



Shire of  
**Nannup**  
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# Minutes

## Public Copy

Special Council Meeting held Thursday 18 June 2015

Unconfirmed

# Minutes

**1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

The Chairperson declared the meeting open at 16:00 hours.

**2. RECORD OF ATTENDANCE**

Shire President: Cr A Dean

Deputy Shire President: Cr R Mellema

Councillors: C Gilbert, J Lorkiewicz, A Slater, N Steer and C Stevenson

Peter Clarke – Chief Executive Officer

Tracie Bishop – Manager Corporate Services

Chris Wade - Manager Infrastructure

**VISITORS**

R Prime

P Fraser

L Gilchrist

D Boulter

**3. APOLOGIES**

Nil

**4. LEAVE OF ABSENCE**  
(Previously approved)

Cr R Longmore

**5. PUBLIC QUESTION TIME**

**6. REPORTS OF OFFICERS**

**SUSPENSION OF STANDING ORDERS**

**9205 MELLEMA/SLATER**

*That Standing Orders be suspended to allow Councillors to discuss in depth the presented Draft Budget and associated documentation.*

**CARRIED 7/0**

**RESUMPTION OF STANDING ORDERS**

**9206 STEER/LORKIEWICZ**

*That Council resumes Standing Orders.*

**CARRIED 7/0**

AGENDA NUMBER:	6.1
SUBJECT:	Rate in the Dollar 2015/16
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:	15 June 2015
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 \$1,450,786 to be raised from rates, giving an average increase of 6.29%. If Council changes the total required yield from rates as a result of the adoption of the 2015/16 budget, then the recommendation in this report will need to be amended in line with that resolution.

**COMMENT:**

Council's rating model for 2014/15 was:

	RATE IN THE \$	MINIMUM RATE	BUDGETED YIELD
GRV	0.094330	\$746	\$711,099
UV	0.004075	\$977	\$653,872
			\$1,364,971

**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 UV properties undergo an annual revaluation and as a result of this year's revaluation, overall, valuations rose by an average of 4.9%. However the increase 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 benefit from the change in rate having decreased.

**Workshop Outcomes**

During workshops completed this year, two 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 2014/15 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 apply the average increase (i.e. 6.29%) to the properties on the minimum rate. This would establish the following minimums:

	Minimum Rate	Increase
GRV	\$793	6.25%
UV	\$1039	6.35%

There are slight variations between the GRV and UV minimum rate which is due to rounding issues.

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

The GRV rate in the dollar has increased by 4.25% to produce a new rate in the dollar of 0.098339. Although this is lower than the overall increase of 6.29% this reflects the drop in rate dollar required based on the revaluations as at 30 June 2015.

The UV rate in the dollar has increased by 1.96% on average, however overall 24% of properties within this class have increases above 10%. This is in direct correlation to the overall increase in value not being evenly distributed this year.

This produces the following proposed rate model:

	Rate in the Dollar	Minimum Rate	Yield	Minimums
GRV	0.098339	\$793	\$752,561	48.68%
UV	0.004155	\$1,039	\$698,225	48.96%
			\$1,450,786	

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**

Implemented in 2014 was a levy raised under S66 of the Waste Avoidance and Resource Recovery Act 2007 (WARR Act) to recover costs associated with the management of the Nannup Waste Facility. This levy was reviewed within the numerous budget workshops completed this year with an outcome being that the levy raised be increased by \$2 per property for the 2015/16 financial year. This results in the levy being \$30 per assessment. Overall this will raise \$32,910 which will leave a contribution from rates for the management of the Waste Management Facility of \$80,690.

For all tip users who do not reside within the Shire of Nannup the option to purchase an out of town tip pass would still apply for their domestic waste disposal.

### **Conclusion**

Councillors will note that the proposed rate increase has been recommended as 6.29%, not 9.25% as indicated at previous Workshops. The reduction in the rate increase has come about through the identification of wages in the Main Street Revitalisation Project now being allocated through Council's own resources and not via Contractors, which has resulted in a considerable saving of wages allocations.

From the above savings, Council's management team has identified expenditure areas throughout the draft Budget that had been severely cut and re-introduced expenditure items considered appropriate to carry out the normal operations of the Shire in the 2015/2016 financial year. The additional expenditure identified is shown in Attachment 6.2.2. Councillors will have the opportunity to debate the recommendations of additional expenditure proposed by the Management team and make changes where appropriate.

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 UV properties can be contained within the range of between 1% and 11%.

All GRV properties will have rate rises contained within 5 – 7% aside from those properties which had revaluations the previous year which resulted in interim rates applied.

**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 2015/16 budget.

**STRATEGIC IMPLICATIONS:** Nil.

**NOTE:**

No recommendation provided as included in Item 6.2

<b>AGENDA NUMBER:</b>	6.2
<b>SUBJECT:</b>	Draft Budget 2015/16
<b>LOCATION/ADDRESS:</b>	Nannup
<b>NAME OF APPLICANT:</b>	Shire of Nannup
<b>FILE REFERENCE:</b>	FNC 3
<b>AUTHOR:</b>	Tracie Bishop – Manager Corporate Services
<b>REPORTING OFFICER:</b>	Tracie Bishop – Manager Corporate Services
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>DATE OF REPORT:</b>	5 June 2015
<b>ATTACHMENTS:</b>	6.2.1 – Budget Summary 2015/16 6.2.2 – Changes to Base Budget 6.2.3 – Budgeted Reserves 6.2.4 – Fees & Charges 2015/16

**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 2015/16 financial year.

Identified within this process was the impact that the removal of capital grants as an income source and the effects that this has on the upcoming budget in terms of overheads that now need to be covered by rate income. The Rate Equalisation Reserve was established within the 2013/14 budget to help alleviate these pressures and will be used within this upcoming period for this reason.

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 but has not been added where underspends have been seen in previous years.

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 2015/16 includes income from fees and charges of approximately \$278,000 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 \$30,000 has been assumed in the draft 2015/16 budget.
- (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 2015/16.

**Changes to the Base Budget**

The Base Budget for 2015/16 represents the cost of carrying out the same level of activity as in 2014/15. After taking account the costs associated with the removal of capital grant income and including inflationary increases the base budget is expected to rise by approximately 2.02%.

However, the Base Budget also needs to be revised to accommodate other detailed changes in circumstances that will occur throughout the course of a financial year. These changes are summarised in Attachment 2.

Overall, within the budget for 2015/16 there have been savings made wherever possible. Taking all factors into consideration there is a net committed increase of 6.29%.

### **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.

The Asset Management Plan shows that significant funds will be required over the next 10 years to maintain the Council's buildings and infrastructure. The resources required to maintain Council-owned buildings is anticipated to be \$180,000 per annum. For the upcoming budget period Council has reduced this reserve contribution by \$50,000. This was necessary to balancing annual budgets and to avoid significant rate increases. It is anticipated that this Reserve can sustain a reduction for this financial year in order to allow the overall increase in budget to be reduced.

It is Officer recommendation that if this reduction is supported by Council, at the end of the 2015/16 financial year if a surplus is realised then the surplus be applied to cover shortfall in the Asset Reserve contributions for 2015/16.

### **Funding Corporate Priorities**

As part of the 2015/16 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 bids is shown in Attachment 2.

A further four bridges will be included within our insurance schedule for the 2015/16 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 four bridges is \$5,355.

There is a unique opportunity to develop an area to the south of the Shire known as the Quannup Lease. Recent discussions with the Department of Lands, support this land jointly coming under the control of the Shire of Nannup and the Department of Parks and Wildlife when the current pastoral lease expires on 30 June 2015. In order to take advantage of this opportunity an options appraisal will need to be carried out. It is anticipated that some external funding can be secured to support this work and a net sum of \$10,000 has been included in the budget to allow the project to proceed.

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 6.29%.

### **Prospects for the Future**

The model underpinning the Long Term Financial Plan (LTFP) demonstrates that rates would need to increase by 7% in 2016/17 and 9% in 2017/18. Current forecasts suggest that the financial position will stabilise in the 2017/18 financial year which will result in the pressure on income streams being reduced and rate increases of around the level of CPI anticipated. The 2015/16 budget contains measures that will help to mitigate rate increases in the upcoming periods and identifying further savings will be the main focus for 2016/17; this will commence with a further review of the Long Term Financial Plan early in the new financial year.

### **Conclusion**

The proposed rate requirement is \$1,450,786, an increase of 6.29% on 2014/15. 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.

The Council continues to face substantial financial challenges and the proposed 2015/16 budget is a key step in addressing this. It is therefore considered that after taking all the above factors into account the budget as presented is sufficient to meet the liabilities facing the Council during 2015/16.

### **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:**

None.

**FINANCIAL IMPLICATIONS:** A rate requirement for 2015/16 of \$1,450,786.

### **STRATEGIC IMPLICATIONS:**

The adoption of the proposed 2015/16 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 25 June 2015.

**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	\$793	0.098339	\$ 752,561
UV	\$1039	0.004155	\$ 698,225
			\$1,450,786

**9207 STEER/LORKIEWICZ**

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

***That the following proposed recommendation be endorsed by Council at its Ordinary Meeting of Council on the 25 June 2015.***

***That Council impose the following Rates & Charges***

<i>Rate Type</i>	<i>Minimum Rate In \$</i>	<i>Rate In \$</i>	<i>Yield</i>
<b>GRV</b>	<b>\$793</b>	<b>0.098339</b>	<b>\$ 752,561</b>
<b>UV</b>	<b>\$1039</b>	<b>0.004155</b>	<b>\$ 698,225</b>
			<b>\$1,450,786</b>

**CARRIED 7/0**

**Recommendation Two – Waste Management Levy**

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 2015/16:

	Rate in the Dollar	Minimum Rate
GRV	0.000324	\$30
UV	0.000082	\$30

**9208 DEAN/MELLEMA**

***Recommendation Two – Waste Management Levy***

***That the following proposed recommendation be endorsed by Council at its Ordinary Meeting of Council on the 25 June 2015.***

***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 2015/16:***

	<i>Rate in the Dollar</i>	<i>Minimum Rate</i>
<b>GRV</b>	<b>0.000324</b>	<b>\$30</b>
<b>UV</b>	<b>0.000082</b>	<b>\$30</b>

**CARRIED 7/0**

**Recommendation Three – Rubbish Service Charges:**

That Council set rubbish service charges at \$200 per service for the 2015/16 year and recycling service charge at \$125.00 per service for the 2015/16 year for all users within the Shire of Nannup.

**9209 DEAN/STEER**

***Recommendation Three – Rubbish Service Charges:***

***That the following proposed recommendation be endorsed by Council at its Ordinary Meeting of Council on the 25 June 2015.***

***That Council set rubbish service charges at \$200 per service for the 2015/16 year and recycling service charge at \$125.00 per service for the 2015/16 year for all users within the Shire of Nannup.***

**CARRIED 5/2**

Voting for the motion: Crs Dean, Mellema, Lorkiewicz, Slater and Steer  
Voting against the motion: Crs Gilbert and Stevenson

**Recommendation Four – Fees & Charges:**

That Council adopts the 2015/16 Shire of Nannup Schedule of Fees and Charges as per Attachment 4.

**9210 LORKIEWICZ/SLATER**

***Recommendation Four – Fees & Charges:***

***That the following proposed recommendation be endorsed by Council at its Ordinary Meeting of Council on the 25 June 2015.***

***That Council adopts the 2015/16 Shire of Nannup Schedule of Fees and Charges as per Attachment 4.***

**CARRIED 7/0**

**Recommendation Five – 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.

**9211 STEER/LORKIEWICZ**

***Recommendation Five – Statutory Compliance:***

***That the following proposed recommendation be endorsed by Council at its Ordinary Meeting of Council on the 25 June 2015.***

***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.***

**CARRIED 7/0**

**Recommendation Six – 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 2015/16 for reporting material variances shall be +/- 10% or \$30,000, whichever is greater.

**9212 LORKIEWICZ/STEVENSON**

***Recommendation Six – Material Variance Reporting 2015/16:***

***That the following proposed recommendation be endorsed by Council at its Ordinary Meeting of Council on the 25 June 2015.***

***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 2015/16 for reporting material variances shall be +/- 10% or \$30,000, whichever is greater.***

**CARRIED 7/0**

**Recommendation Seven – Budget Document:**

That Council adopt the Draft 2015/16 Shire of Nannup budget as presented. Financial implications being a cash budget inflow of \$1,450,786 and represents a 6.29% increase from previous year.

**9213 MELLEMA/SLATER**

***Recommendation Seven – Budget Document:***

***That the following proposed recommendation be endorsed by Council at its Ordinary Meeting of Council on the 25 June 2015.***

***That Council adopt the Draft 2015/16 Shire of Nannup budget as presented. Financial implications being a cash budget inflow of \$1,450,786 and represents a 6.29% increase from previous year***

***CARRIED 6/1***

Voting for the motion: Crs Dean, Mellema, Lorkiewicz, Slater, Steer and Stevenson

Voting against the motion: Cr Gilbert

**7. CLOSURE OF MEETING**

There being no further business to discuss the Shire President declared the meeting closed at 16:57 hours.