



Minutes

Special Council Meeting held
on Thursday 7 July 2011

CONFIRMATION OF MINUTES

**These minutes comprising pages 1 – 22 were confirmed by
Council on 28 July 2011 as a true and accurate record.**

Stephanie Camarri

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DEPUTY SHIRE PRESIDENT

Minutes

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Minutes

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson declared the meeting opened at 3.00pm.

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (previously approved)

ATTENDANCE

Councillors: Boulter, Camarri, Dean, Dunnet, Lorkiewicz, Mellema and Pinkerton

Robert Jennings – Chief Executive Officer.
Kevin Waddington – Acting Manager Corporate Services.
Geoff Benson – Manager Development Services.
Chris Wade – Works Manager.

LEAVE OF ABSENCE (Previously approved)

Councillor Gilbert

VISITORS

1

3. PUBLIC QUESTION TIME

Bob Longmore

Q1. Are we to become Nannup Not-the-Garden Village, but just another small town in the South West?

A1. This question was taken on notice.

Q2. What is Council going to do about this?

A2. This question was taken on notice

4. ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

Nil

5. REPORTS OF OFFICERS

AGENDA NUMBER: 5.1
 SUBJECT: Draft 2011/12 Cash Budget
 LOCATION/ADDRESS: N/A
 NAME OF APPLICANT: N/A
 FILE REFERENCE: FNC 3
 AUTHOR: Kevin Waddington – Acting Manager Corporate Services
 DISCLOSURE OF INTEREST: NIL
 DATE OF REPORT: 30 June 2011

- Attachments: 1. Draft 2011/12 Cash Budget (as amended)
 2. Changes in Draft Budget 26th May to 30th June

BACKGROUND:

Council is committed to the ongoing and future implementation of successful community and economic development, and environmental services.

This recommended draft budget is the first step in forging a sustainable path for the Shire of Nannup. The budget forms part of a long term plan to provide a sustainable, efficient and innovative service to the community.

Council at its meeting of 26 May 2011 resolved to alter the draft 2011/12 cash budget as follows:

	Proposed Reduction in Expend / Increase in Income	Proposed Increase in Expend / Decrease in Income	Revised Position
As presented OM 26 May 2011			-\$4,355,598
Proposed adjustments adopted @ OM			-\$4,355,598
0162 - Donations Ribbons of Blue	\$6,000		-\$4,349,598
2302 - Cemetery - Seal Driveway	\$35,000		-\$4,314,598
2642 - Oval Development	\$80,000		-\$4,234,598
2574 - Capital Works - Cundinup Hall	\$49,000		-\$4,185,598
3052 - Implementation of Cultural Plan	\$10,000		-\$4,175,598
3170 - Capital Road Works - River/Barrabup/Town	\$130,000		-\$4,045,598
3632 - Parking Planning		\$8,000	-\$4,053,598
3862 - Functions & Event Support	\$13,000		-\$4,040,598
4024 - Caravan Parks Upgrade - Brockman St	\$50,000		-\$3,990,598
3264 - Main Street Upgrade	\$3,000,000		-\$990,598
0182 - Warren Blackwood Strategic Alliance		\$2,000	-\$992,598
1754 - Staff House - Dunnet Rd	\$7,500		-\$985,098
1744 - Staff House - Carey St	\$2,000		-\$983,098
7042 - Agg Rd	\$20,000		-\$963,098

1834 - Shire Office Public Toilet	\$13,000		-\$950,098
2443 - Recreation - Transfer from reserve		\$40,000	-\$990,098
2574 - Recreation Centre Upgrade	\$40,000		-\$950,098
7432 - Foreshore park Materials	\$3,000		-\$947,098
3212 - Depot Community Sheds - seal driveway	\$20,000		-\$927,098
NEW - Rural Road Numbering Income from Property Owners	\$10,000		-\$917,098
Revised Position after OM 26/5/11			-\$917,098

Incorporating the above changes into the draft cash budget left it with a shortfall of income over expenditure of \$917,098.

COMMENT:

The 2011/12 budget is a care and maintenance budget only. No significant progress has been included on large projects and substantial cuts have been made to make income meet expenses.

Long Term Financial Planning (LTFP) and Asset Management Planning (AMP) will be undertaken in the 2011/12 year to determine what services, resources and future budgets will need to look like for the next 10 years. Whilst the LTFP and AMP will help us to achieve this goal in the long run, a number of efficiencies have been put into place this year.

The following comments are made concerning the further development of the draft cash budget based on changes that have evolved and specific feedback from points raised when the budget was last discussed by Council at the workshop held on 9th June 2011.

Listed below are items that have been amended in light of Councillors' discussions and further review by the Executive Staff subsequent to the Council Budget Workshop:

	Proposed Reduction in Expend / Increase in Income	Proposed Increase in Expend / Decrease in Income	Revised Position
0011 - Rate Income Provn		\$990,000	-\$1,907,098
Several COA's - Salaries & Superannuation (MCS adjust + Increase allow)		\$15,566	-\$1,922,664
3420 - Streetlighting (State Budget Impact + 30% in charge)		\$4,000	-\$1,926,664
7422 - PWO Allocated	\$1,255		-\$1,925,409
0142 - Refreshments	\$3,000		-\$1,922,409
0162 - WA Music Concert (Youth) NMF	\$1,500		-\$1,920,909
0162 - Nannup Garden Village Committee	\$4,009		-\$1,916,900
0162 - Nannup Music Club	\$15,225		-\$1,901,675

0162 - Nannup Arts Council	\$2,525		-\$1,899,150
0162 - Smart Events	\$500		-\$1,898,650
0162 - Sundry Provision for Ad-hoc Donations & Matching Grants	\$4,000		-\$1,894,650
0162 - Ad Hoc Waiving of Fees and Charges	\$12,000		-\$1,882,650
0192 - Local Government week	\$4,000		-\$1,878,650
0182 - WBSA		\$2,000	-\$1,880,650
0192 - Councillor Training Courses	\$5,000		-\$1,875,650
0254 - Data Projector and Screen	\$2,000		-\$1,873,650
0352 - Transfer to Reserves - LSL	\$5,000		-\$1,868,650
0362 - Bicycle Rack	\$800		-\$1,867,850
0362 - Replace Telephone System	\$10,000		-\$1,857,850
0362 - Partitioning for Cluster Desks	\$4,000		-\$1,853,850
0372 - Planning and Health Modules	\$10,000		-\$1,843,850
0452 - Advertising - Other publications	\$3,000		-\$1,840,850
0492 - Staff Training Expenses	\$1,000		-\$1,839,850
0812 - Recruitment Expenses		\$2,000	-\$1,841,850
0584 - Implementation of Shire Record Keeping Plan	\$20,000		-\$1,821,850
8053 - Income - Sale of 2 x Vehicles		\$40,000	-\$1,861,850
0544 - Purchase 2 x Vehicles	\$66,000		-\$1,795,850
0564 - Buildings - Paint Exterior Office (Part)		\$5,000	-\$1,800,850
0773 - Estimated Infringements	\$400		-\$1,800,450
0912 - Community Safety Program - BMX Event	\$14,000		-\$1,786,450
6993 - Grant - Community Safety		\$10,000	-\$1,796,450
1612 - Seniors Activities	\$3,000		-\$1,793,450
1653 - Seniors Activities - Income	\$2,000		-\$1,791,450
1132 - Youth - Strategic Planning Provision	\$5,000		-\$1,786,450
1132 - Youth - Leeuwin Sail Training Sponsorship	\$500		-\$1,785,950
NEW - School Holiday Program Income	\$2,000		-\$1,783,950
1803 - Rubbish	\$2,900		-\$1,781,050
1803 - Recycling	\$1,500		-\$1,779,550
2132 - Contracted Services	\$5,000		-\$1,774,550
2142 - Guidelines for new developments	\$10,000		-\$1,764,550
2142 - Municipal Inventory Review	\$18,000		-\$1,746,550
2142 - Review LPS#3 ad LPS	\$25,000		-\$1,721,550
2302 - Cemetery - Installation new gates		\$7,000	-\$1,728,550
2574 - Town Hall	\$9,500		-\$1,719,050
2432 - Recreation Centre - Recreation Program Provision	\$5,000		-\$1,714,050
2443 - Transfer from Reserves - Recreation Centre	\$13,000		-\$1,701,050
2642 - Marinko Park Trees (no shade shelter)	\$40,000		-\$1,661,050
2642 - Nannup Tree Trail	\$500		-\$1,660,550
2642 - Oval Pump House	\$20,000		-\$1,640,550
7432 - Materials	\$7,000		-\$1,633,550
3170 - General Reduction in roadworks	\$100,000		-\$1,533,550
3170 - Understated total value of roadworks		\$85,000	-\$1,618,550
3210 - Footpath Program	\$50,000		-\$1,568,550
6880 - Depot Construction	\$10,000		-\$1,558,550
3380 - Local Road Maintenance - Repairs to Hitchcock Drive	\$30,000		-\$1,528,550
3682 - Transfer to Reserve - Main Street Upgrade	\$50,000		-\$1,478,550
3962 - Foreshore Park Arboretum events	\$30,000		-\$1,448,550
3993 - Foreshore Park Arboretum events		\$24,000	-\$1,472,550
3912 - Caravan Parks Gardening - Works staff expenses		\$16,000	-\$1,488,550
4024 - Caravan Park Upgrade	\$50,000		-\$1,438,550
4024 - Caravan Park Upgrade - Camp Kitchen	\$2,000		-\$1,436,550

4025 - Caravan Park Upgrade - Timber Toilets	\$3,000		-\$1,433,550
1712 - House for MCS		\$20,000	-\$1,453,550
1723 - MCS Rental for 40 wks @ \$110/wk	\$4,400		-\$1,449,150
0352 - Office Equipment - Transfer to Reserve	\$20,000		-\$1,429,150
0543 - Transfer from Office Equipment Reserve		\$27,523	-\$1,456,673
0543 - Transfer from Office Equipment Reserve	\$14,036		-\$1,442,637
7042 - Agg Road	\$25,000		-\$1,417,637
0553 - Royalties for Regions - increase in allocation - Direct	\$29,783		-\$1,387,854
4812 - Royalties for Regions - Increase in allocation - Direct		\$29,783	-\$1,417,637
0553 - Royalties for Regions - increase in allocation - Regional	\$29,783		-\$1,387,854
4812 - Royalties for Regions - Increase in allocation - Regional		\$29,783	-\$1,417,637
1723 - Staff Housing Rental - increase in rental to reflect market	\$4,940		-\$1,412,697
3685 - Reallocation of Colocation Centre Reserve to Plant Purchase	\$80,000		-\$1,332,697
3682 - Transfer to Plant Reserve	\$92,000		-\$1,240,697
3685 - Transfer from Plant Reserve		\$149,000	-\$1,389,697
3130 - Mowen Road - Increase in Expenditure		\$1,000,000	-\$2,389,697
3341 - Mowen Road - Increase in grant funding	\$1,000,000		-\$1,389,697
3361 - Mowen Road - Additional Supervision fees	\$40,000		-\$1,349,697
4062 - Building Surveyor Salaries - officer not replaced from Jan 2012	\$22,526		-\$1,327,171
0272 - MCS Salary - saving on part time vacancy for 3mths	\$10,000		-\$1,317,171
2642 - Gardener not replaced 2012	\$32,740		-\$1,284,431
2642 - Handyman reduced to 3 days/week	\$19,352		-\$1,265,079
2642 - provision of Tulip bulbs deleted	\$10,000		-\$1,255,079
3564 - Water Truck	\$120,000		-\$1,135,079
3361 - Additional Supervision Fee Income - Mowen Road	\$10,000		-\$1,125,079

Council held another workshop on the 29th June 2011 to further reduce the total amount to be made up from rates as listed below:

1642 - Youth - reduction in hours	\$18,000		-\$1,107,079
General - Increase in Insurance Premiums greater than originally advised		\$22,135	-\$1,129,214
0162 - NDHS - P&C	\$1,000		-\$1,128,214
0162 - NP Arts Council - Acquisitive Prize	\$1,000		-\$1,127,214
0162 - Warren Blackwood Small Business	\$1,500		-\$1,125,714
0162 - BigN	\$500		-\$1,125,214
XXXX - Contribution to Works - River Road	\$15,000		-\$1,110,214
3170 - Capital Road Works - River Rd		\$15,000	-\$1,125,214
XXXX - Transfer to Reserve - Landfill Site	\$10,000		-\$1,115,214
0011 - Amount to be made up from Rates balance budget shortfall	\$1,115,214		\$0

Actual Rates Required 2011-12 to achieve Balanced Budget

\$1,115,214

Total Rates Raised 2009-10	\$942,200
Rates required over 2010-11 rates for 2011-12	\$173,014
% increase on 2010-11 rates required to meet shortfall	18.3628%

This predicted financial position is the result of a number of decisions that have been made by Council over a number of years. Some explanations of these decisions are:

1. Rates

Council has not raised the quantum of rates that could have been raised over the past years. The following table highlights the differences in officer recommended rates yield compared to the Council resolution:

	2007-08	2008-09	2009-10	2010-11	2011-12
OFFICER RECOMMENDATION	3.5%	7.0%	9.1%	12.7%	18.4%
COUNCIL RESOLUTION	2.4%	3.2%	5.3%	4.9%	5.5%**
CUMULATIVE SHORTFALL	1.1%	4.9%	8.7%	16.5%	31.4%

** Based on Forward Plan % Increase for 2011/12 based on 2010/11 rates.

The total dollar difference over this five (5) year period is approximately \$300,400. This however has a cumulative effect over years, i.e. if the officer recommended yield was adopted by Council at the time; any subsequent increase would be based on a larger base and therefore yield a higher amount in subsequent years. Over the period illustrated above, the dollar difference due to this cumulative effect would have been approximately \$358,200.

2. Fees and Charges

The following resolution was adopted by Council in August 2009 as part of the Strategic and Organisational Review Report:

E4 That Council move toward a general user pays principle in the overall management for all assets under its care, control and maintenance.

The implementation of this resolution is occurring on a number of fronts associated with obtaining commercial rental valuations for leased premises, and reviewing the waiving of general fees for the hire of Council facilities. This implementation will progress as a matter of course, however it highlights that for some time, Council has not been realising the income that it could have from its built asset base.

The value associated with the missed income from these sources is not known in total at the time of writing this report however waived income from the casual hire of Council's built facilities totals \$13,056 over the period July 2010 to 31st May 2011.

This forgone income in the form of casual hiring of Council facilities, along with commercial rents for leased premises, has contributed to this situation Council now faces.

To ensure that all Council's built infrastructure generates income, all requests for waiving of hire fees will need to be declined. The Draft Budget does not provide for any waiving of fees for 2011/12.

3. Grants

Council is heavily dependent upon grants to deliver both operational and project specific works. From a project specific grant point of view, the attainment of these grants is a reflection of the effort put into the applications and is to be applauded.

Where ever possible these grants include an "administrative" component which allows Council to offset officers' time against some of these grants. This has the effect of reducing the requirement to fund operational expenses (in the form of wages and salaries) from ordinary income.

An example of this is the Mowen Road project which in the 2010/11 financial year saw \$229,055 of the project return to Council in the form of supervision fees. This situation over a number of years can blur the real cost of wages and salaries.

Summary:

The following comments are made concerning the further development of the draft cash budget in an attempt to adopt a balanced budget:

1. General Review

Further analysis of the attached draft budget to increase income or reduce expenditure has been undertaken. Officers have reviewed the budget and have not to date identified any additional areas of significance that will address the expected deficit.

2. Loan

Council could build into the draft budget a loan for any area of its operations. From a financial sustainability point of view, this should only be undertaken, for the purchase or development of assets. Traditionally Council has taken out loans for buildings and plant.

Council should be aware that the Western Australian Treasury Corporation (WATC) is the "main" lender of funds to local government in WA and has a financial data based process that determines whether they will loan the funds to a local government for a particular project or not. A quick analysis of these financial indicators shows that Council should not increase their borrowings by any amount.

3. Carried Forward Position from Current Year

Still to be built into the draft budget is the surplus/deficit from the current year's operations. This figure appears to be around \$50,000, but will be able to be estimated shortly.

4. Reserves

As Councillors would be aware, Council has several reserves set up for specific purposes. As at 31 May 2011, reserves with the following balances were in place:

Long Service Leave Reserve	\$ 77,014
Plant Reserve	\$ 2,291
Recreation Centre Reserve	\$190,438
Kindergarten Extension Reserve	\$226,676
Co Location Building Reserve	\$395,436
Office Equipment Reserve	\$ 21,559
Main Street Upgrade Reserve	\$ 63,430
Total	\$976,844

Council reallocated \$384,130 of the Co-location Centre Reserve funds to the Recreation Centre Reserve as part of the adoption of its 2010/11 Budget therefore of the \$395,436 only \$11,306 remains available, however an invoice from 2009 has only recently been found not to have been previously paid which will need to be funded from the balance of the Co-location Centre Reserve Fund.

Council also reallocated \$139,000 of the Kindergarten Reserve Fund to general revenue as part of the 2010/11 Budget after it was identified that these funds were sourced from general revenue and not asset sales.

The Local Government Act 1995 states that reserve funds need to be used for the purposes they were set up for, however the purpose may be changed by Council if done as part of the budget process (LGA S6.11(3)(a)).

Interest has been earned against these accounts along with some expenditure that has occurred against the projects which explains the balances as stated above.

Accepted practice is not to use the proceeds from the sale of an asset to fund operations.

It is proposed to reallocate an amount of \$80,000 from the Recreation Reserve Fund to assist with Plant Replacement.

5. Royalties for Regions

The draft 2011/12 budget contains two year's allocations of Royalties for Regions funding as follows:

2010/11 Council Allocation	\$302,685
2010/11 Regional Projects Allocation	\$302,685
2011/12 Council Allocation	\$332,468
2011/12 Regional Projects Allocation	\$332,468

Assuming that Council receives the funds, \$696,176 can be allocated to projects that are eligible under this funding. The attached draft 2011/12 budget does not allocate this income across projects however the income is matched by a non project specific expenditure item, the bottom line being that when allocated, it will have no effect on the bottom line of the budget.

It should be noted that Council has adopted their Forward Capital Works Plan that details where the Royalties for Regions expenditure is to be allocated.

Council should be cautious of the timeframes associated with undertaking the Royalties for Regions works and the impact of not receiving the Royalties for Regions funds within the same financial year as this would put Council back into deficit budget situation.

6. Transfer to Reserve - Plant

Contained within the attached draft budget is the transfer to reserve for plant replacement of \$328,000 (COA 3682) which is funded in accordance with Council's Plant Replacement Policy WKS.12 which comprises \$150,000 generated from supervision fees for Mowen Road and depreciation on plant estimated to be \$178,000. The transfer to the reserve fund is under that originally proposed by \$50,000 which represents the balance of the Mowen Road Supervision Fees which have been reallocated to offset recurrent expenditure within the Draft Cash Budget.

7. Deficit Budget

Council could adopt a deficit budget. This is not a preferred option as the deficit still needs to be funded in the following years. This should only be considered if a detailed forward financial plan indicating all sources of income and expenditure, showing how and when over the period of the plan that the funding situation will right itself, is developed. Council does not currently have a forward financial plan which matches income to expenditure.

It is likely that the Asset Management Plan and Long Term Financial Planning will in fact recommend a surplus position for the following years.

General

The projected gross deficit of \$1,115,214 represents the amount to be made up from Rate Revenue in total. Council's Forward Plan contains an amount for Rate Revenue for 2011/12 of \$990,000 which gives a Net Deficit of \$125,214.

This reflects the cumulative effect of numerous years of dwindling recurrent revenue resources. Council needs to address this situation urgently to bring Council's operational costs under control and to be fully funded from operating income. This will result in Council becoming sustainable in the medium term.

Council, as mentioned above, should not use loan funds or the sale of assets (freehold land) to meet operational expenses, therefore the only option for Council to bring down a balanced budget is to either substantially increase operating income or reduce operating expenditure.

The obvious area for increases in income are the level of rates and the income from property (i.e. leased and rental properties) as Council does not have any other income producing assets.

The alternative path, of reducing expenditure, may involve the Council only providing the basic services to its residents, however some services are subject to service provision contracts and Council may incur substantial costs if they attempt to break these existing contracts.

If the current budget recommendations are adopted by Council it will mean a decrease in the outside staff by 1.4 full time employees and a reduction of internal staff by 0.5 full time employees. Broken down it will mean one less gardener and a part time maintenance hand and building surveyor, and a reduction of community development services staff. This will have a flow on effect on the level of service provided to the community.

Officers have investigated the use of reserves to reduce the rate increase, but have determined that this is not a financially viable decision, taking into account the nature and extent of cuts in the budget mentioned above, as well as the approximately \$202,523 already taken from reserves. Should Councillors still wish to proceed down this path, a figure of \$10,000 roughly equates to a 1% rate decrease.

A quick analysis of the 2012/13 budget indicates a 30% rate increase to match income to expenditure in a care and maintenance budget mode again.

The next step in the process of adopting the 2011/12 budget is to convert this cash budget to a statutory compliant budget for adoption at the Ordinary Meeting of Council to be held in August 2011.

STATUTORY ENVIRONMENT:

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

POLICY IMPLICATIONS:

Revision of the policy allocating Recreation Reserve allocation to be spent on infrastructure purposes only and a review of Council Policies ADM 7 Council Function Room Hire and HAB 2 Use/Hire of Community Facilities.

FINANCIAL IMPLICATIONS: 2011/12 Budget

STRATEGIC IMPLICATIONS: The adoption of the Draft Cash Budget is the first step in developing the long term financial sustainability of the Shire.

RECOMMENDATION:

That Council accept the attached budget with a balanced final cash position with rates raised of \$1,115,214 being a net increase of 18.36% on 2010/11 rate revenue.

8646CAMARRI/LORKIEWICZ

- a) That Council accept the attached budget with a balanced final cash position with rates raised of \$1,115,214 being a net increase of 18.36% on 2010/11 rate revenue.
- b) That Council investigate ex-gratia rating options in preparation for the 2012 - 2013 budget.
- c) That Council investigate differential rating models in preparation for the 2012 - 2013 budget.

CARRIED 6/1

Councillors voting for the motion: Camarri, Dean, Dunnet, Lorkiewicz
Mellema and Pinkerton.

Councillor voting against the motion: Boulter

The reason for not adopting the officer's recommendation was that Council wanted to initiate a review of the rating system to investigate ex-gratia and differential rating options.

AGENDA NUMBER: 5.2
 SUBJECT: Rates in the Dollar
 LOCATION/ADDRESS: Nannup
 NAME OF APPLICANT: N/A
 FILE REFERENCE: FNC 3
 AUTHOR: Kevin Waddington – Acting Manager Corporate Services
 DISCLOSURE OF INTEREST:
 DATE OF REPORT: 6 July 2011

Attachments:

1. New Rate Model 20 – Net 18.36% increase (WALGGC) over 5 years
2. New Rate Model 21 – Net 18.36% increase (WALGGC) over 5 years
3. New Rate Model 22 – Net 18.36% increase (WALGGC) over 5 years
4. New Rate Model 23 – Net 18.36% increase
5. New Rate Model 24 – Net 18.36% increase (WALGGC) over 5 years

BACKGROUND:

For the purposes of compiling Council's draft 2011/12 cash budget, the amount included as the start point for the imposition of rates is \$990,000 per Council's Forward Plan 2010/11 – 2014/15, however due to the extent of the proposed deficit position, Council has held Budget Workshop sessions to reduce the deficit to an acceptable level thereby requiring a revised amount to be made up from rates of \$1,115,214 some \$125,214 greater than envisaged at the time the Forward Plan was updated. If Council changes the total required yield from rates through discussion on the draft 2011/12 budget, then this figure will need to be amended.

Council must now strike appropriate rates in the dollar to be applied to the different categories of rates Council has to obtain, or another figure being the amount desired to be raised from rates.

Council's rating model for 2010/11 was:

	RATE IN THE \$ MINIMUM	
GRV - GENERAL	6.6677	\$550
UV - GENERAL	0.2186	\$570

This model was budgeted to raise \$942,200. As per the 2010/11 budget review as at 30 April 2011, it is estimated that \$941,323 will be raised in rates. The difference between the two is explained by the raising of interim rates, i.e. changes to the rates applicable to properties throughout the year due to subdivision or change of basis of rates.

COMMENT:

Council's current resolutions concerning rates for the coming year are as per resolutions C1, C2 and C2a of minute number 8243 of Council meeting of August 2009 which reads as follows:

C1 That the Council adopt the principle the 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 that Council actively seek to achieve the Grants Commission overall assessed rate capacity by reasonable incremental rate increases.

(Note: The assessed rating capacity of the Shire of Nannup by the WA Local Government Grants Commission is 36.09% for GRV properties and 63.91% for UV rated properties).

C2 That the Council review the relativities in rate contributions from the GRV and UV sectors to bring these more in line with the Local Government Grants Commission's assessment of the shire's rating capacity and with rates levied by neighbouring and regional local governments.

C2a Council also analyse and assess the minimum rate against operating revenue to achieve the required benchmark for a local government of this size;

The guidance officers have in regards to the development of rate models for 2011/12 are:

1. The above resolutions from the Council meeting of August 2009, and
2. Council's standing procedure regarding rate modelling being Council's resolution from its meeting of 26 April 2007 which is contradicted by their resolution 8243 of the August 2009 Ordinary Council Meeting, which in part states:

"That Council discount the rate in the dollar by the average change in valuation as provided by the Valuer General due to the general revaluation of all properties when determining its rates in the dollar."

Given that the August 2009 resolution is the most recent determination on how officers should proceed with preparing rate models; the April 2007 resolution has been considered as being of secondary importance when preparing the 2011/12 rate models.

With reference to resolution C1 above, the LGCI for the twelve months to March 2011 is not yet available. CPI for the twelve months to March 2011 was 2.6%. As the resolution also states that Council actively seek to achieve the Grants Commission overall assessed rate capacity by reasonable incremental rate increases, the models developed as part of this report have used as a base, the figure as stated in Council's Forward Plan 2010/11 – 2014/15 of \$940,000 and increased to \$1,115,214 to reflect the need to fund the proposed draft budget.

The Valuer General's Office has provided information that the average change in valuations for the coming year throughout the Shire is:

Unimproved Valuation properties: -10.7%
 Gross Rental Valuation properties: -9.5%

Taking these resolutions in to account, a rating model was developed:

1. Which started with the incorporation of the new UV and GRV valuations as provided by the Valuer General's Office.
2. The rate in the dollar for UV properties was increased by 10.7% and the rate in the dollar for GRV properties was increased by 9.5%.
3. The UV and GRV rates in the dollar were altered, taking into account resolution C2 of minute number 8243 of Council meeting of August 2009 which reads:

That the Council review the relativities in rate contributions from the GRV and UV sectors to bring these more in line with the Local Government Grants Commission's assessment of the shire's rating capacity and with rates levied by neighbouring and regional local governments.

(Note: due to the impact that a change in rating yield to reflect the WALGGC assessed rating capability would have on the UV land owners, the models have been developed on the basis of phasing the adjustment in over a five (5) year period.)

The Local Government Grants Commission's (WALGGC) uses a balanced budget approach to determine the level of General Purpose Grant funding to be allocated to local governments. The WALGGC has not reviewed this formula since 2007/08 however it is proposed that a review will be undertaken in 2011/12. Previously, advice was sought from the Commission regarding how Council's should calculate the assessed rating capacity until the next review. The advice received was that Council's assessed capacity should be extrapolated out to the current year utilising the state average CPI increase to calculate the assessed capacities for raising rates.

- 4 The UV and GRV rates in the dollar were increased by the same factor to produce the start point for the estimated budgeted rate yield of \$1,115,214, as opposed to the WALGGC extrapolated assessed capacity of \$1,078,280.

For the purposes of this model (model # 1) the changes as per the above resolution have been implemented over one year. The following model provides the outcome of the above process:

ORIGINAL DRAFT BUDGET MODEL # 1 (to raise \$1,125,081)

- * Based on 2010/11 adopted rate model criteria.
- * Based on 2011/12 valuation data.
- * GRV and UV rates in the dollar compensated for average change in valuations.
- * Yield = forward plan 2011/12 + budget shortfall

RATE IN THE \$	MINIMUM	YIELD	MINIMUMS	% CHANGE IN YIELD
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GRV - GENERAL	0.086680	\$575	\$594,579	36.6%	19.4
UV - GENERAL	0.002984	\$747	\$530,502	42.9%	19.4
			<u>\$1,125,081</u>	<u>39.7%</u>	<u>19.4</u>
		GRV BUDGETED 2011/12 YIELD	\$523,359		
		UV BUDGETED 2011/12 YIELD	<u>\$466,736</u>		
			<u>\$990,095</u>		
	2010/11 to 2011/12				
	% CHANGE GRV RATE IN \$		29.9%		
	% CHANGE GRV MINIMUM		4.5%		
	% CHANGE UV RATE IN \$		36.5%		
	% CHANGE UV MINIMUM		31.1%		

This model is based on the total rate revenue required to achieve a balanced budget for 2011/12 whilst meeting the statutory requirement to limit the number of properties on the minimum rate to less than 50%.

ORIGINAL DRAFT BUDGET MODEL # 2

- * Based on 2011/12 valuation data.
- * GRV and UV rates in the dollar compensated for average change in valuations.
- * C2 - achieve WALGGC relative assessed capacity for GRV and UV.
- * Yield = forward plan 2011/12 + budget shortfall

	RATE IN THE \$	MINIMUM	YIELD	MINIMUMS	% CHANGE IN YIELD
GRV - GENERAL	0.058276	\$408	\$405,927	44.7%	-18.5
UV - GENERAL	0.004281	\$734	\$719,153	23.2%	61.9
			<u>\$1,125,080</u>	<u>33.9%</u>	<u>21.7</u>
		GRV BUDGETED 2011/12 YIELD	\$523,359		
		UV BUDGETED 2011/12 YIELD	<u>\$466,736</u>		
			<u>\$990,095</u>		
	% CHANGE GRV RATE IN \$		-12.6%		
	% CHANGE GRV MINIMUM		-25.8%		
	% CHANGE UV RATE IN \$		95.8%		
	% CHANGE UV MINIMUM		28.8%		

This model is acceptable from a legal point of view in relation to the number of properties on the minimum rate. It also shows that Council is determined to demonstrate that it is serious about becoming sustainable as per Council's current resolutions regarding future actions by introducing the relativities in rate contributions from the GRV and UV sectors to bring these in line with the WALGGC assessment.

Two further models have been developed which are based on model # 2, with model # 3 introducing the relativities in rate contributions from the GRV and UV sectors to bring these in line with the WALGGC assessment over a two (2) year period, and model # 4 over a three (3) year period.

ORIGINAL DRAFT BUDGET MODEL # 3 (based on Model 2 phasing in over two years)

- * Based on 2011/12 valuation data.
- * GRV and UV rates in the dollar compensated for average change in valuations.
- * C2 - achieve WALGGC relative assessed capacity for GRV and UV.
- * Yield = forward plan 2011/12 + budget shortfall

	RATE IN THE \$	MINIMUM	YIELD	MINIMUMS	% CHANGE IN YIELD
GRV - GENERAL	0.073411	\$474	\$500,346	34.0%	0.50
UV - GENERAL	0.003593	\$804	\$624,733	36.7%	40.60
			<u>\$1,135,111</u>	<u>43.55%</u>	<u>20.55</u>
		GRV BUDGETED 2011/12 YIELD	\$523,359		
		UV BUDGETED 2011/12 YIELD	<u>\$466,736</u>		
			<u>\$990,095</u>		
	% CHANGE GRV RATE IN \$		10.1%		
	% CHANGE GRV MINIMUM		-13.8%		
	% CHANGE UV RATE IN \$		64.4%		
	% CHANGE UV MINIMUM		41.0%		

ORIGINAL DRAFT BUDGET MODEL # 4 (based on Model 2 phasing in over three years)

- * Based on 2011/12 valuation data.
- * GRV and UV rates in the dollar compensated for average change in valuations.
- * C2 - achieve WALGGC relative assessed capacity for GRV and UV.
- * Yield = forward plan 2011/12 + budget shortfall

	RATE IN THE \$	MINIMUM	YIELD	MINIMUMS	% CHANGE IN YIELD
GRV - GENERAL	0.075212	\$550	\$531,640	48.8%	6.8
UV - GENERAL	0.003373	\$804	\$593,453	40.2%	33.6
			<u>\$1,125,092</u>	<u>44.5%</u>	<u>20.2</u>
		GRV BUDGETED 2011/12 YIELD	\$523,359		
		UV BUDGETED 2011/12 YIELD	<u>\$466,736</u>		
			<u>\$990,095</u>		
	% CHANGE GRV RATE IN \$		12.8%		
	% CHANGE GRV MINIMUM		0.0%		
	% CHANGE UV RATE IN \$		54.3%		
	% CHANGE UV MINIMUM		41.0%		

All these models are acceptable from a legal point of view in relation to the number of properties on the minimum rate.

From a budget point of view, all above models present a realistic option as they meet the initiatives put in place via resolutions C1, C2 and C2a of minute number 8243 of Council meeting of August 2009 which was based on Council becoming sustainable in its own right into the future. It is just a matter of whether Council wishes to maintain the yield as budgeted for via the forward plan, or the WALGGC assessed capacity, and over what period of time it wishes to implement these resolutions.

From an officer's point of view, taking into account that phasing in of an initiative over a period of time is more palatable to ratepayers, model # 4 was the recommended model.

As the above recommended model does not propose differential rates the requirement of S6.36 of the Local Government Act 1995 to give local public notice is not required to be undertaken. Also, a document describing the objects of, and reasons for, each proposed rate and minimum payment is not required.

Ordinary Meeting of Council 23rd June 2011

The above Rate Model options were not considered at the Ordinary Meeting held on the 23rd June 2011 as Council had not determined the final amount to be made up from rates during consideration of the 2011/12 Draft Cash Budget.

An additional Budget Workshop was held on the 29th June 2011 to agree on the amount to be made up from rates and then an appropriate rate model was agreed on to raise the amount required subject to amending the ratios between GRV and UV and the value of the minimum rate to be applied.

Staff have created four (4) new rate models to reflect Council's intentions.

Workshop Rate Model 1 (Net 18.36% Increase using WALGGC Rating Capacity phased in over 5 years)

At the workshop held on the 29th June Councillors agreed that the ratio of GRV to UV rates should be 50.5% GRV and 49.5% UV with the minimum rates to increase by 10% for each category to \$605 for GRV & \$627 for UV.

WORKSHOP MODEL # 1 (based on WALGGC ratios phasing in over five years)

- * Based on 2011/12 valuation data.
- * GRV and UV rates in the dollar compensated for average change in valuations.
- * C2 - achieve WALGGC relative assessed capacity for GRV and UV.
- * Yield = forward plan 2011/12 + budget shortfall

RATE IN THE \$		MINIMUM	YIELD	MINIMUMS
GRV - GENERAL	0.077652	\$605	\$563,204	58.5%
UV - GENERAL	0.003246	\$627	\$552,016	29.6%
			<u>\$1,125,092</u>	<u>44.1%</u>
GRV BUDGETED 2011/12 YIELD			\$523,359	
UV BUDGETED 2011/12 YIELD			<u>\$466,736</u>	
			<u>\$990,095</u>	

% CHANGE (10/11 to 11/12)	
GRV RATE IN \$	13.1%
% CHANGE (10/11 to 11/12)	
GRV MINIMUM	10.0%
% CHANGE (10/11 to 11/12)	
UV RATE IN \$	24.2%

% CHANGE (10/11 to 11/12)
 UV MINIMUM

10.0%

When these parameters were applied to the rate model, the number of properties that attracted the minimum value exceeded the allowable limit by 8.5%.

New rate models were developed based on the above Original Draft Budget Rate Model 1 that Council identified as being the desired mix at its workshop held on the 29th June 2011.

These are detailed below.

Rate Model 20 (Net 18.36% Increase using WALGGC Rating Capacity phased in over 5 years)

This model has been created to adjust the minimum value to maintain the Council's intention of keeping the number of minimum rated properties below the 50% limit and maintaining the ratios between the GRV & UV properties and also realising the revised rate income figure of \$1,115,214.

The ratio between GRV (50.5%) and UV (49.5%) has been maintained, with the minimum for GRV increases from \$550 (2010/11) to \$560 (2011/12) and for UV from \$570 (2010/11) to \$650 (2011/12). The rate in the dollar has been adjusted accordingly to ensure the total rates required have been achieved.

ADJUSTED MODEL # 20 (based on WALGGC ratios phasing in over five years)

- * Based on 2011/12 valuation data.
- * GRV and UV rates in the dollar compensated for average change in valuations.
- * C2 - achieve WALGGC relative assessed capacity for GRV and UV.
- * Yield = forward plan 2011/12 + budget shortfall

RATE IN THE \$	MINIMUM	YIELD	MINIMUMS
GRV – GENERAL 0.081250	\$560	\$563,239	42.7%
UV – GENERAL 0.003228	\$650	\$551,987	32.3%
		\$1,115,225	37.5%
		\$523,359	
		\$466,736	
		\$990,095	

% CHANGE (10/11 to 11/12)
 GRV RATE IN \$
 % CHANGE (10/11 to 11/12)
 GRV MINIMUM
 % CHANGE (10/11 to 11/12)
 UV RATE IN \$
 % CHANGE (10/11 to 11/12)
 UV MINIMUM

13.1%
 1.82%
 47.7%
 14.04%

The above Model 20, provides the total rate revenue required by Council while maintaining the agreed ratio between GRV & UV

Model 21 reflects the change in the % increase for both GRV & UV minimums to be equal. Each has been increased by 5.45% to avoid exceeding the 50% limit.

MODEL 21 - (Modified Agreed Workshop Model 1 - Net 18.36% Increase using WALGGC Rating Capacity phased in over 5 years)

YIELD					Ratios
	Rate in \$	Minimum	Yields	% of Minimums	
GRV - GENERAL	0.079872	\$580	\$563,183	47.7%	50.50%
UV - GENERAL	0.003264	\$601	\$552,032	25.9%	49.50%
			\$1,115,216	36.8%	

% CHANGE (10/11 to 11/12) GRV RATE IN \$	19.79%
% CHANGE (10/11 to 11/12) GRV MINIMUM	5.45%
% CHANGE (10/11 to 11/12) UV RATE IN \$	49.3%
% CHANGE (10/11 to 11/12) UV MINIMUM	5.44%

Model 22 has been developed using a higher % increase for minimum rated properties for UV's and maintaining the minimum value from Model 21 above for GRV properties. Both GRV & UV properties would realise mid 40% minimum rated properties.

Model 22 (Original Workshop Model 1 - Net 18.36% Increase using WALGGC Rating Capacity phased in over 5 years)

YIELD					Ratios
	Rate in \$	Minimum	Yields	% of Minimums	
GRV - GENERAL	0.079872	\$580	\$563,183	47.7%	50.50%
UV - GENERAL	0.003078	\$800	\$552,042	44.2%	49.50%
			\$1,115,225	45.9%	

% CHANGE (10/11 to 11/12) GRV RATE IN \$	19.79%
% CHANGE (10/11 to 11/12) GRV MINIMUM	5.45%
% CHANGE (10/11 to 11/12) UV RATE IN \$	40.80%
% CHANGE (10/11 to 11/12) UV MINIMUM	40.35%

Model 23 represents the reverting back to the same ratio of GRV & UV rates as adopted in the 2010/11 Budget (GRV 52.84% and UV 47.16%) with the minimum value being \$580 for GRV & \$800 for UV properties to once again produce approx the mid 40% of rates from minimum rated properties.

Model 23 - Net 18.36% Increase - Minimum Rate to be <50%

YIELD					Ratios
	Rate in \$	Minimum	Yields	% of Minimums	
GRV - GENERAL	0.083328	\$610	\$589,235	49.2%	52.84%
UV - GENERAL	0.002885	\$800	\$525,982	47.4%	47.16%
			<u>\$1,115,217</u>	48.3%	
% CHANGE (10/11 to 11/12) GRV RATE IN \$					24.97%
% CHANGE (10/11 to 11/12) GRV MINIMUM					10.91%
% CHANGE (10/11 to 11/12) UV RATE IN \$					31.98%
% CHANGE (10/11 to 11/12) UV MINIMUM					40.35%

Model 24 has been developed using the highest yield of minimum rated properties for both GRV & UV without exceeding the maximum permissible limit of 50%.

The effect of having high minimums is that the increase in the rate in the dollar for all other properties is reduced thereby having a lesser financial impact for those properties.

Model 24 (Original Workshop Model 1 - Net 18.36% Increase using WALGGC Rating Capacity phased in over 5 years)

YIELD					Ratios
	Rate in \$	Minimum	Yields	% of Minimums	
GRV - GENERAL	0.079412	\$586	\$563,183	49.8%	50.50%
UV - GENERAL	0.003000	\$860	\$552,055	49.9%	49.50%
			<u>\$1,115,238</u>	49.8%	
% CHANGE (10/11 to 11/12) GRV RATE IN \$					19.10%
% CHANGE (10/11 to 11/12) GRV MINIMUM					6.55%
% CHANGE (10/11 to 11/12) UV RATE IN \$					37.24%
% CHANGE (10/11 to 11/12) UV MINIMUM					50.88%

The minimum rates levied (and proposed within all the above models) are considerably less than adjoining local authorities and therefore Council may consider a higher minimum rate would be acceptable to minimise the impact on the majority of ratepayers.

STATUTORY ENVIRONMENT: Local Government Act 1995 Division 6.

POLICY IMPLICATIONS: Nil.

FINANCIAL IMPLICATIONS: 2011/12 Budget.

STRATEGIC IMPLICATIONS: Nil.

RECOMMENDATION:

That Council agree to the following rates in the dollar and minimum rates for the 2011/12 financial year for the purposes of incorporation into Council's budget to be adopted at the Ordinary meeting of Council to be held 25 July 2011 based on Model 22 (net 18.36% increase) to phase in the adjustment to the GRV & UV categories in accordance with the WALGGC Assessed Rating Capability projection over a five (5) period:

	RATE IN THE \$	MINIMUM
GRV - GENERAL	7.9872	\$580
UV - GENERAL	0.3078	\$800

8647 CAMARRI/LORKIEWICZ

That Council agree to the following rates in the dollar and minimum rates for the 2011/12 financial year for the purposes of incorporation into Council's budget to be adopted at the Ordinary meeting of Council to be held 25 August 2011 based on Model 23 (net 18.36% increase):

	RATE IN THE \$	MINIMUM
GRV - GENERAL	0.083328	\$610
UV - GENERAL	0.002885	\$800

CARRIED 5/2

Councillors voting for the motion: Camarri, Dunnet, Lorkiewicz, Mellema and Pinkerton.

Councillor voting against the motion: Boulter, Dean

The reason for not adopting the officer's recommendation was that Council considered that Model 23 would have the least impact on ratepayers.

6. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

(a) OFFICERS
Nil

(b) ELECTED MEMBERS
Nil

6. ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

NIL

8. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

Nil

9. CLOSURE OF MEETING

There being no further business to discuss the Shire President declared the meeting closed at 3.12pm.