



Shire of
Nannup
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Minutes

Public Copy

Special Council Meeting held Thursday 16 June 2016

Unconfirmed

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Minutes

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Shire President declared the meeting open at 4:00pm

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

ATTENDANCE:

Shire President: Cr A Dean

Deputy Shire President: Cr R Mellema

Councillors: C Gilbert, R Longmore, N Steer, A Slater, C Stevenson and P Fraser

Tracie Bishop – Acting Chief Executive Officer

Chris Wade – Manager Infrastructure

VISITORS:

Nil

3. APOLOGIES:

Nil

4. LEAVE OF ABSENCE:

Nil

5. PUBLIC QUESTION TIME:

6. REPORTS OF OFFICERS

AGENDA NUMBER:	6.1
SUBJECT:	Rate in the Dollar 2016/17
LOCATION/ADDRESS:	Nannup
NAME OF APPLICANT:	Shire of Nannup
FILE REFERENCE:	FNC3
AUTHOR:	Tracie Bishop – Manager Corporate Services
REPORTING OFFICER:	Tracie Bishop – Manager Corporate Services
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	07 June 2016
ATTACHMENTS:	6.1.1 - Chart Showing Rate Increases – All Properties 6.1.2 - Chart Showing Rate Increases – UV Properties 6.1.3 - Chart Showing Rate Increases – GRV Properties

BACKGROUND:

Section 6.32 of the Local Government Act 1995 requires that:

When adopting the annual budget, a local government —

- (a) *in order to make up the budget deficiency, is to impose a general rate on rateable land within its district, which rate may be imposed either —*
 - (i) *uniformly; or*
 - (ii) *differentially;*
- (b) *may impose on rateable land within its district —*
 - (i) *a specified area rate; or*
 - (ii) *a minimum payment; and*
- (c) *may impose a service charge on land within its district.*

A minimum rate can only be imposed in conjunction with a general rate and if the minimum rate is more than \$200 it cannot be imposed on more than 50% of rated properties. This limit applies separately to those properties classed as Gross Rental Value (GRV) or Unimproved Value (UV).

The draft budget is included elsewhere on today's agenda. The proposed budget requires a sum of \$1,508,524 to be raised from rates, giving an average increase of 3.98%. If Council changes the total required yield from rates as a result of the adoption

of the 2016/17 budget, then the recommendation in this report will need to be amended in line with that resolution.

COMMENT:

Council's rating model for 2015/16 was:

	RATE IN THE \$	MINIMUM RATE	BUDGETED YIELD
GRV	0.098339	\$793	\$752,561
UV	0.004155	\$1,039	\$698,225
			\$1,450,786

Principles for Rate Modelling

The rating methodology to be followed is set out in Council resolution 8946 from the meeting of 18 April 2013.

This states:

In preparing rate models for Council consideration officers should:

- 1. adopt the principle that future rate increases should be at or above CPI and more closely linked to the LGCI (Local Government Cost Index) given that the latter has more relevance to local governments' costs; and*
- 2. the current balance of payment between UV and GRV properties be maintained; and*
- 3. the rate in the dollar for UV and GRV properties be adjusted up or down, as the case may be, to compensate for general increases or reductions in rateable values for each class of property before applying new rate models.*

Revaluation

All Unimproved Valued properties (UV) undergo an annual revaluation and as a result of this year's revaluation, overall, valuations fell by an average of 2%. However this decrease was not across the whole of the shire with some properties having no movement in value at all. The effect of this is that when the adjustment is made to enable the starting point to address Council's rating methodology at point 3 above not all properties will feel the full weight of the increase required to reach the same yield from this class of land.

This year also sees the revaluation of our Gross Rental Properties (GRV) undertaken. These revaluations are completed on a 3 yearly basis and for 2016/17 have resulted in an overall increase in valuations of 21.87%. The increases are as a result of market increases in both sales and rentals within the period as well as the location of the properties.

For the Shire of Nannup as an outcome of this GRV revaluation there were a number of properties that had previously not been valued correctly. This is largely as a result of building approvals not being sought prior to construction and relates back to an earlier time. The inclusion of the values of these properties has played a part in the overall increase to GRV values growth within this period.

As with the process completed for the UV properties the starting point in reaching a rate in the dollar for this class of property is to firstly adjust so that based on the values now held per property the same yield obtained in 2015/16 could be achieved today. Given that property values have increased significantly this has resulted in the rate in the dollar for this class being lowered.

Workshop Outcomes

During workshops completed this year, several models were submitted for Councillor consideration. After looking at the merits of each of these models the following was considered by Council to demonstrate the most equitable to the majority of land owners while also addressing Council's rating methodology above.

Proposed Rates

Once rates have been adjusted to achieve similar rate revenue as 2015/16 using new rating values, the final step is to generate the rate yield required by the proposed budget without changing the balance between UV and GRV properties.

The first stage is to arrive at an increase less than or equal to the budget increase (i.e. 3.98%) to the properties on the minimum rate. For the 2016/17 year as a result of the Rate in the Dollar workshops it was agreed that this should sit slightly lower than the budget increase. The following minimums were put forward:

	Minimum Rate	Increase
GRV	\$820	3.40%
UV	\$1050	1.06%

In relation to rates applied to the general rates per class the following is observed.

The GRV rate in the dollar has decreased by 19.72% to produce a new rate in the dollar of \$0.07895. This reflects the drop in rate dollar required based on the revaluations as at 30 June 2016. In percentage terms, 83% of all property owners within this class will have increases below 5% with 11% having increases above 10%. Of this 11% with increases above 10%, a significant number of these properties have sustained large increases in values due to previous values not having correct property improvements included in their valuations.

The UV rate in the dollar has increased by 7.82% on average, however overall 88% of properties within this class have increases below 5% and only 8% have increases above 10%. Contained within the increases above 10% are properties from the Donnelly River whom have not previously been rated.

This produces the following proposed rate model:

	Rate in the Dollar	Minimum Rate	Yield	Minimums
GRV	0.078950	\$820	\$771,280	42.46%
UV	0.004480	\$1,050	\$738,474	49.88%
			\$1,509,754	

The impact of these proposals on rate bills has been modelled and is shown graphically in Attachments 1-3.

Waste Avoidance and Resource Recovery Act

2014/15 saw the introduction of the Waste Avoidance and Resource Recovery Act 2007 (WARR Act) as a way of recouping costs associated with running our Waste Management Facility. This has been well accepted by the community at large and officer recommendation is for this to continue.

A continuing issue for a small minority of ratepayers has been that if you own more than one property within the Shire of Nannup then this WARR Act fee was imposed multiple times. Research has shown that a policy can be introduced that would see ratepayers within this category not charged in multiples under certain circumstances. A policy to address this issue was completed and brought and adopted to Council at the May meeting and this should address the concerns raised.

It is proposed that for 2016/17 the WARR Act levy imposed should be \$53 per applicable assessment. This will see the burden imposed on rates income as a result of expenses relating to waste management reduced. Officer recommendation is that this levy be increased by 20% annually from 2017/18 onwards until such time as full recovery is achieved.

For all waste management users who do not reside within the Shire of Nannup the option to purchase an out of town Waste Management Pass applies for their domestic waste disposal.

Conclusion

It is noted that the increase in rates each year is a burden felt by the whole community however as costs increase it is inevitable that the Rate in the Dollar must also rise. It is good Governance for Council to show wherever possible it is taking steps to be sustainable. This Rate in the Dollar increase is attempting to show this with the increase in Waste Management Fees to cover costs associated with this facility resulting in actual rate income not being used to provide this service. Whilst every effort has been made to minimise the variation in increases in rate bills this is constrained by

the valuation adjustments imposed by the Valuer General. Rate increases for both classes of properties can be contained for the majority within the range of between 1% and 5%. For those properties sustaining higher rate increases, for the most part there is a degree of reasoning for this larger increase.

STATUTORY ENVIRONMENT: Local Government Act 1995 Section 6.32.

POLICY IMPLICATIONS: Nil.

FINANCIAL IMPLICATIONS: The resolution on the rate in the dollar is required to fund the 2016/17 budget.

STRATEGIC IMPLICATIONS: Nil.

NOTE:

No recommendation provided as included in Item 6.2

AGENDA NUMBER:	6.2
SUBJECT:	Draft Budget 2016/17
LOCATION/ADDRESS:	Nannup
NAME OF APPLICANT:	Shire of Nannup
FILE REFERENCE:	FNC 3
AUTHOR:	Tracie Bishop – Manager Corporate Services
REPORTING OFFICER:	Tracie Bishop – Manager Corporate Services
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	7 June 2016
ATTACHMENTS:	6.2.1 – Budget Summary 2016/17 6.2.2 – Budgetary Considerations 2016/17 6.2.3 – Budgeted Reserves 6.2.4 – Fees & Charges 2016/17

BACKGROUND:

This recommended draft budget is the product of numerous budget workshops completed by both Councillors and staff members. These workshops have examined all areas of committed and uncommitted income and expenditure and the output from this process provided guidance to officers on which items should be included or excluded from the draft budget. The result of the process described above is the draft budget presented to Council today as summarised at Attachment 1.

A model of the projected budgetary position over the next 10 years has been developed as part of the Integrated Planning process, so that the annual consideration of the budget can take into account cost pressures that will arise over the medium and long term. The updated projections in the Long Term Financial Plan were presented to Council during the first budget workshop for the 2016/17 financial year.

The budget format classifies income and expenditure into three groups:

1. Base income/expenditure – the cost of carrying out the same level of activity in the new financial year as was undertaken in the old financial year.
2. Committed income/expenditure – unavoidable changes to the base, such as contracts entered into in the old financial year which will have a cost impact on the new financial year.
3. Uncommitted income/expenditure – items of income or expenditure where there is a choice over whether it should be included in the draft budget.

COMMENT:

Budget Assumptions

In compiling the base budget an assessment of probable levels of inflation and interest rates has been taken. Reasonable account has been taken of known or anticipated price increases and other committed expenditure. Inflation of 2.0% has been added to the base level of expenditure where confirmed price increases are not known.

Council has a degree of control over the main areas of uncertainty in the budget and should therefore be able to moderate its exposure to significant variations through the decisions taken during the budget process. However, the unpredictability of many of the factors influencing the Council's budget remains a risk and this is addressed through prudent estimates.

There are three major factors affecting the revenue budget:

- (a) The base budget for 2016/17 includes income from fees and charges of approximately \$342,762 however these are not guaranteed.
- (b) Council receives significant income from investment interest. As interest rates decline and grant income falls this has decreased from previous periods. A decrease of \$60,000 has been assumed in the draft 2016/17 budget. This loss of interest earnings is a direct result in capital projects being completed and as such reserve balances lowering.
- (c) Council does not maintain a general level of working balances which can absorb unexpected fluctuations in its income and expenditure. In the event that there are significant adverse variations during the year money would need to be released from other earmarked reserves to cover any shortfall.

In the light of the assumptions made in compiling these estimates and reflected in the recommendation it is considered that the budget as presented is sufficient to meet the liabilities facing the Council during 2016/17.

Changes to the Base Budget

The Base Budget for 2016/17 represents the cost of carrying out the same level of activity as in 2015/16. After taking account the costs associated with the removal of capital grant income and including inflationary increases for this financial year the base budget income required lowered from previous year. However, the Base Budget also needs to be revised to accommodate other inclusions of services and works that will occur throughout the course of this financial year some as permanent inclusions, others as a one of inclusion into the budget. All items that have been considered within the budgetary workshops for inclusion as well as items considered but not included are summarised in Attachment 2.

Overall, within the budget for 2016/17 there have been savings made wherever possible. Taking all factors into consideration there is a net committed increase of 3.98%.

Reserves

The budget process provides an opportunity for Council to assess the adequacy of its reserves. Council maintains a number of Reserves set up for specific purposes. The table in Attachment 3 details the Reserve position as reflected in the recommended budget and the purpose for which each Reserve is maintained.

For the past three years reserve contributions have been made to the Asset Management Reserve to ensure that when required maintenance can be completed on Council's buildings and infrastructure. This continues to be a requirement of Council however it is considered that the previous level of reserve contribution can be lowered for this financial year to ensure that increases to overall budget are minimised as much as possible. Contribution included within the 2016/17 budget is \$100,000.

The Plant Reserve is also an area of concern. When looking at long term projection based on current levels of reserve contributions each financial year there will come a point in time where the reserve fund will not be sustainable in terms of plant purchases required. In the past few years Council has been fortunate to have capital contribution by way of Mowen Road income which has helped to contribute towards this reserve fund however now that this project has finished all contributions will come from prudent savings and the operating budget each year. For the 2016/17 financial year a contribution of \$123,000 is included which represents an increase of 31,000 from previous years. This will need to be closely monitored and adjusted in years to come.

Funding Corporate Priorities

As part of the 2016/17 business planning process, Council has identified growth within its service areas. The identified projects have been considered and prioritised by Council and reviewed in the budget workshops. A list of all the initial budgetary requests is shown in Attachment 2.

A further three bridges will be included within our insurance schedule for the 2016/17 period. This is in keeping with Council's decision to stage insurance coverage of bridges under the Shire of Nannup's control over a four year period. Overall increase to the budget to cover these three bridges is \$5,801.

To ensure that our caravan parks within the town are compliant money will be spent on firehose reels. These will be used within emergency management of these facilities and is a requirement of the Caravan Parks and Camping Grounds Regulations 16997.

Also within Emergency Management a sum of \$25,000 has been included as an initial contribution to the Rural Numbering System. Rural property numbers are a clear and logical way of locating a property and provide significant benefits to the community. In an emergency, every second counts. A Rural Property Address helps emergency services locate a property more quickly and precisely.

Biosecurity was an area that was considered within the 2016/17 budget. Included is a \$5,000 contribution towards the Feral Pig Program.

There were numerous Community group requests for contributions to ensure that their service could be continued these have all been considered on a case by case basis and wherever possible funding to continue to support these groups has been included within the budget.

A number of smaller items are included in the proposed budget to support existing council services and details of all the proposed changes to the budget are set out in the attachment. After taking these bids into account the overall increase in the budget is 3.98%.

Prospects for the Future

The model underpinning the Long Term Financial Plan (LTFP) demonstrates that rates would need to increase by 3% in 2017/18 and 2% in 2018/19. Based on these projections, current forecasts suggest that the financial position will stabilise from this financial year forward. This projection is made with the assumption that current levels of Federal and State funding for our Roads Programs and Equalisation Grants remain as expected. An annual review of our Long term Financial Plan will help to identify any areas of concern or savings that can be enacted in the upcoming years. This review of the Long Term Financial Plan is planned for early in the new financial year.

Conclusion

The proposed rate requirement is \$1,508,524, an increase of 3.98% on 2015/16. The budget presented for adoption assumes a balanced budget, in that the Council will not end the 2015/16 financial year with either a surplus or deficit.

While the current projection is that Council is in a stable position and that rate increases should be contained at a level under 4% for upcoming years. This however will need to be monitored and adjusted as required based on funding requirements and projects required in future periods. The proposed 16/17 budget is considered, after taking all the above factors into account, sufficient to meet the liabilities facing the Council during 2016/17.

STATUTORY ENVIRONMENT:

Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.

Section 6.2 of the Local Government Act 1995 stipulates that no later than 31 August each financial year or such extended time as the Minister allows each local government is to prepare and adopt by absolute majority in the form and manner prescribed a budget for its municipal fund for the financial year ending on the next following 30 June.

POLICY IMPLICATIONS:

Nil.

FINANCIAL IMPLICATIONS: A rate requirement for 2016/17 of \$1,508,524.

STRATEGIC IMPLICATIONS:

The adoption of the proposed 2016/17 budget is the cornerstone of developing the long term financial sustainability of the Shire.

VOTING REQUIREMENTS: Simple Majority

RECOMMENDATION:

That the following proposed recommendations be endorsed by Council at its Ordinary Meeting of Council on the 23 June 2016.

Recommendation One – Rate in the Dollar and Minimum rates applied:

That Council impose the following Rates & Charges

Rate Type	Minimum Rate in \$	Rate in \$	Yield
GRV	\$820	0.078950	\$ 771,280
UV	\$1050	0.004480	\$ 738,474
			\$1,509,754

Recommendation Two – Dates for payments in full and by instalments

Pursuant to Section 6.45 of the Local Government Act 1995 and regulations 64(2) of the Local Government (Financial Management) Regulations 1996, Council nominates the following due dates for payment in full by instalments:

- Full Payment and 1st instalment due: 23/09/2016
- 2nd Quarterly Instalment due 23/11/2016
- 3rd Quarterly Instalment due 23/01/2017
- 4th Quarterly Instalment Due 27/03/2017

Recommendation Three – Interest and Penalties

- Council charge an 11% penalty charge per annum, calculated by simple interest on rates paid after the 35th day of service of the rates notice in accordance with the Local Government Act 1995;
- Council charge a \$5 Administration Fee per remittance notice, per instalment, for rates levied in the 2016/17 financial year in accordance with the Local Government Act 1995;
- Council charge a 5.5% interest charge per annum, calculated by simple interest on instalment payments for rates levied in the 2016/17 financial year in accordance with the Local Government Act 1995;
- Council charge a 5.4% interest charge per annum, calculated by simple interest on deferred rates held after 1 July 2016 in accordance with the requirements stipulated by the Office of State revenue.

Recommendation Four – Waste Management Levy

1. That Council set the following rate under S66 of the Waste Avoidance and Resource Recovery Act 2007 to cover costs associated with management of the Waste Management Facility for 2016/17:

	Rate in the Dollar	Minimum Rate
GRV	0.000324	\$53
UV	0.000082	\$53

Recommendation Five – Rubbish Service Charges:

That Council set rubbish service charges at \$220 per service for the 2016/17 year and recycling service charge at \$138.00 per service for the 2016/17 year for all users within the Shire of Nannup.

Recommendation Six – Fees & Charges:

That Council adopts the 2016/17 Shire of Nannup Schedule of Fees and Charges as per Attachment 4.

Recommendation Seven – Elected Members Fees and Allowances for 2016/17

1. Pursuant to Section 5.99 of the Local Government Act 1995 and Regulations 34 of the Local Government (Administration) Regulations 1996, Council adopts the following sitting fees for individual meeting attendance:
 - a. Shire President \$150 per Council meeting
 - b. Shire President \$65 per Committee meeting
 - c. Councillors \$130 per Council meeting
 - d. Councillors \$65 per Committee meeting

2. Pursuant to Section 5.99A of the Local Government Act 1995 and regulation 34A and 34AA of the Local Government (Administration) Regulations 1996, Council adopts the following annual allowances for elected members:

a. Travel Allowance

Regular Car	Cents / Km
Up To 1600cc	0.51
1601cc – 2600cc	0.654
Over 2600 Cc	0.91

- b. IT Allowance \$1,300 per annum

3. Pursuant to Section 5.98(5) of the Local Government Act 1995 and Regulation 33 of the Local Government (Administration) Regulations 1996, Council adopts the following annual Local Government Allowance to be paid in addition to the meeting attendance fees:

- a. Shire President \$8,000
 - b. Deputy Shire President \$2,000

Recommendation Eight – Statutory Compliance:

That Council confirms that it is well satisfied with the services and facilities it provides:

- a) Integrate and co-ordinate, as far as practicable, with any provided by the Commonwealth, State or any other public body;
- b) Do not duplicate, to an extent that the Local Government considers inappropriate, services or facilities provided by the Commonwealth, the State or any other body or person, whether public or private and;
- c) Are managed efficiently and effectively.

In accordance with Section 3.18(3) of the Local Government Act 1995.

Recommendation Nine – Material Variance Reporting 2015/16:

In accordance with Regulation 34(5) of the Local Government Financial Management Regulations 1996 and AASB 1031 Materiality, the level to be used in statements of financial activity in 2016/17 for reporting material variances shall be +/- 10% or \$30,000, whichever is greater.

Recommendation Ten – Budget Document:

That Council adopt the 2016/17 Shire of Nannup budget as presented. Financial implications being a cash budget inflow of \$1,508,524 and represents a 3.98% increase from previous year.

Voting Requirements: Simple Majority

THE RECOMMENDATIONS LISTED 1-10 INCLUSIVE ARE ADOPTED EN BLOC

16077 LONGMORE/MELLEMA

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- | | |
|---------------------------|-----------------------------------|
| a. Shire President | \$150 per Council meeting |
| b. Shire President | \$65 per Committee meeting |
| c. Councillors | \$130 per Council meeting |
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Regular Car	Cents / Km
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b. IT Allowance **\$1,300 per annum**

3. Pursuant to Section 5.98(5) of the Local Government Act 1995 and Regulation 33 of the Local Government (Administration) Regulations 1996, Council adopts the following annual Local Government Allowance to be paid in addition to the meeting attendance fees:

- | | |
|----------------------------------|----------------|
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Recommendation Eight – Statutory Compliance:

That Council confirms that it is well satisfied with the services and facilities it provides:

a) Integrate and co-ordinate, as far as practicable, with any provided by the Commonwealth, State or any other public body;

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c) Are managed efficiently and effectively.

In accordance with Section 3.18(3) of the Local Government Act 1995.

Recommendation Nine – Material Variance Reporting 2015/16:

In accordance with Regulation 34(5) of the Local Government Financial Management Regulations 1996 and AASB 1031 Materiality, the level to be used in statements of financial activity in 2016/17 for reporting material variances shall be +/- 10% or \$30,000, whichever is greater.

Recommendation Ten – Budget Document:

That Council adopt the 2016/17 Shire of Nannup budget as presented. Financial implications being a cash budget inflow of \$1,508,524 and represents a 3.98% increase from previous year.

CARRIED EN BLOC (8/0)

7. CLOSURE OF MEETING

There being no further business to discuss the Shire President declared the meeting closed at 4:30 pm.