



MINUTES

SPECIAL COUNCIL MEETING

TUESDAY 13 AUGUST 2012
(Held at the Waroona Shire – Council Chambers)

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1. DECLARATION OF OPENING/ANNOUNCEMENTS

The Shire President declared the meeting open at 4.00 pm 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 John Salerian	Councillor
Cr John Mason	Councillor
Cr Trish Witney	Councillor
Cr Lina Look	Councillor
Mr Laurie Tilbrook	Deputy Chief Executive Officer
Ms Tamara Olsson	Manager Financial Services

APOLOGIES

Cr Christine Germain	Councillor
Mr Ian Curley	Chief Executive Officer

There were no members of the public present at the commencement of the meeting.

LEAVE OF ABSENCE PREVIOUSLY APPROVED

Cr Craig Wright	Councillor
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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 2012/13 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:	6 August 2012 1/7
Previous Reference:	Nil
Statutory/Policy Implications:	A Resolution to adopt the Annual Budget and Associated fees and charges requires an Absolute Majority decision of the Council.
Strategic Implications:	Nil
Financial Implications:	The Budget has been prepared in accordance with and inclusive of all issues that relate directly or indirectly to Council Policy.
Voting Requirements	Absolute Majority

Introduction

Attached is a comprehensive summary of the 2012/13 draft budget as presented to the Councils Finance and Audit committee on Tuesday 31 July 2012.

The document contains statutory Financial Statements (yellow pages) together with detailed allocation accounts by sub programme (green pages) and supporting information (gold pages).

An overall rate income increase of 7.2% is supported by capital expenditure totalling \$2,629,113.

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

Proposal

Total Income and Expenditure

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

	2008/09 \$	2009/10 \$	2010/11 \$	2011/12 \$	2012/13 \$
Operational Expenditure	5,398,382	5,747,851	6,544,264	7,142,636	8,096,717
Operational Income	5,234,297	4,787,296	5,708,854	5,830,115	6,309,478
Rate Revenue	2,302,542	2,596,404	2,761,345	2,970,056	3,205,060
Capital Expenditure (assets)	5,015,466	2,782,677	2,985,552	2,676,154	2,629,113
Loans raised	50,000	---	---	---	---
Transfers to Reserve	22,500	337,464	16,650	46,660	131,314
Transfers from Reserve	987,750	461,506	1,015,954	248,126	15,000
Non Operating grants subsidies & contributions			106,352	913,228	1,384,942
Comprehensive Income net result			215,441	(376,676)	(411,110)

It should be noted that untied income from Alcoa of \$200,000 is represented as operating income in the financial statements. This equates to 6.2% of rates based on 2012/13 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 which currently is forecast to be in deficit at year end.

Capital Expenditure

Contained within the budget document “Supporting Information” is a summary of all capital expenditure proposed for 2012/13.

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

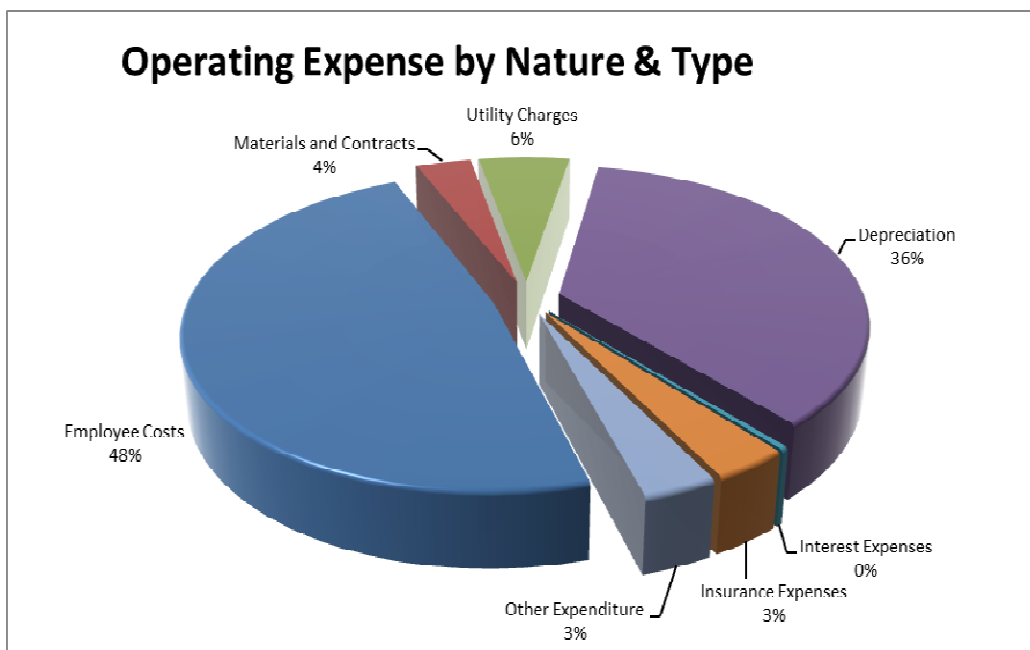
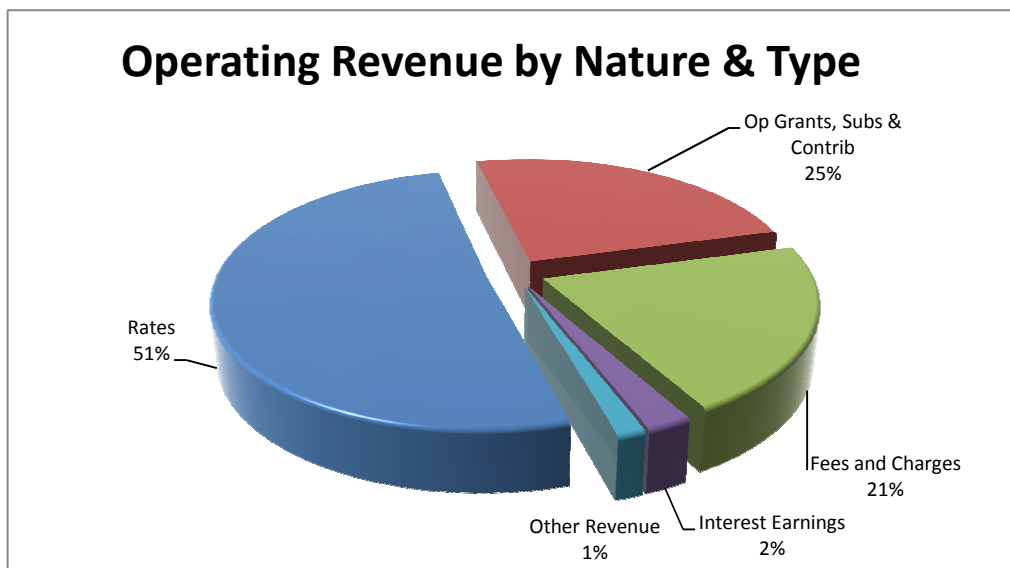
Other major items of discretionary expenditure which are not classified as capital but included within the “operating” component of the budget include:

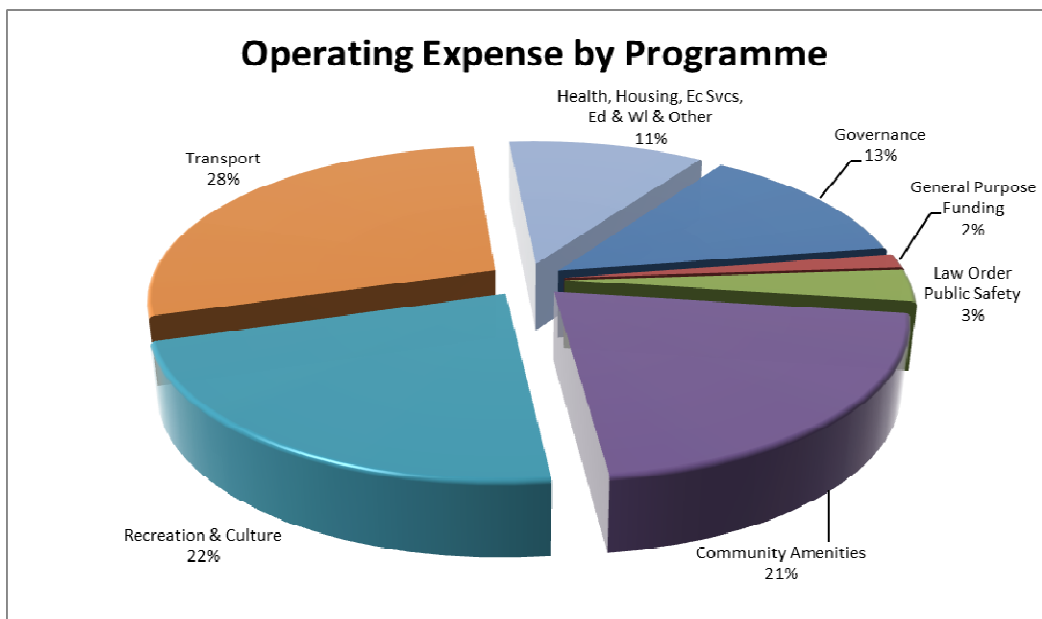
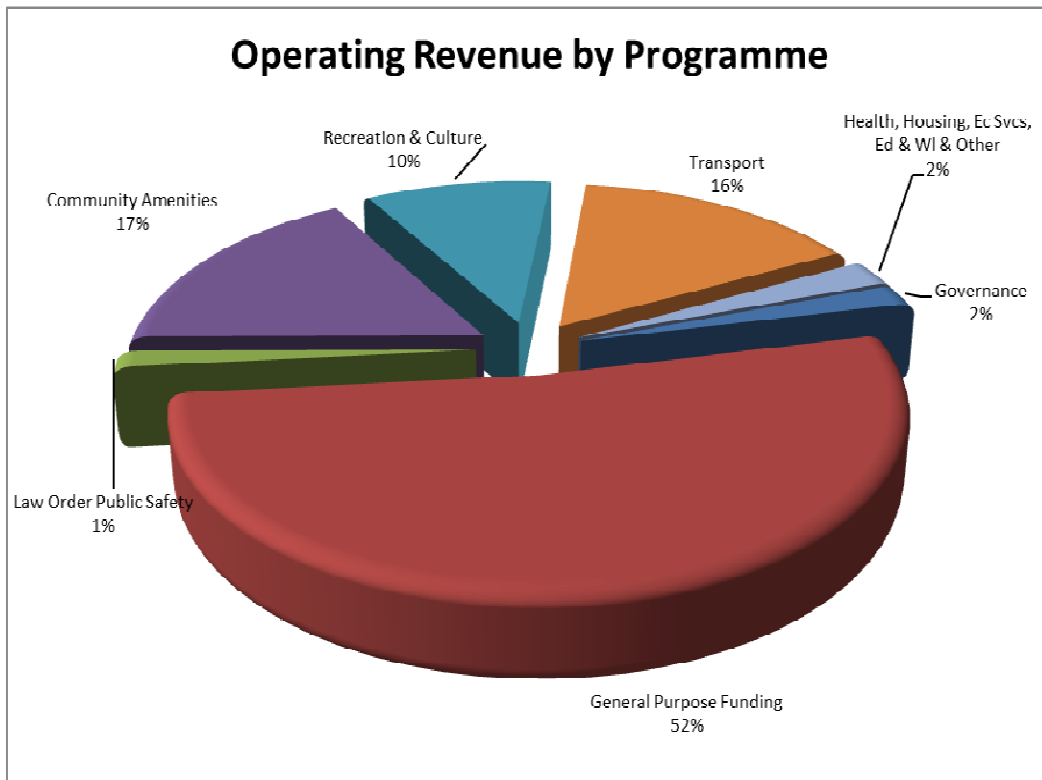
Conduct GRV Revaluation	\$16,500
Roadside public awareness banners	\$2,000
Beach Signage	\$3,600
Security camera maintenance	\$3,800
Community Centre internal works	\$3,334
Doctors residence – Install reticulation	\$6,570
Doctors residence – rental subsidy	\$13,520
Preston Beach – dune stabilisation	\$8,500
Preston Beach Townsite Strategy	\$210,000
- Offset by Developer contributions	-\$210,000



Memorial Hall maintenance	\$3,800
Hamel Nursery redevelopment contribution	\$5,000
Rec Centre – upgrade pool switchboard	\$2,720
Street Signs – continue upgrade to new format	\$2,000
Landcare Centre – maintenance & exterior painting	\$11,040

The following graphs are provided to assist understanding of the budget.

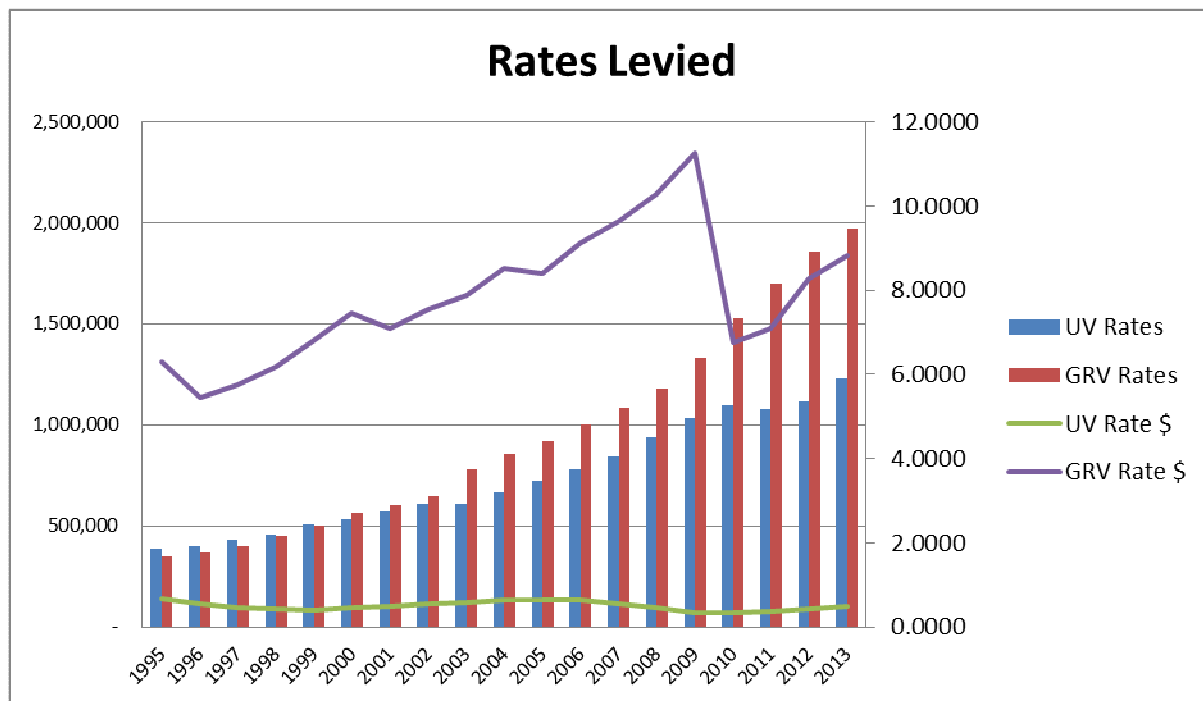




Rating

The 2012/13 draft budget contains an overall rate income increase of 7.2% providing an additional \$214,840 in general purpose income. There is not expected to be significant variations between individual assessments due to a minimal movement in valuations.

The following chart indicates the Councils rating formulae over the past 16 years. This information is provided in greater detail (including a breakdown of the proposed 2012/13 model) as a separate document (pink pages).



Loan Liability

No loans are proposed for 2012/13.

Total loan liability as at 30th June 2013 is forecast at \$273,846 compared with an actual balance of \$324,952 as at 30th June 2012 and \$372,378 at 30th June 2011. Of this balance \$50,048 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 long term strategic objectives especially with large infrastructure projects. This is to ensure that current ratepayers are not funding the acquisition of assets that will also be of benefit to future ratepayers.

It is recommended that when developing long term plans that the Council also considers the adoption of a Debt Management Strategy which will provide guidance to staff 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	Forecast	2.22%

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 2012/13 Road construction program are contained within the “Supporting Information” (gold pages).

Recreation and Aquatic Centre

Operational expenses at the Recreation Centre have been forecast to increase slightly from the previous financial year. This combined with a slight decrease in operational income will result in an increase in the operational deficit.

The forecast operational loss for 2012/13 is estimated at \$460,000 (excluding capital grants) which is inclusive of \$100,000 Alcoa operating contribution. The net deficit represents 14.35% of forecast rates.

It is anticipated that the Recreation Advisory Committee will conduct a review of operations at the Centre during the ensuing 12 months.

Contributions and donations

The 2012/13 budget contains the following contributions, donations and subsidies which can be considered discretionary.

		\$
0212	Presentations & Donations	1,860
1462	Youth Council	2,500
1632	Annual Donation – Senior Citizens	600
5292	Volunteer Functions	2,200
3102	Historical Society Donation	500
1862	Landcare Contribution	3,000
3152	Community Development Grants	6,400
2512	Peel Regional Leaders Forum	15,000
2532	Donations (as approved)	6,000
2582	Peron Naturaliste Partnership	2,000
7782	Enhancement Grants	16,000
	Total	71,580

Salaries and Wages

		\$	
Total Salaries & Wages	2007/08	2,108,283	Actual
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	2,890,888	Forecast

General Purpose Grants

An increase of 14.5% has occurred in the General Purpose Grant (2.6% in 11/12) and also an increase of 5.54% in the General Purpose Road Grant (decrease of 6.6% in 11/12).

At the time of producing the budget the above figures were estimates only.

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
	\$	\$	\$	\$	\$	
General Purpose	557,660	601,599	635,915	685,793	703,888	812,144
General Purpose Roads	283,033	310,502	312,715	348,702	351,738	371,074

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 \$207 to \$220 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 \$60,000 to Reserve is proposed for 2012/13.

Reserve Accounts

The following are reserve account balances as at 30 June 2012.

Sporting Reserve	\$81,122
Building Asset Maintenance Reserve	\$48,988
Rec Centre Building Maintenance Reserve	\$89,376
Preston Volunteer Rangers	\$24,613
Emergency Assistance Reserve	\$14,605
Works Depot Redevelopment Reserve	\$38,086
Industrial Land Reserve	\$192,104
Information Technology Reserve	\$22,482
Footpath Construction Reserve	\$24,902
Plant Reserve	\$480,088
Long Service Leave Reserve	\$89,263
Strategic Planning Reserve	\$21,204
Waste Management Reserve	\$202,806
Hamel Hall Amenities Reserve	\$38,633
TOTAL	<u>\$1,368,272</u>

This compares with a balance of \$1,504,045 in 2011/12.

The forecast balance at 30th June 2013 is \$1,484,586. There are no major projects requiring the use of the funds in 2012/13. Future allocations to Reserve Accounts will need to be maintained in line with projections for major capital works associated with Long Term (Strategic) Planning.

Surplus Brought Forward

The surplus carried forward to 2012/13 consists of

Cash	\$1,349,557
Receivables	\$260,263
Inventories	<u>\$11,357</u>
	\$1,621,177
less payables and provisions	<u>\$-324,508</u>
	\$1,296,669
less unspent grants	<u>\$-560,570</u>
	\$736,099

Large sums of cash on hand are associated with the early payment of grant funds and whilst this supports short term cash flow it is important to remember that a budget expense is associated with this income.

In addition the Council has a significant amount (\$560,650) of unspent grant funds which are highlighted in the accounts as “restricted cash”.

Full details of the restricted cash are provided in the Statutory Financial statements (yellow pages) at note 19.

Community Consultation

As per Council Policy normal procedures in relation to budget preparation including inviting submissions on strategic plans, newspaper advertising, website advertising and mail outs.

Officer's Comments

Councillors should be aware that the 2012/13 budget does contain a decreased operating deficit over the previous financial year.

Inevitably this result has eroded funds which may be available to fund Capital works. The end result being that the Capital Works program is largely grant dependant.

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

Results of previous budgets are as follows:

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

The operating result is likely to receive further increases in subsequent financial years as a result of the introduction of the Integrated Planning framework. Documents such as Asset Management and Workforce planning are likely to require an additional financial commitment if the Council is to successfully achieve goals contained with its Community Strategic Plan.

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 50% 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 allocated 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

SCM12/08/088

MOVED: Cr Witney

SECONDED: Cr Mason

1. Adoption of 2012/13 Municipal Fund Budget

That the 2012/13 Municipal Fund Budget as presented be adopted and the following Rates & Charges be imposed:

**General Rate: 8.8116 cents in the dollar on Gross Rental Values
0.4798 cents in the dollar on Unimproved Values**

**Minimum Rate \$750 – Gross Rental Values
\$730 – 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 2012/13 financial year as presented, be adopted.

3. Adoption of Refuse Removal Charges

- i. Refuse removal charge - \$220 per annum per 240L mobile bin and recycling service; and
- ii. Refuse removal - Bulk Bins/per annum:

1.5m ³ once per week	\$1,431
3.0m ³ once per week	\$1,951
4.5m ³ once per week	\$3,318

4. Adoption of Fees & Charges

That the Schedule of Fees & Charges for the 2012/13 Financial year as presented be adopted.

5. Early payment incentive

That a \$650 cash prize be offered as an incentive for early payment of rates in accordance with Council Policy 3.11.

6. Material Variance Policy

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 6/0

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

9.1.1 Corporate Services – Thank You

The Shire President expressed his thanks to Laurie Tilbrook, Tamara Olsson & the finance staff for their hard work and contribution to the budget process.

9.2 OFFICERS

Nil.

10. CLOSURE OF MEETING

There being no further business the Chairperson closed the meeting the time being 4.37 pm.

I CERTIFY THAT THESE MINUTES WERE CONFIRMED AT THE ORDINARY COUNCIL MEETING HELD 28 AUGUST 2012 AS BEING A TRUE AND CORRECT RECORD OF PROCEEDINGS.

.....
PRESIDING MEMBER
.....
DATE

