



Date: 30 July 2015

**To: Shire President
All Councillors**

**Copy: Directors
Staff**

SPECIAL COUNCIL MEETING NOTICE AND AGENDA

A Special Council meeting of the Shire of Waroona will be held at the Waroona Shire Council Chambers on Tuesday 4 August 2015 commencing at 9.00 am to consider and resolve on the matters set out in the attached Agenda.

A handwritten signature in cursive script, appearing to read 'Ian Curley', is placed on a light-colored rectangular background.

**IAN CURLEY
Chief Executive Officer**

PUBLIC QUESTION TIME
AND
PUBLIC STATEMENT TIME

1. The order of business allows for a Public Question time and a Public Statement time at the beginning of the Meeting. The Presiding Member will announce these times.

2. If you wish to ask a Question or make a Statement about an Agenda Item BEFORE it is considered then it should be made at the Public Question and Public Statement Time at Item 4 on the Agenda Notice Paper in accordance with Council's Procedures and Guidelines for Public Question Time and Receiving Public Statements.

3. The visual or vocal recording of Council meeting proceedings is expressly prohibited, unless the prior approval of the Council has been given.

TABLE OF CONTENTS

1.	DECLARATION OF OPENING/ANNOUNCEMENTS.....	4
2.	RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED	4
3.	RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE	4
4.1	PUBLIC QUESTION TIME.....	4
4.2	PUBLIC STATEMENTS	4
5.	APPLICATIONS FOR LEAVE OF ABSENCE.....	4
6.	DISCLOSURES OF MEMBERS' & OFFICERS' INTERESTS.....	4
7.	REPORTS OF OFFICERS AND COMMITTEES.....	5
7.1	DEPUTY CEO/DIRECTOR CORPORATE SERVICES.....	5
7.1.1	ADOPTION OF THE COUNCIL'S ANNUAL BUDGET FOR THE 2015/16 FINANCIAL YEAR	5
8.	ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN, OR FOR CONSIDERATION AT NEXT MEETING	16
9.	NEW BUSINESS OF AN URGENT NATURE/REPORTS & INFORMATION	16
9.1	ELECTED MEMBERS.....	16
9.2	OFFICERS.....	16
10.	CLOSURE OF MEETING	16

AGENDA

1. **DECLARATION OF OPENING/ANNOUNCEMENTS**
2. **RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED**
3. **RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE**
- 4.1 **PUBLIC QUESTION TIME**
- 4.2 **PUBLIC STATEMENTS**
5. **APPLICATIONS FOR LEAVE OF ABSENCE**
6. **DISCLOSURES OF MEMBERS' & OFFICERS' INTERESTS**

(Disclosure of interest MUST ALSO be made by the member or officer immediately prior to a matter, for which an interest is being disclosed, is dealt with.)

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 2015/16 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: 31 August 2015	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 Council's adopted workforce plan have been incorporated into the 2015/16 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 (Strategic Community Plan-SCP): 6 ACTIVE CIVIC LEADERSHIP; GOOD GOVERNANCE & EXCELLENCE IN MANAGEMENT	
	Appendices attached Yes

PROPOSAL

The Council is requested to adopt the draft budget for 2015/16 as recommended by the Audit and Finance Committee meeting held 28th July 2015.

BACKGROUND

Attached is a comprehensive summary of the 2015/16 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 \$301,600 is supported by capital expenditure of \$2,415,887.

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.

	2011/12	2012/13	2013/14	2014/15	2015/16
	\$	\$	\$	\$	\$
Operational Expenditure	7,142,636	8,096,717	8,412,204	8,876,289	10,249,749
Operational Income	5,830,115	6,309,478	6,353,422	7,037,902	7,106,404
Rate Revenue	2,970,056	3,205,060	3,480,984	3,793,246	4,092,580
Capital Expenditure (assets)	2,676,154	2,629,113	3,040,878	2,342,587	2,415,887
Loans raised	---	---	-	-	-
Transfers to Reserve	46,660	131,314	522,395	73,970	335,150
Transfers from Reserve	248,126	15,000	669,000	1,088,267	467,538
Non Operating grants subsidies & contributions	913,228	1,384,942	1,427,545	989,062	1,1163,024
Comprehensive Income net result	(376,676)	(411,110)	(641,051)	(854,030)	(1,936,491)

It should be noted that untied income from Alcoa (effectively an ex grata payment) is represented as operating income in the financial statements. This equates to 4.9% of rate income based on 2015/16 rating levels.

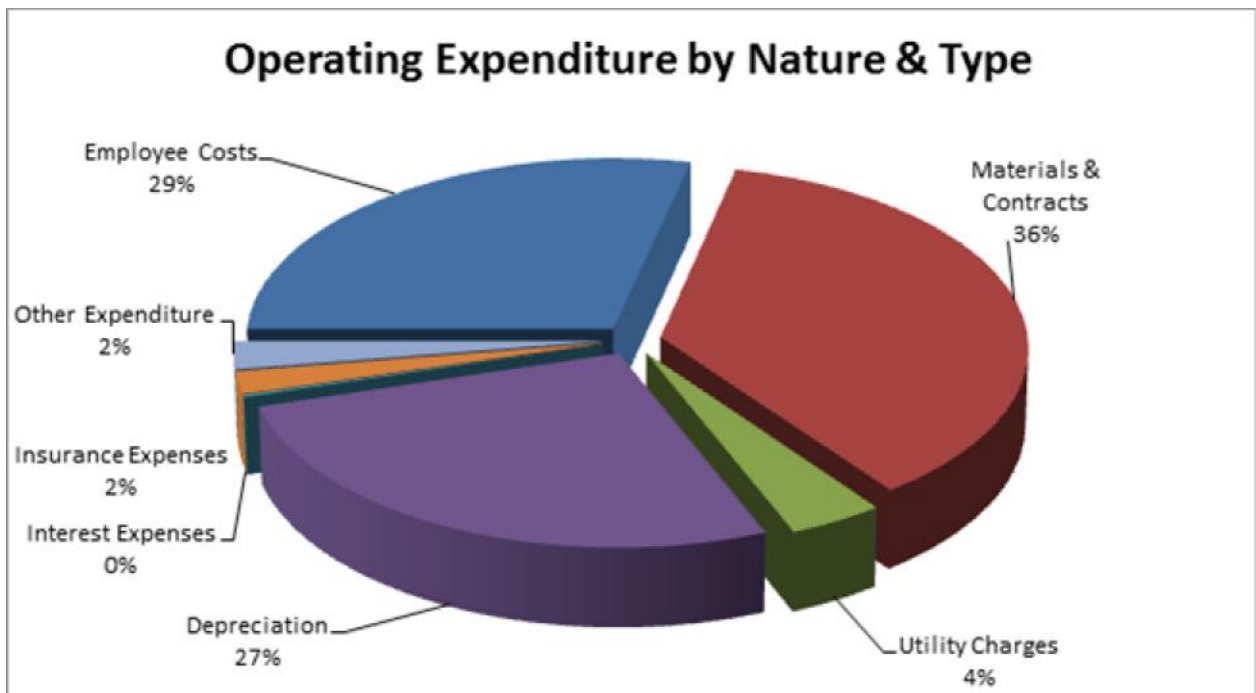
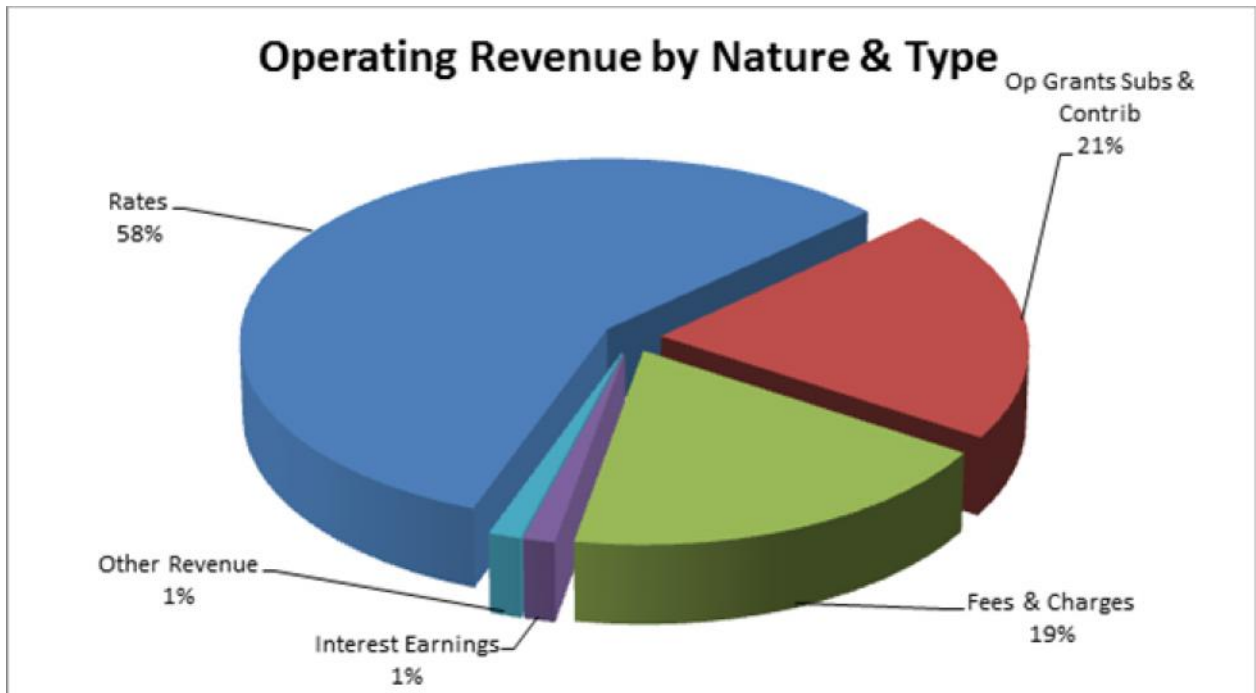
Capital Expenditure

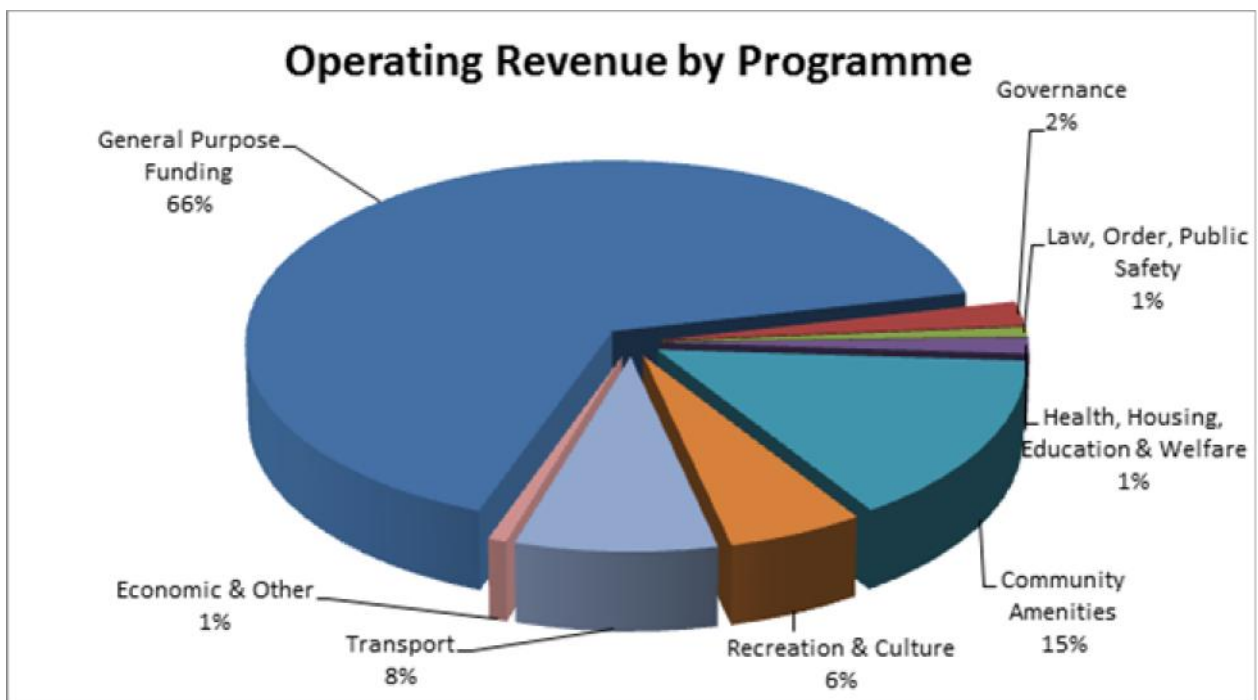
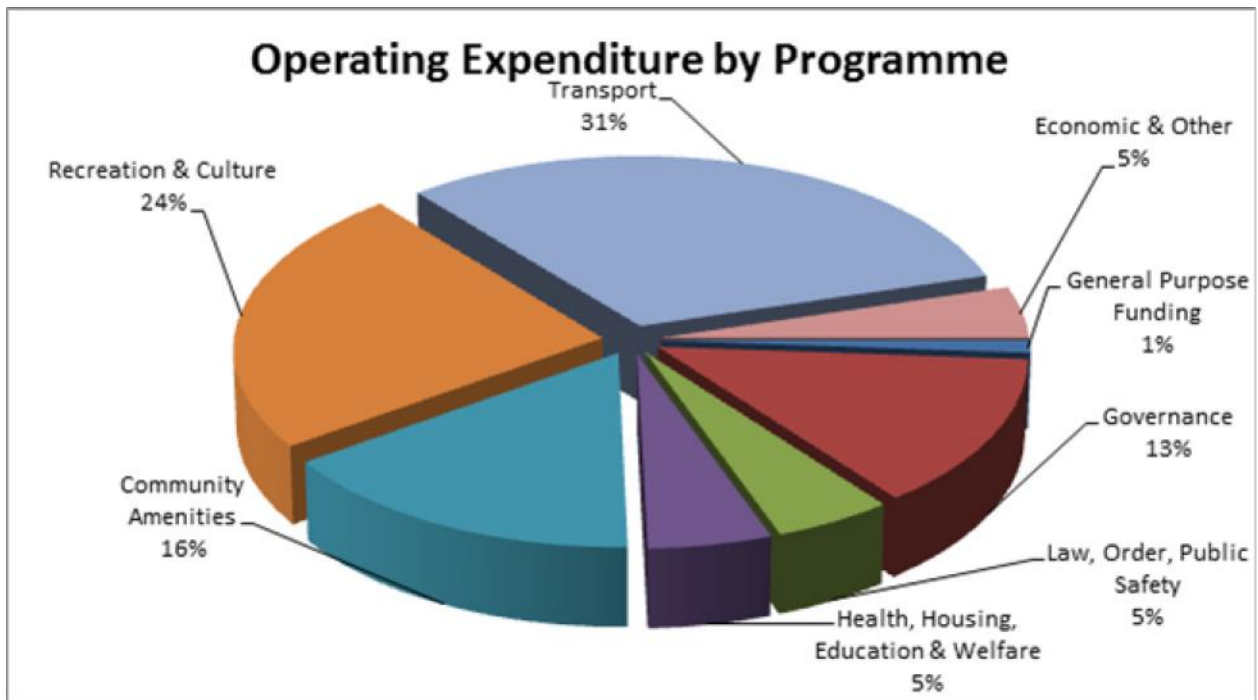
Contained within the budget document "Supporting Information" is a summary of all capital expenditure proposed for 2015/16.

In addition a further document is provided which details significant projects (not all are capital) and associated funding sources with the balance representing general revenue.

Statutory requirement – UV revaluations	\$12,000
Statutory requirement – revalue plant & equipment assets	\$4,000
OSH contractor audits	\$5,000
Security Camera Maintenance	\$12,250
Emergency management resource sharing	\$30,000
Refuse Site – engineering designs	\$12,000
One Life and Aged Friendly	\$16,155
Community Development grants	\$6,400
Rec Centre – repair ceiling First Aid room	\$1,500
Purchase minor plant and tools	\$4,000
Tourism brochure reprint	\$6,000
Aged friendly communities sharing initiative	\$2,000
Street Light Upgrade (to LED) study	\$1,500

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





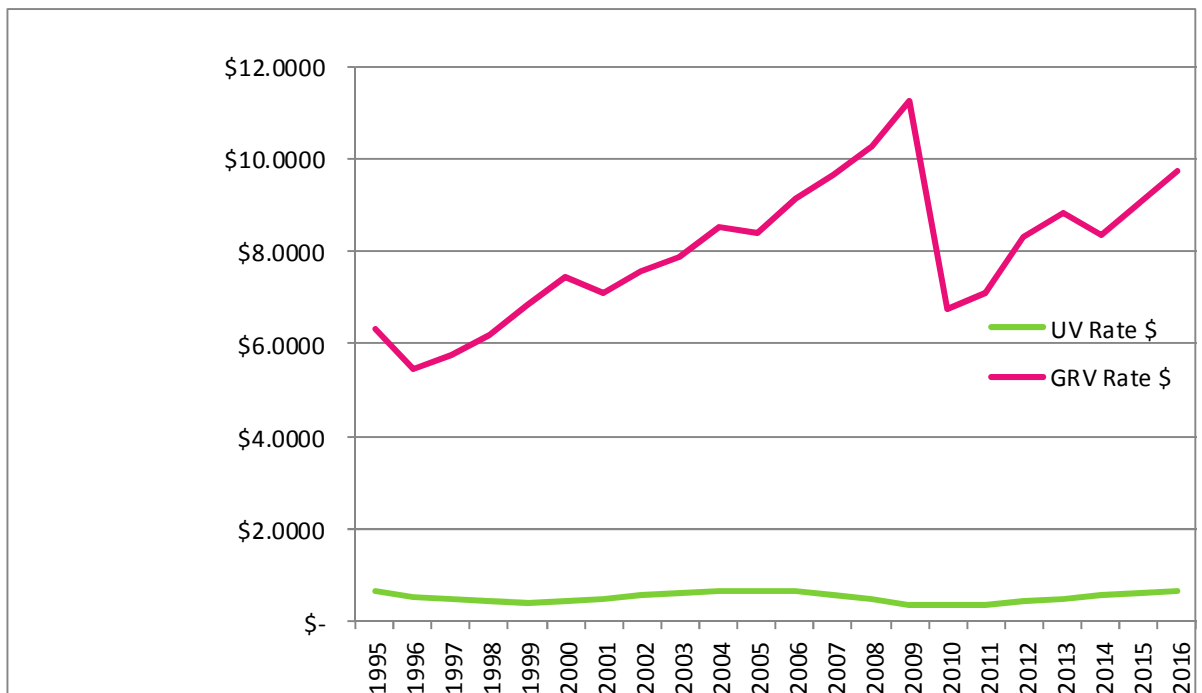
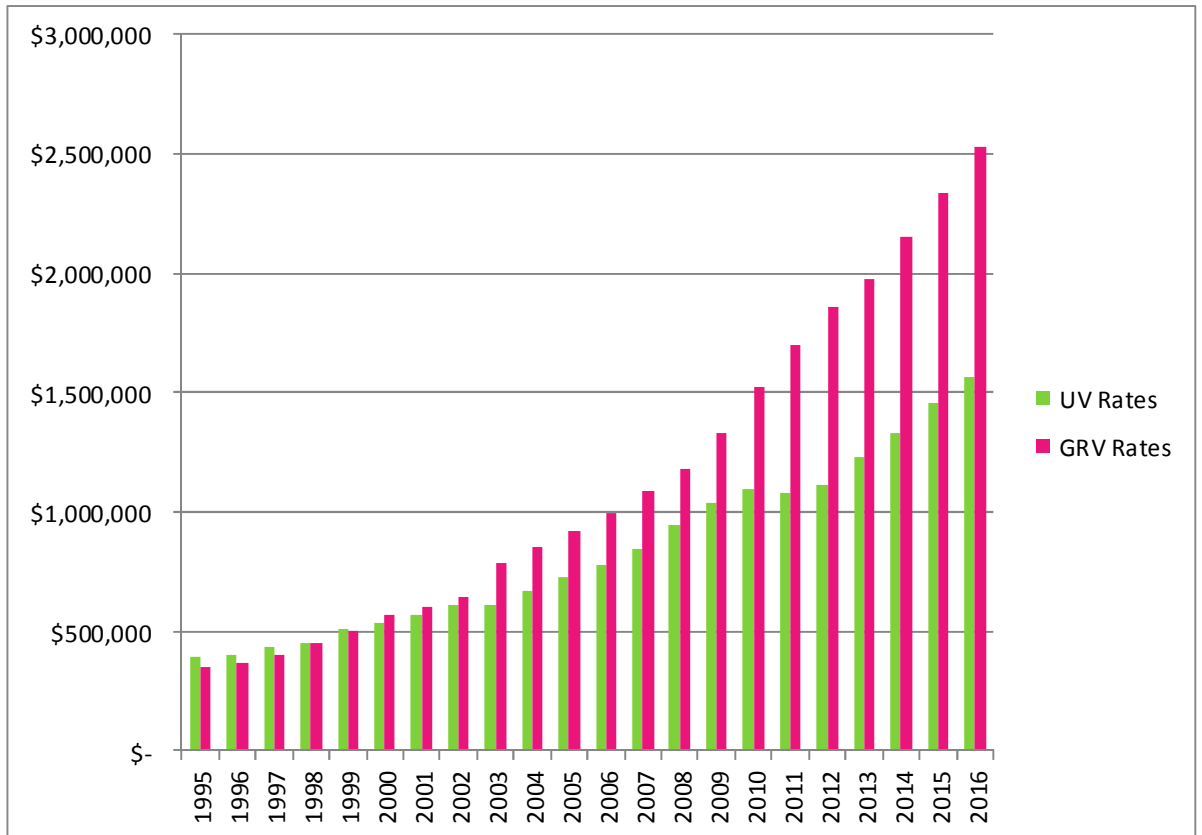
Rating

The 2015/16 draft budget contains an overall rate income increase of 7.95% providing an additional \$301,600 in general purpose income. The increase is consistent with predictions in the Council's Corporate Business Plan.

For the second consecutive year the Council's rating data base did not experience growth and therefore any interim rating income has been negated.

Methodology in rate setting is provided in extensive detail by way of a separate document to this report (pink pages).

The following charts indicates the Council's rating formulae over the past 20 years.



Loan Liability

No loans are proposed for 2015/16.

Total loan liability as a 30 June 2016 is forecast at \$312,367 compared with an actual balance of \$365,040 at 30 June 2015. There will be no liability for self supporting loans at year end (unless the Council receives a loan application in which a budget amendment will be required).

Debt levels are well within manageable levels which should leave Council well placed to manage future loans. These loans will be required to fund future large infrastructure projects associated with the Council's Long Term Financial Plan.

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	Actual	2.04%
2014/15	Actual	2.00%
2015/16	Forecast	1.73%

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 2015/16 Road Construction program are contained within the "Supporting Information" (gold pages). Of particular note is the treatment of the most significant project "Coronation Road Bridge"

The Council's auditor has advised that as the Council does not own the bridge, any expenditure is to be regarded as an "operating" expense and as such will not result in the creation of an asset. This is not the case with the reconstruction of road approaches to the bridge therefore this project is separated within the budget.

Funding for the project has been committed by the Water Corporation (\$520,000) with the balance being transferred from Reserve (previous Royalties for Regions grant).

Recreation & Aquatic Centre

Budget estimates for the Rec Centre have been estimated based on previous year averages and should be subject to review following the appointment of a replacement manager. This will enable sufficient time for analysis of operations leading to the subsequent year budget.

Actual operating loss is expected to increase due to depreciation associated with the introduction of Fair Value asset requirements. The gap between the actual loss and cash loss is expected to increase (Forecast actual loss - \$680,000, Forecast cash loss \$400,000). The cash loss is similar to that of the previous financial year. Please note that the above figures are inclusive of \$100,000 Alcoa operating contribution.

Contributions & Donations

The 2015/16 budget contains the following contributions, donations and subsidies which can be considered discretionary.

		\$
0212	Presentations & Donations	1,850
0692	Public Awareness Program – Fire Control	330
1632	Senior Citizens Donation	600
5292	Volunteer Functions	5,300
3152	Grant Funds Community	6,400
1692	Doctor Rent Subsidy	14,300
2042	Coast Swap Donation	1,500
3102	Historical Society Donation	500
1862	Landcare Contribution	3,000
2512	Peel Region Leaders Forum	16,500
2532	Donations for support	1,500
2582	Peron Naturaliste Partnership	5,000
2592	Peel-Harvey Biosecurity	1,500
2032	WALGA Environmental Planning Tool	2,000
2552	Aged Friendly Communities	2,000

Salaries & Wages

		\$	
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	3,015,507	Actual
Total Salaries & Wages	2014/15	2,979,478	Actual
Total Salaries & Wages	2015/16	2,779,128	Forecast

Statement of Comprehensive Income

As detailed to the Finance Committee the following observations are made in relation to the Statement of Comprehensive income:

Insurance – Insurance expenses have decreased by approx. \$20,000 (10%). This is a result of lower employee costs and a review of no claim bonus allowances (future unavailable insurance costs eg, a large number of claims are now supported by a cash backed reserve account).

Employee Costs – a reduction of approx. 10% due to restructuring as a result of the “Community Services” directorate being disbanded.

Note that a portion of these employee costs are substituted as contract payments associated with resource sharing initiatives.

Depreciation – substantial increases in depreciation are as a result of the completion of the introduction of Fair Value Accounting.

Materials and Contracts – this budget estimate is higher than normal due to the treatment of the Coronation Road bridge replacement (\$800,000) ie, operating expense not capital.

General Purpose Grants

An increase of only 0.7% has occurred in the General Purpose Grant (1.7% in 14/15) and an increase of 7.5% in the General Purpose Road Grant (1% decrease in 14/15).

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	\$	\$	\$	\$	\$	\$
General Purpose	685,793	703,888	812,144	910,057	912,397	917,740
General Purpose Roads	348,702	351,738	371,074	382,583	381,913	411,012

Refuse Site Management

It is proposed to increase the annual Refuse/Recycling charge from \$250 to \$260.

As outlined to the Finance Committee a full review of operations at the refuse site has been concluded by Works management. This has resulted in changes to all fees and charges together with a restructure of accounts.

Due to the overlap of refuse site operations with other areas of the accounts eg, liquid waste, it is proposed to prepare additional financial statements to support a review of the restructure at year end.

Allocations to Reserve also together with proposed capital works have been included in the restructure. This information will be tabled separately.

Reserve Accounts

The following are reserve account balances as at 30 June 2015.

Emergency Assistance Reserve	\$16,438
Sporting Reserve	\$65,748

Staff Leave Reserve	\$115,968
Waste Management Reserve	\$298,453
Rec Centre Building Maintenance Reserve	\$80,589
Hamel Hall Amenities Reserve	\$27,978
Plant Reserve	\$403,799
Works Depot Redevelopment Reserve	\$53,605
Building Asset Maintenance Reserve	\$48,645
Strategic Planning Reserve	\$23,864
Industrial Land Reserve	\$216,205
Preston Volunteer Rangers	\$35,357
Information Technology Reserve	\$18,068
Footpath Construction Reserve	\$28,026
Asset Management Renewal Reserve	\$108,436
History Book Reprint Reserve	\$10,538
Coronation Road Bridge Reserve	\$506,986
Risk and Insurance Reserve	\$18,000
TOTAL	<u>\$2,076,704</u>

This compares with a balance of \$2,538,212 in 2013/14.

The forecast balance at 30 June 2016 is \$1,944,316.

It is important to maintain allocations to Reserve to ensure that future capital works and asset preservation obligations from Long Term Financial Plans can be met.

It is also proposed to change the purpose and use of the following reserve account:

From – Industrial Land Reserve
To – Council Building Construction Reserve

These funds have remained dormant within this fund for many years with interest accumulating and are no longer required for the purpose intended.

Surplus Brought Forward

The surplus carried forward to 2015/16 consists of:

Cash on hand	\$1,489,825
Receivables	212,544
Inventories	<u>13,212</u>
	\$1,715,581
Less payables & provisions	<u>453,348</u>
	1,262,233
Less unspent grants	- <u>115,858</u>
	\$1,146,376

It should be noted that the above balance includes \$663,664 (50% FAG's grant) received on 30/6/15 and which is unrestricted.

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 (5 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 provide details on the reconciliation of the operating costs to achieve a net result (\$1,940,838).

This result combined with grant funding represents the available of funds for capital expenditure.

Results of previous budgets are as follows:

2014/15	(\$854,030)
2013/14	(\$641,051)
2012/13	(\$411,110)
2011/12	(\$376,676)

This amount also represents the "Operating Surplus Ratio" as defined in the Council's Long Term Financial Plan and is a KPI for benchmarking purposes.

This benchmark (together with other performance ratios) will be updated in conjunction with a review of the Council's Long Term & Corporate Business Plans to be presented at the August Ordinary Council meeting.

In addition asset preservation remains a key factor in the Council's Long Term sustainability and this issue must continue to be addressed in subsequent financial plans and budgets.

OFFICER RECOMMENDATION

1. Adoption of 2015/16 Municipal Fund Budget

That the 2015/16 Municipal Fund Budget as presented be adopted and the following Rates & Charges be imposed:

General Rate: 9.7211 cents in the dollar on Gross Rental Values
0.6482 cents in the dollar on Unimproved Values

Minimum Rate \$940 – Gross Rental Values
\$940 – Unimproved Values

Payment Instalment Interest 5.5%
Payment Instalment Charge \$10 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 2015/16 financial year as presented, be adopted.

3. Adoption of Refuse Removal Charges

- i. Refuse removal charge - \$260 per annum per 240L mobile bin and recycling service; and
- ii. Refuse removal – Bulk Commercial Bins/per annum:

1.5m ³ General skip	\$1,854
1.5m ³ General skip (2 per week)	\$3,708
3.0m ³ General skip	\$3,229
3.0m ³ General skip (2 per week)	\$6,458
4.5m ³ General skip	\$4,844
4.5m ³ General skip (2 per week)	\$9,688
3.0m ³ Recycle skip (fortnightly)	\$1,256
4.5m ³ Recycle skip (fortnightly)	\$1,674

4. Adoption of Fees & Charges

That the Schedule of Fees & Charges for the 2015/16 Financial year as presented be adopted.

5. Early payment incentive

That a \$750 cash prize be offered as an incentive for early payment of rates in accordance with Council Policy 3.11.

6. That the Council changes the purpose and use of the following Reserve Account in accordance with Section 6.11 of the Local Government Act 1995:

From – Industrial Land Reserve

To – Council Building Construction Reserve

Purpose – to provide funds for future capital building construction works in accordance with the Council’s Long Term Financial & Community Strategic Plans.

7. 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.

8. ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN, OR FOR CONSIDERATION AT NEXT MEETING
9. NEW BUSINESS OF AN URGENT NATURE/REPORTS & INFORMATION
- 9.1 ELECTED MEMBERS
- 9.2 OFFICERS
10. CLOSURE OF MEETING