



MINUTES

SPECIAL COUNCIL MEETING

THURSDAY 15 AUGUST 2013
(Held at the Shire of Waroona Council Chambers)

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1. DECLARATION OF OPENING/ANNOUNCEMENTS

The Shire President declared the meeting open at 9.00 am and welcomed Councillors and Staff present.

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED

Cr Noel Dew	Shire President
Cr Larry Scott	Deputy Shire President
Cr Craig Wright	Councillor
Cr Trish Witney	Councillor
Cr John Salerian	Councillor
Mr Ian Curley	Chief Executive Officer
Mr Laurie Tilbrook	Deputy CEO / Director Corporate Services
Mr Louis Fouché	Director Planning Services
Mr Steve Cleaver	Director Community Services
Mr Andrew Bruce	Director Technical Services
Miss Ashleigh Nuttall	Manager Financial Services

APOLOGIES

Cr Lina Look	Councillor
Cr John Mason	Councillor
Cr Christine Germain	Councillor

LEAVE OF ABSENCE PREVIOUSLY APPROVED

Nil.

3. RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil.

4.1 PUBLIC QUESTION TIME

Nil.

4.2 PUBLIC STATEMENTS

Nil.

5. APPLICATIONS FOR LEAVE OF ABSENCE

Nil.

6. DISCLOSURES OF MEMBERS' & OFFICERS' INTERESTS

Nil.

7. REPORTS OF OFFICERS AND COMMITTEES

7.1 DEPUTY CEO/DIRECTOR CORPORATE SERVICES

7.1.1 ADOPTION OF THE COUNCIL'S ANNUAL BUDGET FOR THE 2013/14 FINANCIAL YEAR	
Reporting Officer / Officer's Interest:	Laurie Tilbrook – Deputy Chief Executive Officer / Director Corporate Services / Nil
Responsible Officer / Officer's Interest	Laurie Tilbrook – Deputy Chief Executive Officer / Director Corporate Services/ Nil
Proponent:	Shire of Waroona
Landowner:	N/A
Date of Report: 7 August 2013	File No.: 1/7
Previous Reference:	
Statutory/Policy Implications:	A Resolution to adopt the Annual Budget and Associated fees and charges requires an Absolute Majority decision of the Council. The budget is required to be adopted by August 31 each year.
Strategic Implications:	Details included below
Financial Implications – Net To Council:	The budget has been prepared in accordance with, and inclusive of all issues that relate directly or indirectly to Council Policy.
Asset Mgt. & LCC Implications:	The budget contains significant implications for asset management within the Council. As a result of budget adoption the Council's Asset Management and Long Term plans will be updated and considered as part of the long term planning framework.
Workforce Implications:	All proposals contained within the Councils adopted workforce plan have been incorporated into the 2013/14 budget. This plan is supported by a detailed sub-budget for the purpose of costing all employee expenses.
Voting Requirements	Absolute Majority
LINKED TO STRATEGIC OBJECTIVE NUMBER (<i>Strategic Community Plan-SCP</i>): 6 ACTIVE CIVIC LEADERSHIP; GOOD GOVERNANCE & EXCELLENCE IN MANAGEMENT	
	Appendices attached Yes

PROPOSAL

The Council is requested to adopt the draft budget for 2013/14 as recommended by the Audit and Finance Committee meeting held 5th August 2013.

BACKGROUND

Attached is a comprehensive summary of the 2013/14 draft budget as presented.

The document contains statutory financial statements (yellow pages) together with detailed allocations by sub-program (white pages) and supporting information (gold pages).

An overall rate income increase of \$275,924 is supported by capital expenditure of \$3,040,878.



The following notes provide details of significant budget proposals together with supporting information and recommendations for adoption.

PROPOSAL

The following chart highlights the budgeted levels of income/expenditure over the past 5 years.

	2009/10	2010/11	2011/12	2012/13	2013/14
	\$	\$	\$	\$	\$
Operational Expenditure	5,747,851	6,544,264	7,142,636	8,096,717	8,412,204
Operational Income	4,787,296	5,708,854	5,830,115	6,309,478	6,353,422
Rate Revenue	2,596,404	2,761,345	2,970,056	3,205,060	3,480,984
Capital Expenditure (assets)	2,782,677	2,985,552	2,676,154	2,629,113	3,040,878
Loans raised	---	---	---	---	-
Transfers to Reserve	337,464	16,650	46,660	131,314	522,395
Transfers from Reserve	461,506	1,015,954	248,126	15,000	669,000
Non Operating grants subsidies & contributions		106,352	913,228	1,384,942	1,427,545
Comprehensive Income net result		(215,441)	(376,676)	(411,110)	(641,051)

It should be noted that untied income from Alcoa of \$200,000 is represented as operating income in the financial statements. This equates to 5.74% of rates based on 2013/14 rating levels.

This funding is likely to impact future Financial Assistance Grants (FAGs) as it would be expected that such funding is used for capital purposes. This would then further compound the net operating result.

Capital Expenditure

Contained within the budget document “Supporting Information” is a summary of all capital expenditure proposed for 2013/14.

In addition a further document is provided which details significant capital projects and associated funding sources with the balance representing general revenue.

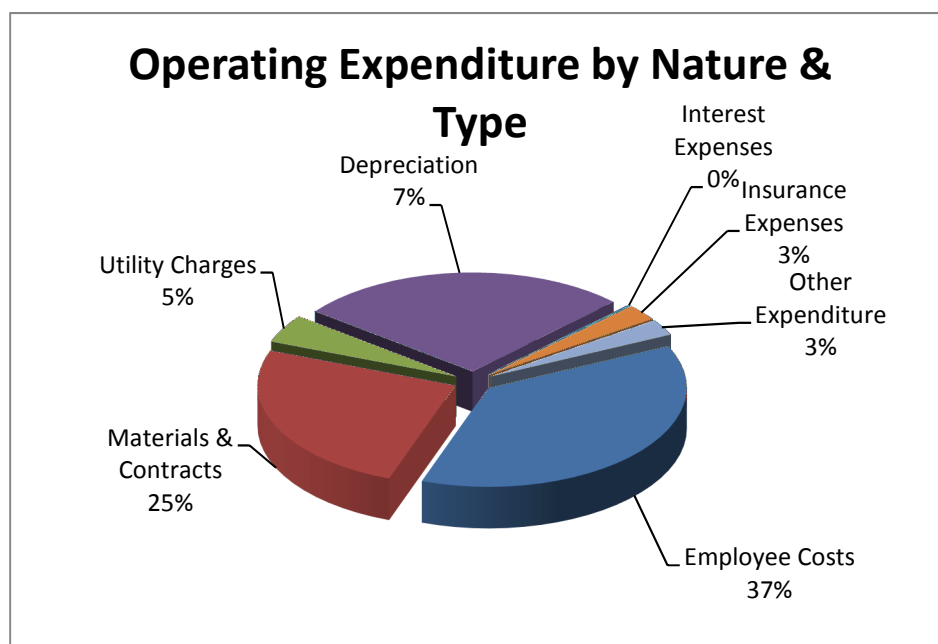
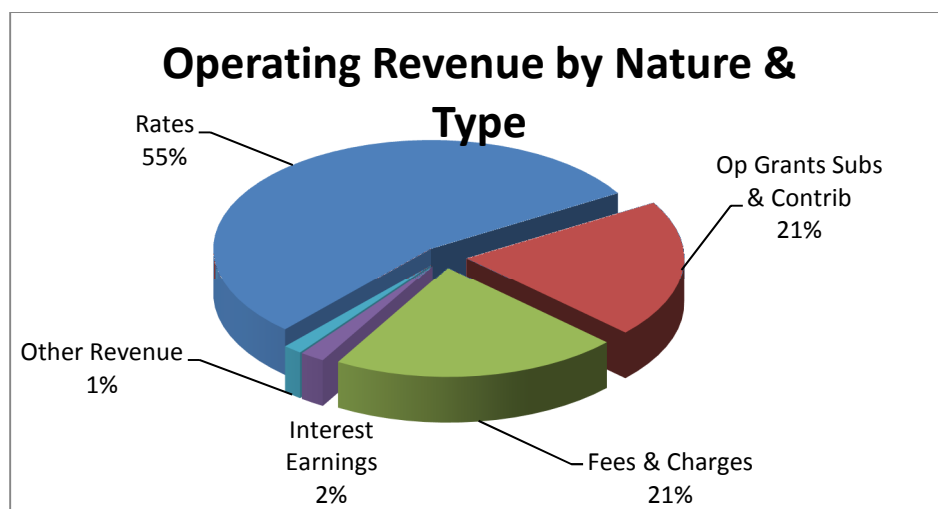
Other major items of discretionary expenditure which are not classified as capital but included within the “operating” components of the budget include:

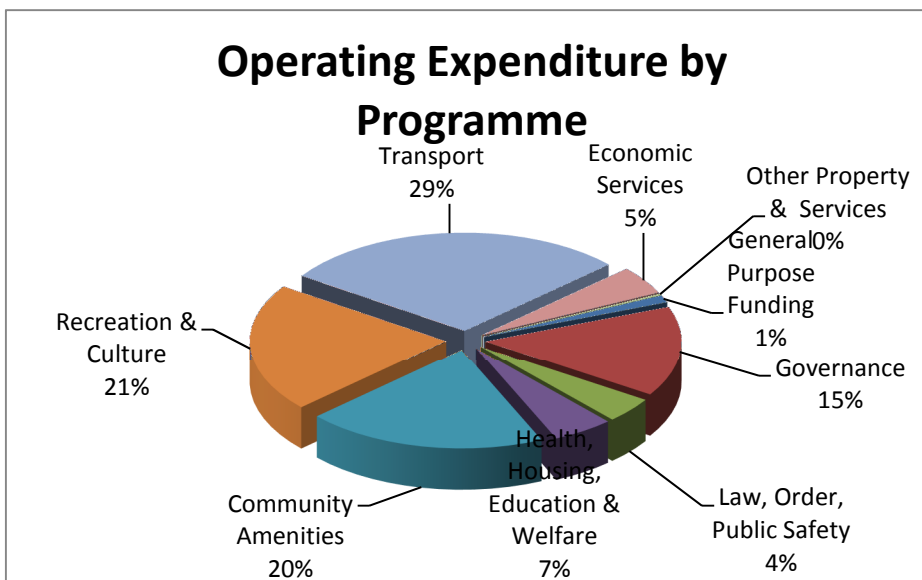
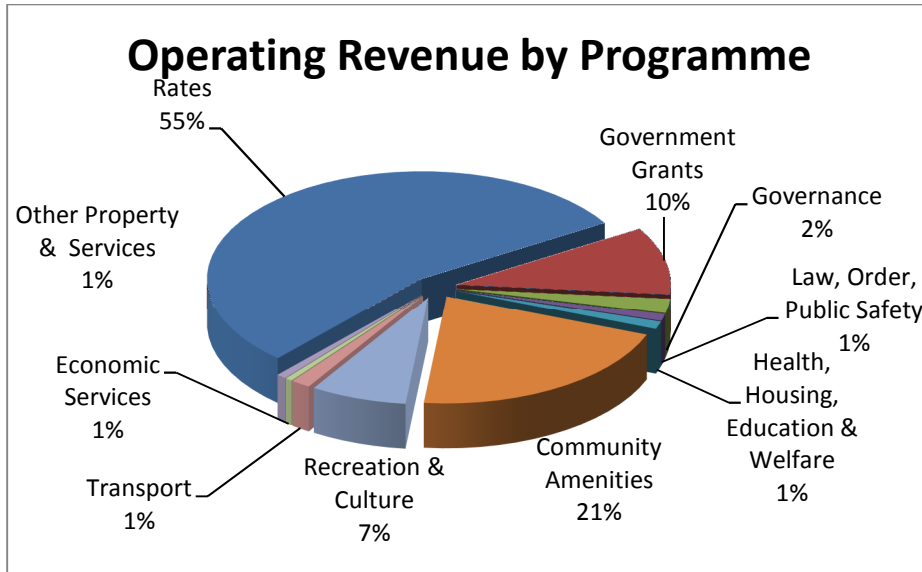
Statutory requirements – revalue land and building assets	\$24,000
Health Resource Centre Maintenance (interior)	\$4,334
Landfill Site survey	\$12,500
Bulk Rubbish Collection	\$46,700
Foreshore Revegetation	\$8,500
Doctors residence – rental subsidy	\$13,520
Preston Beach Townsite Strategy (this expenditure offset by developer contributions)	\$150,000
Install GIS system	\$17,000
Library -	



- install security system	\$2,840
- Shelving	\$4,280
Hamel Nursery contribution	\$5,000
Replace oval retic pump	\$12,000
Asset Management and drainage strategy (priorities for funding to be set)	\$60,000
Landcare Centre Maintenance including painting	\$11,100
Rec Centre -	
- seal joints – Hocker Roof	\$11,500
- rotary and seal courts 2 & 3	\$4,800
- repair pool leak (plant room)	\$3,500
- rotary and seal squash court	\$2,800

The following graphs are provided to assist understanding of the budget operations income and expenditure.



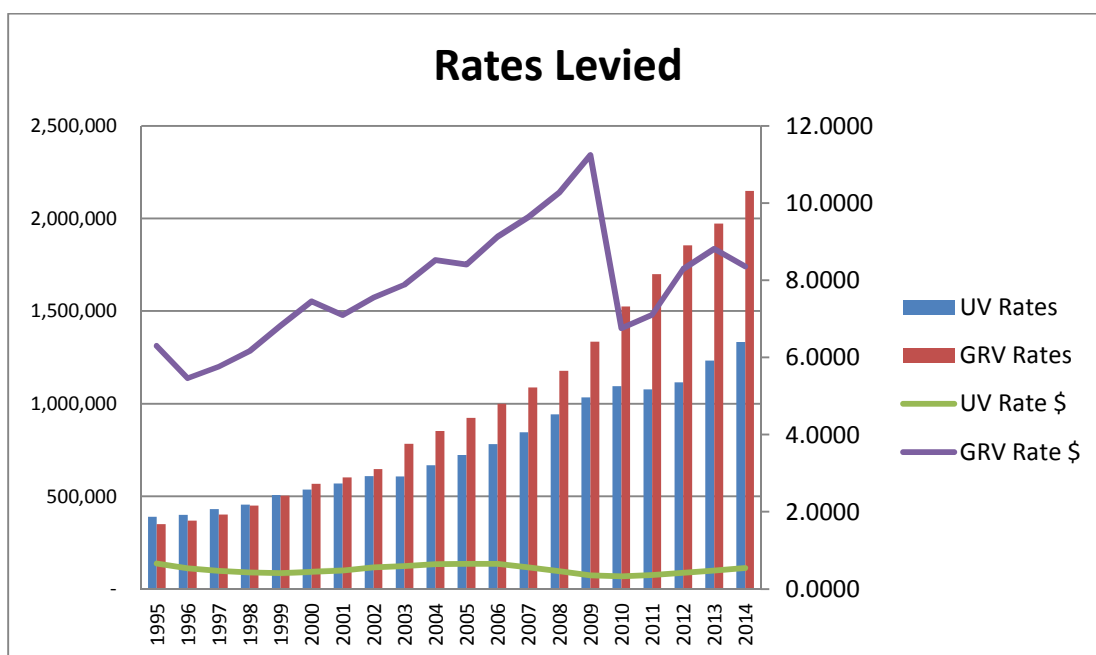


Rating

The 2013/14 draft budget contains an overall rate income increase of 7.95% providing an additional \$256,314 in general purpose income. There is however expected to be significant variations between individual assessments (within the GRV rating) due to the most recent revaluation of the Shire and the level of variation in values between coastal and inland regions.

The results of the revaluation including methodology in rate setting is provided in extensive detail by way of a separate document to this report (pink pages).

The following chart indicates the Councils rating formulae over the past 17 years.



Loan Liability

No loans are proposed for 2013/14.

Total loan liability as a 30 June 2014 is forecast at \$219,345 compared with an actual balance of \$273,852 at 30 June 2013 and \$324,952 at 30 June 2012. Of this balance \$19,857 relates to Self Supporting Loans.

Overall debt levels are well within manageable levels, however it is likely that loan funding may be a requirement associated with future large infrastructure projects. This was evident when preparing the recently adopted “Long Term Financial Plan” a key component of the Council’s Integrated Planning & Reporting framework.

The principal of borrowings to part fund large infrastructure projects is to ensure that current ratepayers are not funding the acquisition of assets that will also be of benefit to future ratepayers.

Future long term planning may require the adoption of a “Debt Management Strategy” which will provide guidance to staff and subsequent Councils and ensure that debt levels are contained within set guidelines.



Ratios – Total loan repayments (ie. principal and interest) as a percentage of rate income is provided as follows:

2004/05	Actual	9.40%
2005/06	Actual	7.20%
2006/07	Actual	5.20%
2007/08	Actual	3.79%
2008/09	Actual	3.57%
2009/10	Actual	3.14%
2010/11	Actual	2.52%
2011/12	Actual	2.42%
2012/13	Actual	2.00%
2013/14	Forecast	2.06%

Further details of the Councils loan liability by individual loan are contained with note 5(a) of the Financial Statements (yellow pages)

Road Construction

Details of the 2013/14 Road Construction program are contained within the “Supporting Information” (gold pages) of particular note is the treatment of two significant “Royalties for Regions” projects as follows:

- \$557,000 Coronation Road Bridge widening.
Funds currently held in Reserve – Project is expected to be commenced and completed in 2013/14.
- \$466,475 Hesse Street Redevelopment
This project is not expected to commence in 2013/14 and as such grant funds (when received) are expected to be transferred to Reserve.

Recreation & Aquatic Centre

Operational expenses at the Recreation Centre have been forecast to increase from the previous financial year. This combined with declining revenue will increase the operational deficit.

This situation is representative of the past four financial years and resulted in discussion at Finance Committee level. It has been anticipated in past years that the Recreation Advisory Committee will conduct a review of operations at the Centre with a view to establishing guidelines (benchmarks) by which future operations would be governed.

Of the most importance is not the level of the accepted annual deficit, or how that benchmark is derived, but rather the prevention of an escalation of this benchmark (without justification).

Any future estimates for annual costs at the Centre must take into account the age of the facility and anticipated future maintenance costs using depreciation expenses as a guide. The Council therefore has an obligation (along with all the buildings)



pursuant to its Asset Management Policy to expend funds on asset maintenance and renewal.

The forecast operational loss for 2013/14 is estimated at \$530,000 (excluding gymnasium capital grant) which is inclusive of \$100,000 Alcoa operating contribution. The net deficit represents 15.36% of forecast rate revenue.

Contributions & Donations

The 2013/14 budget contains the following contributions, donations and subsidies which can be considered discretionary.

		\$
0212	Presentations & Donations	1,860
0692	Public Awareness Program – Fire Control	1,750
1462	Youth Council	2,600
1632	Senior Citizens	600
5292	Volunteer Functions	4,750
1692	Doctor Rent Subsidy	13,520
2042	Coast Swap Donation	3,000
3102	Historical Society Donation	500
3152	Community Development Grants	6,400
1862	Landcare Contribution	3,000
2512	Peel Region Leaders Forum	15,000
2532	Donations for support	3,700
2562	Peel Heritage Advisory	4,000
2582	Peron Naturaliste Partnership	5,000
7782	Enhancement Grants	16,000
	Total	\$81,860

Salary & Wages

		\$	
Total Salaries & Wages	2008/09	2,351,544	Actual
Total Salaries & Wages	2009/10	2,400,209	Actual
Total Salaries & Wages	2010/11	2,481,512	Actual
Total Salaries & Wages	2011/12	2,567,993	Actual
Total Salaries & Wages	2012/13	2,861,984	Actual
Total Salaries & Wages	2013/14	3,100,384	Forecast

General Purpose Grants

An increase of 12% has occurred in the General Purpose Grant (14.5% in 12/13) and also an increase of 3% in the General Purpose Road Grant (5.5% in 12/13).

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	\$	\$	\$	\$		
General Purpose	601,599	635,915	685,793	703,888	812,144	910,057
General Purpose Roads	310,502	312,715	348,702	351,738	371,074	382,583



Note: that the adopted budget does not reflect the exact figures as above due to an early payment (in the previous financial year) of the 1st quarterly instalment.

Refuse Site Management

It is proposed to increase the annual Refuse/Recycling charge from \$220 to \$225 per service. This increase is in line with increases in Contractor charges.

As previously advised, the refuse site operation is likely to require significant capital expenditure in the long term and therefore the need to maintain healthy Reserve Accounts. An allocation of only \$10,000 to Reserve is proposed for 2013/14. It is recommended that this allocation is reviewed prior to year end when income levels can be assessed.

Reserve Accounts

The following are reserve account balances as at 30 June 2013.

Sporting Reserve	\$53,084
Building Asset Maintenance Reserve	\$51,340
Coronation Road Bridge Reserve	\$557,000
Rec Centre Building Maintenance Reserve	\$93,664
Preston Volunteer Rangers	\$31,946
Emergency Assistance Reserve	\$15,306
Works Depot Redevelopment Reserve	\$49,913
Industrial Land Reserve	\$201,320
Information Technology Reserve	\$23,560
Footpath Construction Reserve	\$26,097
Plant Reserve	\$508,113
Long Service Leave Reserve	\$93,545
Asset Management Renewal Reserve	\$100,970
Strategic Planning Reserve	\$22,221
Waste Management Reserve	\$237,536
History Book Reprint Reserve	\$5,000
Hamel Hall Amenities Reserve	<u>\$35,487</u>
TOTAL	<u>\$2,106,102</u>

This compares with a balance of \$1,368,273 in 2011/12.

The forecast balance at 30 June 2014 is \$1,959,497 however this balance includes movements for two significant projects (Royalties for Regions) as follows:

- Coronation Road Bridge \$557,000 to be transferred from Reserve
- Hesse Street Redevelopment \$466,475 to be transferred to Reserve (when funds received)

Future allocations to Reserve must be maintained in line with projections for capital works and asset maintenance associated with the Council's Long Term Financial Plan.



Surplus Brought Forward

The surplus carried forward to 2013/14 consists of:

Cash	\$1,411,312
Receivables	208,500
Inventories	<u>8,086</u>
	\$1,627,898
Less payables & provisions	<u>- 574,762</u>
	1,053,136
Less unspent grants	<u>- 342,652</u>
	\$710,484

COMMUNITY CONSULTATION

Community consultation is an ongoing process which culminates in adoption of the annual budget.

All strategies are contained within the Community Strategic Plan and supporting documents including the Long Term Financial Plan and Corporate Business Plan (4 Years). The budget is essentially a representation of the first year of the Corporate Business Plan.

OFFICER'S COMMENTS

Councillors should note the “Statement of Comprehensive Income” as detailed in the statutory financial statements (yellow pages) which indicates the reconciliation of the operating surplus/deficit.

This figure combined with grant funding represents the availability of funds for capital expenditure.

Results of previous budgets are as follows:

2013/14	(\$641,051)
2012/13	(\$411,110)
2011/12	(\$376,676)
2010/11	\$215,441

As Councillors would be aware this figure also represents the “Operating Surplus Ratio” as defined in the Council’s Long Term Financial Plan as a key performance indicator.

The Council is still in a favourable position to achieve the benchmark with this ratio in 2022/23.

It is proposed that all documentation in relation to the Council’s Integrated Planning & Reporting framework (as adopted at the June 2013 Ordinary Council Meeting) will be updated with budget “actuals” prior to the preparation of the Council’s Annual Report in November.

Careful management of the above plans in conjunction with overall control of operating income and expenditure will be essential to ensure the long term financial viability of the Council.

This planning would also take into account the positive aspects of the Councils financial position including low debt levels and overall rate income which represents 55% of operating income.

Government Grants and Contributions – The budget is prepared on the expectation that predicted funding (grants etc) will be successful (ie, confirmation has been received). This is important as the Council does not have fall back funds to compensate for the non receipt of grants which may result in deferment of projects.

Consideration of Loan Funding – It is not unreasonable to consider an appropriate level of loan funding for significant Community Infrastructure Projects, however, debts levels should be managed in accordance with Long Term Planning and relevant policies.

Reserve Accounts – It is normal prudent financial management to commence an allocation to Reserve accounts (usually 3 years in advance) to part fund Capital and significant projects. These accounts are designed to reduce reliance on general revenue and would form an essential component of a financial plan.

COUNCIL RESOLUTION

MOVED: Cr Witney

SECONDED: Cr Scott

SCM13/8/073

1. Adoption of 2013/14 Municipal Fund Budget

That the 2013/14 Municipal Fund Budget as presented be adopted and the following Rates & Charges be imposed:

**General Rate: 8.3555 cents in the dollar on Gross Rental Values
0.5445 cents in the dollar on Unimproved Values**

**Minimum Rate \$800 – Gross Rental Values
\$800 – Unimproved Values**

**Payment Instalment Interest 5.5%
Payment Instalment Charge \$9 per instalment
Interest on overdue rates 11%**

Instalments to be offered in two (2) options:

- i. Payment by two (2) instalments**
- ii. Payment by four (4) instalments**

2. Adoption of Trust Fund Budget

That the Trust Fund Budget for 2013/14 financial year as presented, be adopted.



3.	<u>Adoption of Refuse Removal Charges</u>
i.	Refuse removal charge - \$225 per annum per 240L mobile bin and recycling service; and
ii.	Refuse removal - Bulk Bins/per annum:
	1.5m ³ once per week \$3,088
	1.5m ³ twice per week \$5,354
	3.0m ³ once per week \$3,827
	4.5m ³ once per week \$5,443
	3.0m ³ Recyclable Removal Service – once per fortnight \$1,338
4.	<u>Adoption of Fees & Charges</u>
	That the Schedule of Fees & Charges for the 2013/14 Financial year as presented be adopted.
5.	<u>Early payment incentive</u>
	That a \$700 cash prize be offered as an incentive for early payment of rates in accordance with Council Policy 3.11.
6.	<u>Material Variance Policy</u>
	That for the purpose of preparing monthly financial statements and when dealing with the Council's Balance Sheet, Operating Statement & Statement of Cash flows, the materiality factor for highlighting variances (budget to actual) shall be:
	➤ 10% with a minimum of \$20,000. It is acknowledged that the use of this policy is a guide only and that materiality is a matter of professional judgement influenced by characteristics of the Council and the perceptions of use of the financial reports.
CARRIED BY ABSOLUTE MAJORITY 5/0	

8. **ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN, OR FOR CONSIDERATION AT NEXT MEETING**
Nil.

9. **NEW BUSINESS OF AN URGENT NATURE/REPORTS & INFORMATION**

9.1 **ELECTED MEMBERS**
Nil.

9.2 **OFFICERS**
Nil.



10. CLOSURE OF MEETING

There being no further business the Chairperson closed the meeting the time being 9.10 am.

I CERTIFY THAT THESE MINUTES WERE CONFIRMED AT THE ORDINARY COUNCIL MEETING HELD 27 AUGUST 2013 AS BEING A TRUE AND CORRECT RECORD OF PROCEEDINGS.

.....
PRESIDING MEMBER

.....
DATE

