Purpose Funding. This is the percentage of the total deficiency across all programmes other than General Purpose Funding that applies to that programme.

The value of converting the net position of each programme to a percentage is again to enable an equitable comparison. The above percentages have been compared graphically in Attachment 3.

What this graph serves to illustrate is that the variances between the Cities after taking account of the expenditures involved in each programme as well the revenues are not that different, with one or two exceptions. To illustrate this point the City of Canning had the lowest rate revenues but very significant Education and Welfare revenues. After offsetting the expenditure commitments, however, the Education and Welfare deficiency is only 4.8% of the total deficiency that is required to be funded by rate revenue. The City of Joondalup by comparison has Education and Welfare

revenues that are pretty negligible compared to the City of Canning but so are its expenditure commitments. The City of Joondalup's deficiency in Education and Welfare represents 2.2% of the total deficiency across the programmes to be funded from rate revenue or roughly half that of the City of Canning. This compares to the raw revenue comparison that shows the City of Canning with 23 times the revenue of the City of Joondalup for the Education and Welfare programme.

The few exceptions are firstly in relation to Governance. Governance is probably not worth considering in any detail because a large part of it is driven by internal allocations and the methodology for these varies markedly across the industry.

Secondly for four of the Cities there is a rough equal balance in the rate revenue funding between Recreation and Culture and Transport. The exceptions are the City of Melville and to a slightly lesser extent City of Joondalup who are clearly putting substantially more rate revenue into Recreation and Culture than they are into Transport.

Thirdly there is a good deal of disparity in Other Property and Services with the City of Canning being a significant drawer on General Purpose Funding while in the case of the City of Melville, Other Property and Services is a net contributor to General Purpose Funding rather than the other way around.

Issues and options considered:

This is a comparative analysis and no options were considered. Issues raised are as referred to in the details.

Link to Strategic Plan:

Not Applicable.

Legislation – Statutory Provisions:

Not Applicable.

Risk Management considerations:

Not Applicable.

Financial/Budget Implications:

Not Applicable.

Policy Implications:

Not Applicable.

Regional Significance:

The Cities of Wanneroo and Stirling are the City of Joondalup's major regional partners and both are included in the above analysis. Despite the regional proximity all three Councils are in different stages in their development lifecycles. The City of Stirling is quite mature, City of Joondalup is just starting to enter the maturity stage while the City of Wanneroo is still developing and will be for some time to come.

Despite the different stages of development the analysis above demonstrates that in fundamental terms all three are quite comparable in terms of rate revenues.

Sustainability Implications:

All of the above analysis is based on comparatives only and does not in any way reflect the relative sustainability of any of the Councils.

Consultation:

Not Applicable.

COMMENT

As is well known basic statistics need to be considered with care and in context. This is illustrated by the details reported in WA Business News for local governments. Focussing solely on revenues may be a valid comparative in the commercial environment where sales are the sole or principal driver of revenues. Such comparisons in local government, however, can be very deceptive with significant non-rate revenues and the close relationship between revenues and expenditures particularly in the case of grants.

After examining the make up of revenues for the six largest local governments reported in WA Business News (excluding the City of Perth) and extending the analysis to expenditures what on the surface appears to show the City of Joondalup in a poor comparative position in fact reveals that the City of Joondalup not only compares well but by some measures is arguably outperforming the other local governments.

ATTACHMENTS

| | |
|--------------|--------------------------------------|
| Attachment 1 | Extract from WA Business News |
| Attachment 2 | Revenue Comparisons Graph |
| Attachment 3 | % of Funding Required from GPF Graph |

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the report on Comparison of Local Governments Ranked by Total Revenue be RECEIVED.

The Director Corporate Services provided an overview of the report.

Discussion ensued, with the following comments/requests being made:

- Information to be provided on the breakdown of rates derived from residential properties compared to that from businesses.
- The Chief Executive Office was requested to provide WA Business News with suggested formats for presentation of data that is more in line with the Committee's requirements.
- The benefits obtained as a direct result of the rates levy should be communicated to ratepayers.

MOVED Cr Magyar SECONDED Cr Fishwick that:

- 1 the report on Comparison of Local Governments Ranked by Total Revenue be RECEIVED;**
- 2 the Strategic Financial Management Committee NOTES that the City of Joondalup has the lowest adjusted rate levy per population of comparative local authorities;**
- 3 the Strategy Financial Management Committee REQUESTS that a report of similar content and context be submitted to the Committee on an annual basis prior to the budget deliberations.**

The Motion was Put and

CARRIED (7/0)

In favour of the motion: Mayor Pickard, Crs John, McLean, Amphlett, Magyar, Corr and Fishwick

ITEM 2 DEVELOPMENT OF THE 2007/08 BUDGET - [61597]

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

To outline to the Strategic Financial Management Committee the proposed development plan for the 2007/08 budget and to seek its endorsement of the parameters on which the budget will be based.

EXECUTIVE SUMMARY

After due consideration of the setting and context for the 2007/08 budget it is recommended that the Strategic Financial Management Committee recommends to Council the ENDORSEMENT of the:

- 1 *key parameters for establishing the development of the draft 2007/08 budget based on increases in fees and charges of 4.4% (subject to statutory limits), employment cost increases being maintained in line with current EBA provisions of 4% and non employment operating costs increases being maintained at 3.5% recognising that this increase will not be uniform and areas will vary;*
- 2 *programme for the adoption of the 2007/08 budget.*

BACKGROUND

Progress in relation to the compilation of the 2007/08 budget is well underway with the Executive already considering presentations from each of the business units in relation to operational budgets. Capital and proposals for the 2007/08 financial year will follow shortly. It is intended that a series of workshops will commence in early May with Elected Members with the objective of having a final draft budget document ready for consideration for adoption by 30 June 2007. A copy of the timetable is attached.

DETAILS

Issues and options considered:

The economic environment continues to be very strong and this is continuing to put pressure on costs and the ability to resource operations and projects whether via directly employed staff or by contract.

To set the scene the Australian Bureau of Statistics (ABS) National Consumer Price Index (CPI) for the 12 months to December 2006 was 3.3%. The ANZ economic forecast in early January predicted nationally 3.5% for 2006 with the forecast for 2007 dropping to 2.2% and for 2008 rising again to 2.7%. At the same time the ABS Perth CPI for the 12 months to December 2006 was 4.4%. Clearly the Perth CPI which is the environment in which the City of Joondalup has to operate continues to outstrip the national CPI and sets the benchmark for the kind of economic environment in which we operate. In March 2007 the West Australian Local Government Association published its Local Government Cost Index (a combination of the Construction Index and Perth CPI) for the 12 months to December 2006. This showed an increase in costs of 6% over that period. A copy is attached.

For the 2007/08 draft budget development it is proposed that the fees and charges be reviewed in line with market and CPI on average, ie 4.4% where there are no statutory limits regulating increases. While there is pressure on salaries and wages the City's current EBA agreements provide for an across the board 4% increase. The draft budget will be using this as the primary target for salaries and wages increases notwithstanding the pressure that the employment market is creating to offer salary packages with increases of greater than 4% in order to attract people. In relation to operating costs the picture in relation to non employment costs is not uniform and the City has had some successes in keeping some cost categories under control eg telecommunications. On this basis the City is working towards a target of containing non-employment operating costs to an increase of 3.5%. This will vary however from one type of cost to the other.

Link to Strategic Plan:

Organisational Development

- 4.1 To manage the business in a responsible and accountable manner
- 4.2 To provide quality services with the best use of resources

Legislation – Statutory Provisions:

Section 6.2 of the Local Government Act 1995 sets out the requirements for local governments to prepare a budget. Section 5.56 further provides for local governments to prepare and adopt a plan for the future. The provisions of the Local Government (Financial Management) Regulations 1996 also contain extensive provisions in relation to the preparation and presentation of budgets while the Local Government (Administration) Regulations 1996 contain provisions in relation to the setting up of plans for the future.

Risk Management considerations:

The adoption of the annual budget contains significant risk management considerations in terms of being able to ensure that the City can supply the works, services and facilities and continue to manage the assets that it is charged with.

Financial/Budget Implications:

This report considers the content and framework for the preparation and consideration for the draft 2007/08 budget. This impacts the underlying financial premises on which the budget is based.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Financial sustainability is absolutely critical to the future growth and development of the City of Joondalup. The adoption of an annual budget is a critical element to this long-term financial sustainability.

Consultation:

Not Applicable.

COMMENT

It is considered that the parameters described represent a significant stretch target in terms of putting together the draft 2007/08 budget. In some areas of Council's operations this will be very difficult to achieve while other areas will fare better.

While these parameters are very broad there are significant demands on the City in relation to the provision of services, facilities and the management of its assets and

infrastructure. The City has in recent times struggled to maintain its programmes in terms of being able to provide the resources whether from internal means or externally by contract and to do so at a reasonable cost to the community.

In addition to the parameters that are being considered for setting the draft 2007/08 budget there is also the projected outcomes for the current 2006/07 financial year that need to be taken into account as well. A mid year budget review was considered at Council's meeting of 27 February 2007 and as part of that budget review it was identified that the overall projected surplus would be \$6.5m in lieu of the \$19,000 originally budgeted. A substantial portion of this, \$3.75m, represented works and projects that were intended to be carried forward. As a result of the adoption of the budget review report the funds to cover the carry forwards have been transferred to a new reserve fund however, while the funding for these works and projects is therefore preserved they still actually need to be physically completed in 2007/08. This is in addition to any programmed works and projects for the coming financial year.

Also as part of that budget review, further monies were set aside for a strategic asset management reserve (\$1.8m) as a result of the better than expected returns received on investments. This contributes to the long-term strategic financial sustainability of the City however it is still dependent on additional allocations being made to the reserve in 2007/08 and future years.

ATTACHMENTS

Attachment 1 West Australian Local Government Association Info Page - Local Government Cost Index 15 March 2007

Attachment 2 Budget Preparation Timetable

VOTING REQUIREMENTS

Simple Majority

The Director Corporate Services provided an overview of the budget process and the proposed timeframe for adoption of the budget. Discussion ensued.

MOVED Cr Magyar SECONDED Cr McLean that the Strategic Financial Management Committee recommends to Council the ENDORSEMENT of the:

- 1 key parameters for establishing the development of the draft 2007/08 budget based on increases in fees and charges of 4.4% (subject to statutory limits), employment cost increases being maintained in line with current Enterprise Bargaining Agreement provisions of 4% and non employment operating costs increases being maintained at 3.5% recognising that this increase will not be uniform and areas will vary;**
- 2 programme for the adoption of the 2007/08 budget.**

The Motion was Put and

CARRIED (6/1)

In favour of the motion: Crs John, McLean, Amphlett, Magyar, Corr and Fishwick **Against the motion:** Mayor Pickard

ITEM 3 FRAMEWORK AND WORK PLAN FOR EXAMINING COMMITTEE ISSUES - [56593] [51567]

WARD: All

**RESPONSIBLE
DIRECTOR:** Mr Mike Tidy
 Corporate Services

PURPOSE

The purpose of this report is to reconsider a framework and work plan to address part 2 of the resolution of the Strategic Financial Management Committee (the Committee) of 4 July 2006.

EXECUTIVE SUMMARY

Having given consideration to part 2 of the resolution of the Committee at its meeting of 4 July 2006, a framework and work plan was prepared and presented to the Committee at its meeting of 12 September 2006. The Committee resolved to defer consideration of the report. It is resubmitted for consideration.

It is recommended that the Strategic Financial Management Committee ENDORSES the framework and work plan for examining alternative revenue streams, asset management, property portfolio, expenditure and the Strategic Financial Plan (Plan for the Future) as proposed in Attachment 1 to this Report.

BACKGROUND

At its meeting of 4 July 2006 the Strategic Financial Management Committee carried the following motion:

That it be recommended that Council requests a further report be submitted to the next meeting of the Strategic Financial Management Committee on:

- 1 *options and potential role of the City in the development of the Joondalup Central Business District;*

- 2 *a framework and work plan for:*
 - *Alternative Revenue Streams;*
 - *Asset Management;*
 - *Portfolio;*
 - *Expenditure;*
 - *Strategic Financial Management Plan (Plan for the Future).*

Part 1 has been addressed in a separate report in this agenda. The issues listed in part 2 are those considered by the Committee to be the matters that should be addressed over the course of the next twelve months.

DETAILS

Issues and options considered:

Framework and Work Plan

Part 2 of the Committee's recommendation of 4 July 2006 related to developing a framework and work plan to look at a number of key issues. These are alternative revenue streams, asset management, property portfolio, expenditure and Strategic Financial Management (Plan for the Future).

To work through all of these issues progressively a work plan and framework for that examination has been drawn up and is at Attachment 1.

Link to Strategic Plan:

Key Focus Area 3 - City Development 3.1

The City of Joondalup has well maintained assets and built environment.

Key Focus Area 4 - Organisational Development 4.1

The City of Joondalup is a sustainable and accountable business.

Legislation – Statutory Provisions:

Not Applicable.

Risk Management considerations:

The process of addressing all of the matters in the framework and work plan will have impacts for risk management and in particular the mitigation of risk.

Financial/Budget Implications:

The matters in the framework and work plan will have impacts for the budget process and for the setting of financial goals and objectives for the City. The impact on the current budget of the investigations themselves will depend on the requirements for external assistance, but should be able to be accommodated within existing budget allocations.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Financial sustainability is absolutely critical to the future growth and development of the City of Joondalup. The investigations into the matters in the framework and work plan, in particular the Strategic Financial Plan, will have implications for long-term financial sustainability of the City.

Consultation:

Not Applicable.

COMMENT

The framework and work plan developed in response to Item 2 of the Strategic Financial Management Committee's resolution of 4 July 2006 is put forward for endorsement by the Strategic Financial Management Committee. The framework and work plan proposes a simple methodical progressive process for working through the issues that need to be addressed and for reporting back to the Committee.

ATTACHMENTS

Attachment 1 Framework and Work Plan for Strategic Financial Management Committee Issues

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee ENDORSES the framework and work plan for examining alternative revenue streams, asset management, property portfolio, expenditure and the Strategic Financial Plan (Plan for the Future) as proposed in Attachment 1 to this Report.

The Director Corporate Services provided an overview of the report.

The Committee members outlined their expectations in relation to progressing these five major issues. It was considered appropriate that the Committee should meet more frequently to formulate a strategic direction on each issue, and it was requested that the first meeting be scheduled in the second week of May to consider alternative revenue streams.

MOVED Mayor Pickard SECONDED Cr Magyar that the Strategic Financial Management Committee:

- 1 NOTES the report regarding the preparation of an alternate framework and work plan for examining alternative revenue streams, asset management, property portfolio, expenditure and the Strategic Financial Plan (Plan for the Future);**
- 2 requests that rather than just receiving reports on the issues, they be workshopped by the Committee, with a programme commencing with the next Committee meeting in early May 2007, which addresses the alternate revenue stream topic.**

The Motion was Put and

CARRIED (7/0)

In favour of the motion: Mayor Pickard, Crs John, McLean, Amphlett, Magyar, Corr and Fishwick

ITEM 4 OPTIONS AND POTENTIAL ROLE OF THE CITY IN THE DEVELOPMENT OF THE JOONDALUP CENTRAL BUSINESS DISTRICT - [55526] [51567]

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

The purpose of this item is for the Strategic Financial Management Committee (the Committee) members to further discuss the development potential of the Joondalup Central Business District (CBD) and progress the recommendation of the previous meeting of the Committee.

EXECUTIVE SUMMARY

At the Strategic Financial Management Committee meeting of 12 September 2006 a recommendation of the committee subsequently endorsed by Council at its meeting of 27 February 2007 was:

- 1 *Council ENDORSES the proposition submitted to the Committee for the development within the CBD of the City of Joondalup;*
- 2 *a workshop be organised to engage all Elected Members in the opportunities for development within the CBD;*
- 3 *external parties, experts and those with interests in this particular field be invited to attend the workshop.*

There are some further issues that need to be resolved before the outcomes of this recommendation can be finalised. It is suggested therefore that as for the last session an open discussion session would be more productive. In order to facilitate this the Committee should consider suspending standing orders for the duration of the discussion.

BACKGROUND

At its meeting of 4 July 2006 the Strategic Financial Management Committee carried the following motion in part:

That it be recommended that Council requests a further report be submitted to the next meeting of the Strategic Financial Management Committee on:

- 1 *options and potential role of the City in the development of the Joondalup Central Business District;*

This was further considered at a meeting of the Committee in September 2006 however for reasons surrounding an unrelated confidential item on the same agenda the recommendation of the Committee was not considered by Council until 27 February 2007.

DETAILS

Issues and options considered:

To be discussed. Some further background material will be available to distribute to the Committee members at the meeting.

Link to Strategic Plan:

Key Focus Area 3 - City Development 3.1

The City of Joondalup has well maintained assets and built environment.

Key Focus Area 4 - Organisational Development 4.1

The City of Joondalup is a sustainable and accountable business.

Legislation – Statutory Provisions:

Not Applicable.

Risk Management considerations:

Any action initiated by Council in relation to the development of the Joondalup CBD will carry risk. Until the specific actions are fleshed out however it is not practical to address them.

Financial/Budget Implications:

Any proposals that may be developed will invariably have impacts for the City's budget and for the setting of financial goals and objectives for the City. The specific financial requirements of developing the proposals themselves can at this stage be accommodated within existing budgets.

Policy Implications:

Not Applicable.

Regional Significance:

Not Applicable.

Sustainability Implications:

Financial sustainability is absolutely critical to the future growth and development of the City of Joondalup. The development of the Joondalup CBD will have significant implications for long-term financial sustainability of the City.

Consultation:

Not Applicable.

COMMENT

The options and potential role of the City in the development of the Joondalup Central Business District is put forward for discussion.

Clause 54 of the Standing Orders Local Law 2005 does not apply to committee meetings, therefore members are entitled to speak more than once on this Item. There is no need to suspend Standing Orders.

ATTACHMENTS

Nil.

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Committee GIVES consideration to progressing the recommendation from the previous Committee meeting regarding the potential role of the City in the development of the Joondalup Central Business District.

The Chief Executive Officer provided an outline of potential development within the Joondalup CBD.

MOVED Mayor Pickard SECONDED Cr McLean that the Strategic Financial Management Committee NOTES the presentation by the Chief Executive Officer regarding the potential role of the City in the development of Joondalup CBD.

The Motion was Put and

CARRIED (7/0)

In favour of the motion: Mayor Pickard, Crs John, McLean, Amphlett, Magyar, Corr and Fishwick

MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

REQUESTS FOR REPORTS FOR FUTURE CONSIDERATION

Nil

CLOSURE

There being no further business, the Presiding Person declared the Meeting closed at 2140 hrs; the following Elected Members being present at that time:

Cr Michele John
Mayor Troy Pickard
Cr Tom McLean
Cr Geoff Amphlett
Cr Steve Magyar
Cr Brian Corr
Cr Russ Fishwick