

Please note: These minutes are yet to be confirmed as a true record of proceedings

CITY OF BUSSELTON

MINUTES FOR THE SPECIAL COUNCIL MEETING HELD ON 30 JULY 2014

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MINUTES

MINUTES OF A SPECIAL MEETING OF THE BUSSELTON CITY COUNCIL HELD IN THE COUNCIL CHAMBERS, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 30 JULY 2014 AT 4:30PM.

1. ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

Presiding Member:

Cr Ian Stubbs Mayor

Members:

Cr G Henley
Cr John McCallum
Cr G Bleechmore
Cr Tom Tuffin
Cr Rob Bennett
Cr Coralie Tarbotton
Cr Jenny Green
Cr Terry Best

Officers:

Mr Mike Archer, Chief Executive Officer
Mr Oliver Darby, Director, Engineering and Works Services
Mr Paul Needham, Director, Planning and Development Services
Mrs Naomi Searle, Director, Community and Commercial Services
Miss Sarah Pierson, A/ Director, Finance and Corporate Services
Mr Darren Whitby, Manager, Finance and Information Technology
Miss Lynley Rich, Manager, Governance Services
Mrs Katie Banks, Administration Officer, Governance

Apologies

Nil

Approved Leave of Absence

Nil

Media:

“Busselton-Dunsborough Times”
“Busselton-Dunsborough Mail”

Public:

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2. PURPOSE OF MEETING

For Council to consider the adoption of the 2014/15 Annual Budget.

3. PUBLIC QUESTION TIME

Nil

4. DISCLOSURE OF INTERESTS

Nil

5. PRESENTATIONS BY PARTIES WITH AN INTEREST

Nil

6. REPORTS

6.1 REAFFIRMATION OF THE ADOPTED SCHEDULE OF FEES AND CHARGES - 2014/15 FINANCIAL YEAR

SUBJECT INDEX:	Financial Operations
STRATEGIC OBJECTIVE:	An organisation that is managed effectively and achieves positive outcomes for the community.
BUSINESS UNIT:	Finance and Information Technology
ACTIVITY UNIT:	Finance
REPORTING OFFICER:	Manager, Finance and Information Technology - Darren Whitby
AUTHORISING OFFICER:	Chief Executive Officer - Mike Archer
VOTING REQUIREMENT:	Absolute Majority
ATTACHMENTS:	Nil

PRÉCIS

In accordance with Regulation 5(2) of the Local Government (Financial Management) Regulations (the 'Regulations'), a local government is to undertake a review of its fees and charges regularly; and not less than once in every financial year. Whilst the Council has previously adopted its Schedule of Fees and Charges to apply for 2014/15, Section 6.16(3) of the Local Government Act (the 'Act') requires a local government to adopt its fees and charges at which time it adopts its annual budget.

This report therefore seeks the Council's reaffirmation to the adoption of its Schedule of Fees and Charges for the 2014/15 financial year.

BACKGROUND

To enable the Council's Schedule of Fees and Charges to become effective from the commencement of the financial year, the Schedule is required to be adopted in advance of 30 June each year. This provides a number of benefits, including:

- It provides consistency in both reviewing and amending fees and charges on an annual basis
- It provides sufficient time for associated documentation/ advertising/ signage to be updated in advance of the fees and charges becoming effective
- It enables any necessary statutory advertising to be undertaken in advance of the fees and charges becoming effective
- It enables sufficient time for customers to be advised of any changes to existing fees and charges
- It assists in budget forecasting, insofar as the adopted fees and charges are applicable for the full financial year

At its meeting of 28 May 2014, the Council adopted (C1405/139) its Schedule of Fees and Charges for the 2014/15 financial year. Subsequently, at its meeting of 25 June 2014, the Council also adopted (C1406/157) several additional fees and charges relating to commercial waste.

Pursuant to Section 6.19 of the Act, local public notice must be given should fees and charges be adopted outside of the annual budget adoption process. In respect of the Schedule of Fees and Charges adopted on 28 May 2014, public notice was given on 11 June 2014. With regards to the commercial waste fees and charges adopted on 25 June 2014, they will become effective at which time the Council reaffirms its adopted Schedule of Fees and Charges for the 2014/15 financial year.

STATUTORY ENVIRONMENT

Sections 6.16 – 6.19 of the Act refer to the imposition, setting the level of, and associated administrative matters pertaining to fees and charges. The requirement to review fees and charges on an annual basis is detailed within Regulation 5 of the Local Government (Financial Management) Regulations.

RELEVANT PLANS AND POLICIES

The Council's currently endorsed Long Term Financial Plan reflects fees and charges revenue increasing by 4.2% annually, based on the 10 year average Local Government Cost Index. This level of increase has guided officers in setting the recommended fees and charges to apply in 2014/15.

FINANCIAL IMPLICATIONS

The 2014/15 draft annual budget is reflective of the fees and charges as previously adopted by the Council.

STRATEGIC COMMUNITY OBJECTIVES

The schedule of fees and charges adopted by the Council encompasses 'whole of organisation' activities. As such, all Key Goal Areas within the Council's Strategic Community Plan 2013 are in some way impacted. More specifically however, this matter aligns with Key Goal Area 6 – 'Open and Collaborative Leadership' and particularly Community Objective 6.3 - 'An organisation that is managed effectively and achieves positive outcomes for the community'.

RISK ASSESSMENT

There are several risks that the Council needs to be mindful of when reviewing its Schedule of Fees and Charges. Firstly, in an effort to assist in recovering costs associated with the provision of services, it is important that, where applicable, fees and charges are increased on an annual basis in line with relevant economic indicators. Should this not occur, the provision of those services is required to be increasingly subsidised by other funding sources. Conversely however, a balance is also required to ensure that fees and charges are maintained at levels so as not to adversely impact on the financial capacity for users to utilise those services, which may otherwise result in a net reduction in revenue. These matters were considered by officers when setting the recommended fees and charges to apply for 2014/15.

CONSULTATION

Business Unit Managers are responsible for reviewing fees and charges associated with activities under their control. As part of the review process, consultation may occur with other local government authorities, in addition to a review of prices offered by alternate service providers (pursuant to Section 6.17 of the Act).

OFFICER COMMENT

Not applicable.

CONCLUSION

The Council has previously adopted its Schedule of Fees and Charges for the 2014/15 financial year. The commercial waste fees (as subsequently adopted) have now been incorporated within the Schedule of Fees and Charges as is included in the 2014/15 draft annual budget document. It is

therefore recommended that the Council reaffirms the adoption of its Schedule of Fees and Charges for 2014/15.

OPTIONS

The Council may determine to amend its currently adopted Schedule of Fees and Charges.

TIMELINE FOR IMPLEMENTATION OF RECOMMENDATION

The Schedule of Fees and Charges as adopted by the Council on 28 May 2014 became effective from and including 1 July 2014.

The commercial waste related fees and charges as adopted by the Council on 25 June 2014 will become effective immediately following the Council's decision in respect of this report.

OFFICER RECOMMENDATION AND COUNCIL DECISION

ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED

C1407/189 Moved Councillor J McCallum, seconded Councillor G Bleachmore
That the Council:

1. reaffirms the adoption of its Schedule of Fees and Charges for the 2014/15 financial year, as comprised within the 2014/15 Draft Annual Budget document.

CARRIED 9/0

BY ABSOLUTE MAJORITY

6.2 ADOPTION OF 2014/15 ANNUAL BUDGET

SUBJECT INDEX:	Budget Planning and Reporting
STRATEGIC OBJECTIVE:	An organisation that is managed effectively and achieves positive outcomes for the community.
BUSINESS UNIT:	Finance and Information Technology
ACTIVITY UNIT:	Finance
REPORTING OFFICER:	Manager, Finance and Information Technology - Darren Whitby
AUTHORISING OFFICER:	Chief Executive Officer - Mike Archer
VOTING REQUIREMENT:	Absolute Majority
ATTACHMENTS:	Attachment A Schedule of Carryover Items  Attachment B Published Under Separate Cover 2014/15 Draft Annual Budget ⇒

PRÉCIS

Pursuant to Section 6.2 of the Local Government Act (the 'Act'), a local government is to prepare and adopt an annual budget on or before 31 August each year, or such extended time as the Minister allows. Consequent to draft budget workshops convened with Elected Members during May 2014, and in consideration of other Councillor workshops and/ or determinations associated with the budget development process, this report now seeks the Council's formal adoption of its 2014/15 draft annual budget.

BACKGROUND

Work commenced on the 2014/15 draft budget early in 2014. During its development, the draft budget was informed by the Council's endorsed Long Term Financial Plan and in particular its associated assumptions and parameters. Subsequent to compilation, the draft budget was critically reviewed by Senior Management, prior to its presentation to Elected Members for workshopping purposes.

During May 2014, two draft budget workshops were conducted with Councillors, during which time all facets of the draft budget were reviewed and deliberated. Several amendments proposed as part of the workshops have subsequently been included in the draft budget. At this time, it was also acknowledged by Councillors that further amendments to the draft budget would more than likely be required prior to the draft budget being presented for formal consideration. Councillors were agreeable for the draft budget to continue to be updated as necessary, albeit on the proviso that the draft budget closing position was not adversely impacted as a result. Whilst a number of draft budget amendments and additions have been processed subsequent to the May workshops, these have not adversely impacted on the draft budget closing position. A summary of the amendments and additions is provided in the Officer Comment section of this report.

The draft budget presented for adoption reflects a balanced position as at 30 June 2015. Whilst a (net) closing surplus position of approximately \$475K was achieved in 2013/14, the draft budget reflects this amount being transferred to the Infrastructure Development Reserve, along with a nominal 2014/15 draft budget surplus of \$6K. This is consistent with Council Resolution C1303/074, which states in part, that any (budget) surplus achieved be transferred to the Infrastructure Development Reserve as part of the following year's budget.

STATUTORY ENVIRONMENT

As part of the annual budget development process, a local government must have regard for numerous requirements under the Act and associated Regulations. These include, but are not limited to, the following provisions:

- Adoption of Annual Budget

Section 6.2 of the Act and concomitantly, Part 3 of the Local Government (Financial Management) Regulations, detail the form and manner in which an annual budget is to be presented to the Council for formal consideration.

- Reserve Accounts

Section 6.11 of the Act provides guidance in respect of reserve accounts and also outlines the processes required should a local government determine to amend the purpose of a reserve.

- Power to Borrow

Sections 6.20 and 6.21 of the Act refer to a local government's power to borrow and the administrative requirements associated therewith.

- Notice of Imposing Differential Rates

Section 6.36 of the Act details the requirement for a local government to give local public notice of its intention to impose differential rates in the dollar and associated minimum payments in any year. The local public notice is to provide details of each differential rate in the dollar and associated minimum payment and must also invite public submissions to the proposal, for a period of not less than 21 days.

RELEVANT PLANS AND POLICIES

The 2014/15 draft budget has been guided by the Council's Strategic Community Plan and supplementary Corporate Business Plan, along with associated informing plans (Long Term Financial Plan, Workforce Plan and Asset Management Plans). This is in addition to the range of other plans and policies which underpin specific components of the overall annual budget.

FINANCIAL IMPLICATIONS

The budget adopted by the Council will determine the financial operations of the City of Busselton for the 2014/15 financial year.

STRATEGIC COMMUNITY OBJECTIVES

The annual budget impacts across all of the Council's Strategic Community Objectives. However, the process of adopting the annual budget can be principally aligned with Key Goal Area 6 – 'Open and Collaborative Leadership' and more specifically Community Objective 6.3 - 'An organisation that is managed effectively and achieves positive outcomes for the community'.

RISK ASSESSMENT

The 2014/15 draft annual budget has been informed by the Council's Strategic Community Plan 2013, and more particularly the underpinning Corporate Business Plan, Long Term Financial Plan, Workforce Plan and Asset Management Plans. With risk assessments having been conducted on each of these plans, the risks associated with the adoption of the 2014/15 draft budget have largely been addressed.

CONSULTATION

In its development, the 2014/15 draft budget has been the subject of two specific workshops convened with Elected Members. Community groups and other not for profit organisations have also been invited to apply for funding allocations as part of the City's ongoing sponsorship related programs. Throughout the year, members of the public have also been invited to make submissions on a range of proposed projects and activities impacting on the draft budget. Similarly, members of

the public have recently been invited to provide comment in respect of the proposed differential rates in the dollar and associated minimum payments proposed to be imposed in 2014/15. Finally, extensive community consultation was conducted as part of the development of the Council's Strategic Community Plan 2013, which has informed the Corporate Business Plan, and subsequently the 2014/15 draft annual budget.

OFFICER COMMENT

The 2014/15 draft budget as presented for consideration is reflective of the documents workshopped with Elected Members during May 2014, and incorporates any amendments determined during that process. However, as previously mentioned, the draft budget has continued to be amended subsequent to the workshops, to reflect matters that have arisen during the intervening period. Whilst these amendments could have been deferred from inclusion in the draft budget and raised for consideration as part of this report, it is felt that presenting the Council with a complete and balanced draft budget is a preferable option. Notwithstanding this, it is important that the Council is provided with an overview of the subsequent amendments which are considered to be either material in value, or of specific interest.

The preliminary draft budget presented to Councillors for workshopping purposes reflected a nominal surplus closing position of approximately \$2K. However, this figure was required to be reduced by approximately \$73K upon advice that the annual Grants Commission Financial Assistance Grants allocation was to be frozen for the following three years (including 2014/15). Additionally, as part of the draft budget workshops, Councillors agreed to allocate \$35K to a new reserve account for the purposes of funding future election and valuation expenses. Finally, upon the drawdown of three budgeted loans during May, the value of the actual (annual) loan repayments was approximately \$41K less than the associated 2014/15 draft budget allocations. Consequently, at the culmination of the draft budget workshops, the draft budget reflected a deficit closing position of approximately \$65K.

The impact of subsequent amendments has resulted in the stand-alone draft budget reflecting a nominal surplus closing position of approximately \$6K. These amendments include the following:

Description	Amount \$000's
Opening draft budget deficit position	-65
Favourable revenue adjustment to the (revised) Financial Assistance Grants allocation upon formal notification of individual grant allocations	36
Increase in general rates revenue subsequent to the running of the final rates model for budget purposes	54
Reduction in net boat-ramp capital expenditure allocation resulting from formal notification of associated grant funding applications	26
Net favourable adjustment resulting from the increase in pool inspection fee (less costs associated with the employment of a new pool inspector)	8
Increased allocation for the Geographe Leisure Centre Gymnasium extension, resulting primarily from the inclusion of additional contingency funds	-41
Increased allocation for Elected Members Allowances, primarily resulting from the Salaries and Wages Tribunal's June 2014 determinations	-8
Increased allocation for the Signature South West Art Prize/ Acquisition expenditure allocation, as agreed to as part of a Councillor Briefing session on this matter	-4
Revised draft budget surplus position	6

In addition to the aforementioned amendments, a range of other draft budget inclusions have also been processed, albeit these are fully funded and have not impacted on the draft budget closing position. Details of the major inclusions are summarised as follows:

Railway House

The initial draft budget included an allocation of \$1M for this project, fully funded from the Infrastructure Development Reserve. However, a revised proposal was presented to the Council for consideration as part of its 25 June 2014 meeting. At this time, the Council endorsed (C1406/162) the progression of negotiations in respect of the revised proposal, including the provision of an additional \$125K in funding to be drawn from the Buildings Reserve. The draft budget now reflects \$2M in expenditure, offset by \$1,125K in transfers from reserves, along with a financial contribution of \$875K from the Busselton Jetty Environment and Conservation Association (Inc).

Geographe Leisure Centre - LED Lighting Project

This proposal was discussed as part of the 25 June 2014 Councillor Briefing Sessions. At this time, Councillors agreed to have the project included in the 2014/15 draft budget. Consequently, a capital expenditure allocation of approximately \$133K has been included in the draft budget, along with an equivalent transfer from the Buildings Reserve.

Busselton Jetty – Mobile Food and Beverage Service

At its meeting of 28 May 2014, the Council determined (C1405/144) to enter into a licence agreement relating to the establishment of a mobile food and beverage service on the Busselton Jetty. As part of this resolution, the Council agreed to fund an initial \$60K in required capital works from the Strategic Projects Reserve, subject to partial recoup in future years. The draft budget has been updated to reflect the expenditure, equity transfer and also associated hire site earnings; which are required to be transferred to the Jetty Maintenance Reserve.

Port Geographe Management Deed

In terms of the Port Geographe Management Deed between the City and the Minister for Transport, the Department of Transport will carry out associated works each year, and then invoice the City for reimbursement; via funds held in the Port Geographe Waterways Management Reserve. It has been estimated that the cost of works to be undertaken in 2014/15 will be in the order of \$300K. The draft budget has been updated to recognise the expenditure, and also an equivalent transfer from the Reserve account.

Coastal Protection Grants

Advice has recently been received that the City has been successful in securing \$533K in coastal protection grants, including \$259K for Locke Estate. With the grants being subject to matching funding from the City, the draft budget has been updated to reflect the expenditure of \$1,066K, offset by the grant funding of \$533K and an equivalent transfer from the Beach Protection Reserve.

Winderlup Court Unit payout

The City has been formally advised that a further Winderlup Court Unit is to be vacated early in the 2014/15 financial year. The draft budget has been updated to include an expenditure allocation of \$55K for this purpose, to be funded from Restricted Asset funds held for the Winderlup Court complex.

Finally, the draft budget has also been updated to include the 2013/14 budget allocations requiring relisting (in part or all) in the 2014/15 draft budget. The attachment to this report provides a listing of these items, which total approximately \$3.3M, albeit the net expenditure equates to approximately \$918K. The net value of relisted items has been funded from the 2013/14 financial year closing surplus position of \$1,393K; as these items directly contributed to that surplus result.

In order to balance the 2014/15 draft budget, a residual transfer to the Infrastructure Development Reserve of approximately \$481K has been included, pursuant to Council Resolution C1303/074. The following table provides a summary of the associated transactions.

Description	Amount \$000's
2013/14 Amended Budget Closing surplus position	1,393
Less value of net carry-over items	-918
Subtotal	475
Add 2014/15 Draft Budget Opening position	6
Subtotal	481
Less Transfer to Infrastructure Development Reserve	-481
2014/15 Draft Annual Budget Closing Position	0

2014/15 Draft Annual Budget - Highlights

The draft budget as presented for adoption reflects a balanced position as at 30 June 2015, and comprises all of the amendments and additions as detailed in this report. The following provides a synopsis of relevant draft budget highlights:

- A general rate increase of 5.25% has been applied (including 1% for road asset management plan funding purposes and 1.25% to assist in funding loan repayments associated with the Civic and Administration Centre)
- Total expenditure is in the order of \$96M, including approximately \$40M in capital expenditure (of which only \$0.9M relates to the Civic and Administration Centre project)
- The capital expenditure allocation includes:
 - ✓ \$16.3M for the further development of the Busselton Foreshore
 - ✓ \$4.3M in respect of the City's road network
 - ✓ \$2.8M in sanitation infrastructure and rubbish site development
 - ✓ \$2.5M in Busselton Regional Airport works (including \$1M to complete the terminal upgrade)
 - ✓ \$1.3M in boat-ramp construction and beach restoration
 - ✓ \$1.1M in Parks, Gardens and Reserves works
 - ✓ \$0.9M to complete the Geographe Leisure Centre gymnasium extensions
 - ✓ \$0.7M in footpath and cycleway construction
 - ✓ \$0.7M in Townscape works (including \$450K for Dunsborough access improvements)
 - ✓ \$0.6M in Busselton Jetty related works
- Provision has been made for repayments on new borrowings of \$24.8M

As illustrated above, the 2014/15 draft budget includes a wide range of capital projects, which will benefit the City's ratepayers. This is in addition to recurrent operational funding allocations to support a wide range of community initiatives. It is therefore considered that the 2014/15 draft annual budget reflects excellent value for money, whilst also being attentive to the desires and aspirations of the community, as reflected in the Council's Strategic Community Plan 2013.

2014/15 Draft Annual Budget – Other Matters of Relevance

It is appropriate that comment is also provided on several other matters relation relevant to the 2014/15 draft annual budget, as follows:

- **Reserve Accounts**

The draft budget reflects the establishment of two new reserve accounts, the closure of five existing reserve accounts, and also the proposed change in purpose of one existing reserve account. Whilst Note 6 in the statutory draft budget specifically refers to reserve accounts, the proposed changes are summarised as follows:

New Reserves

Election, Valuation and Corporate Expenses Reserve

To assist in 'smoothing out' the periodic funding requirements for recurrent expenditures such as Council elections, rating valuations, and fair value valuations, Councillors have supported the establishment of a new reserve account to accumulate funds for this purpose. As part of the 2014/15 budget workshops, Councillors agreed to include an initial transfer of \$35K to the reserve, equating to 50% of the 2013/14 election expenses. It should be noted however that the annual transfer to the reserve will need to increase to an average of approximately \$200K in subsequent years, primarily to fund the 3 yearly general valuation. In addition to the aforementioned expenses, it was felt that the reserve account could possibly be used to fund other corporate expenditures in the future, and as such, the reserve name and purpose have both been extended accordingly.

Civic and Administration Centre Construction Reserve

In terms of the proposed funding structure for the Civic and Administration Centre project, it has been proposed to establish a new reserve account to hold loan funds pending utilisation. The projected interest earnings on the loan funds will be transferred to municipal funds to assist in meeting associated loan repayments. The reserve account will only be required until such time as the loan funds have been fully expended.

Closure of Existing Reserve Accounts

As part of its 27 March 2013 meeting, the Council considered a Finance Committee recommendation in respect of the funding requirements for the Council's reserve accounts. In reviewing this matter the Council determined (C1303/074) that, as part of the 2013/14 budget, the following reserve accounts be closed:

- Bio-diversity Reserve
- Busselton Town Centre Improvements Reserve
- EDP (Equipment) Main Reserve
- Salaries and Wages Contingency Reserve
- Youth Facilities Reserve

The 2014/15 draft budget reflects the above.

Change in Purpose of Existing Reserve Account

Port Geographe Development Reserve

As part of a Councillor briefing session convened on 16 April 2014, Councillors agreed to make a minor amendment to the purpose of this reserve, to permit the funds to be used in relation to a broad range of matters related to the Port Geographe development, foreshore maintenance costs and general development matters.

▪ **Proposed Borrowings**

The 2014/15 draft annual budget includes three new loan facilities totalling approximately \$24.8M, comprising:

Description	\$000's
Civic and Administration Centre	18,000
Busselton Foreshore Development	6,800
Busselton Football and Sportsman's Club Inc. – Self Supporting Loan	30
TOTAL	24,830

A brief overview of each facility is provided as follows:

Civic and Administration Centre - \$18M

An Administration Building Working Group was established by the Chief Executive Officer in September 2011 to investigate and report to the Council on the current and projected demands for accommodation of the Council's Administration over the next twenty years, and the options available to provide for these demands. The Working Group's initial report was presented to the Council on 26 September 2012, at which time the Council authorised (C1209/266), via a range of actions, the further progression of the project. Consequent to numerous workshops, Councillors have recently agreed on a preferred building footprint and associated funding model for the construction of the Civic and Administration Centre. The draft budget reflects the preferred funding model, inclusive of a proposed borrowing of \$18M. It should be noted that whilst the loan is proposed to be drawn early in 2014/15 (primarily to benefit from current favourable interest rates), the loan funds will not be required to be drawn upon until the 2015/16 financial year. However, interest earnings on these funds will be utilised to assist in meeting loan repayments during 2014/15.

Busselton Foreshore Development - \$6.8M

The progression of the Busselton Foreshore development has also been the subject of numerous Councillor workshops over recent months, wherein the Chief Executive Officer has presented Councillors with a schedule of proposed works and associated funding models. The draft budget is reflective of the (in principal) agreed works plan for 2014/15 in respect of the Busselton Foreshore project; including \$6.8M in proposed borrowings, allocated as follows:

Description	\$000's
Foreshore East – Coastal Defences (Jetty to Brown St)	3,000
Foreshore East – Foreshore Promenade (Jetty to Brown St)	2,000
Foreshore East – Spine Road and Ancillary Council Works	1,000
Foreshore East - Brown St Extension	800
TOTAL	6,800

Busselton Football and Sportsman's Club Inc. – Self Supporting Loan - \$30K

At its 26 March 2014 meeting, the Council approved (C1403/071) a self-supporting loan of \$30K in favour of the Busselton Football and Sportsman's Club Inc. to undertake roof replacement and ancillary renovations and improvements to the Sir Stewart Bovell Park clubroom facility. As the works were not undertaken prior to 30 June 2014, the loan facility has been relisted in the draft budget. This inclusion does not however negate the Club's requirement to comply with the conditions as imposed by the Council at which time the loan facility was originally approved.

▪ **Rates**

The 2014/15 draft annual budget has been predicated on a general rate increase of 5.25%, which is consistent with the Council's currently endorsed Long Term Financial Plan. The 5.25% comprises a CPI component of 3% (based on the 10 year average CPI), a further 1% for road asset management plan funding requirements, and a further 1.25% to assist in the funding of loan repayments associated with the Civic and Administration Centre project. In addition to the general rate increase, at its meeting of 14 May 2014, the Council supported (C1405/125) a further increase of 1% (to a total of 8%) in the differential rate for tourism and marketing activities, which is also reflected in the draft budget.

In confirmation of the above, at its meeting of 25 June 2014, the Council endorsed (C1406/155) the advertising of its proposed differential rates in the dollar and associated minimum payments to apply for 2014/15; which reflect the aforementioned rate increases. With respect to advertising, Section 6.36 of the Act requires that where a local government intends to impose differential rates in the dollar and/ or a minimum payment applying to a differential rate category, it is required to give local

public notice of this intention. The local public notice is to invite submissions to the proposal for a period of not less than twenty one days. The Council is required to consider any submissions received prior to it formally imposing the proposed differential rates in the dollar and associated minimum payments, with or without modification. The Council is not bound to formally impose the differential rates in the dollar and minimum payments as advertised, if consequent to its budget deliberations and upon consideration of any submissions received, it determines to vary any or all of these.

Subsequent to the Council endorsing (C1406/155) the proposed differential rates in the dollar and associated minimum payments to be levied in 2014/15, local public notice was given on 27 June 2014, with submissions required to be provided to the City on or before 18 July 2014. No submissions were received as a result of the public notice period.

With regards to specified area rates (SAR's), the draft budget reflects an increase of 3% in the respective rates in the dollar. This is due to the fact that revenue raised under a SAR can only be utilised for funding activities for which the SAR was imposed. As such, the additional 1% (asset management) and 1.25% (Civic and Administration Centre) do not apply in this instance.

▪ **Swimming Pool Inspection Fee**

As part of the May 2014 workshops, the matter of swimming pool inspection fees was raised. Staff advised Councillors that whilst the number of pools requiring inspection had increased significantly over recent years, and was projected to continue to escalate, the resources allocated to undertaking pool inspections had remain unchanged for many years. As a consequence, other planning and building compliance matters were increasingly being compromised.

The Building Act prescribes a fee of \$50 to assist in covering the cost of individual pool inspections. Whilst the City has historically charged one quarter of this fee each year (in line with the four yearly inspection cycle) advice has recently been received that the \$50 is in fact a per annum fee. With this in mind, it is proposed that the annual inspection fee be increased from \$12.75 to \$50.00, which is projected to raise an additional \$44.5K in fee revenue in 2014/15. The additional revenue would be utilised to fund the employment of an additional 0.5FTE resource to assist in undertaking inspections. Councillors were agreeable to this proposal, with the draft budget updated accordingly.

Variance Reporting Threshold – 2014/15 Financial Year

Whilst not directly relevant to the budget adoption, Regulation 34(5) of the Local Government (Financial Management) Regulations requires that in each year, a local government adopts a percentage or value, calculated in accordance with Accounting Standard AASB1031 - Materiality, to be used for reporting material variances.

It is preferable that the Council determines this percentage or value as part of its annual budget adoption process, such that this reporting threshold is known prior to the compilation of the initial Statement of Financial Activity report each financial year.

Accounting Standard AASB1031 states that; *"general purpose financial reporting involves making decisions about the information to be included in general purpose financial reports and how it is presented. In making these judgements, considerations of materiality play an essential part. This is because the inclusion of information which is not material or the exclusion of information which is material may impair the usefulness of the information provided to users"*.

The Standard also suggests quantitative thresholds in the consideration of the materiality of variances, as follows:

- a) *An amount which is equal to or greater than ten percent (10%) of the appropriate base amount may be presumed to be material unless there is evidence or convincing argument to the contrary; and*
- b) *An amount which is equal to or less than five percent (5%) of the appropriate base amount may be presumed not to be material unless there is evidence or convincing argument to the contrary.*

The Council has historically adopted a [+/- 10%] variance reporting threshold, with reportable variances resulting from timing differences and/or seasonal adjustments to be reported on a quarterly basis. It is considered that reporting threshold is reasonable, and ensures that the Council remains fully informed of the City's financial performance on a month by month basis. Consequently, this report recommends that the currently adopted variance reporting threshold and methodology be readopted in respect of the 2014/15 financial year.

CONCLUSION

It is considered that the Council's 2014/15 draft annual budget is financially prudent. The draft budget has been developed in accordance with Council Resolution C1312/334, whereby identified operational savings of approximately \$400K were to be reflected in the draft budget. The only exception to this relates to the Airport Parking Income, which now forms part of the budgeted transfer of the Airport operating surplus to the Airport Infrastructure Renewal and Replacement Reserve. Other savings have also been reflected in the draft budget where identified.

As illustrated in this report, the draft budget includes a significant level of capital projects which will be of benefit to the City's ratepayers. Many of these projects are analogous with Council's Strategic Community Plan 2013, and as such reflect the aspirations of the community.

The draft budget also reflects the funding requirements as detailed in subsidiary resourcing plans such as the Workforce Plan and the Overall Asset Management Plan.

It is therefore recommended that the Council adopts its 2014/15 draft annual budget as presented.

OPTIONS

The Council may determine to amend the draft budget as presented for adoption.

The Council may also determine to amend the recommended variance reporting threshold in respect of the statutory Statement of Financial Activity Statement reporting.

TIMELINE FOR IMPLEMENTATION OF RECOMMENDATION

The 2014/15 annual budget will become effective immediately consequent to adoption by the Council.

OFFICER RECOMMENDATION

ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED

That the Council adopts its 2014/15 annual budget, subject to the following:

1. That the following general rates, differential rates, specified area rates and minimum payments, along with other charges, impositions and concessions as specified in the

Memorandum of Imposing Rates and Charges as is contained within the draft annual budget, and consequent to any alterations made during the course of this meeting, be adopted by the Council for imposition upon all applicable rateable properties within the district of the City of Busselton for the 2014/15 financial year, in accordance with the provisions of the Local Government Act and subject to all necessary pre-requisites and protocols there under

Description	Rate in the \$	Minimum Payment \$
<u>Zone Groups (GRV)</u>		
Residential	8.9174c	\$1,010
Residential – Vacant Land	8.9174c	\$1,010
Industrial	9.9795c	\$1,010
Industrial – Vacant Land	9.4828c	\$1,010
Commercial	9.9795c	\$1,010
Commercial – Vacant Land	9.4828c	\$1,010
<u>Land Use Groups (UV)</u>		
Primary Production	0.3608c	\$1,010
UV Rural	0.3341c	\$1,010
UV Commercial	0.6569c	\$1,010
<u>Specified Area Rates</u>		
Port Geographe	1.4940c	NA
Provence GRV	1.3730c	NA
Provence UV	0.0130c	NA
Vasse GRV	1.7970c	NA

2. That in accordance with Section 6.2 of the Local Government Act, the Council adopts its 2014/15 annual budget, incorporating:
 - a) Any amendments made during the course of this meeting, including associated adjustments as required.
 - b) A Statement of Comprehensive Income to be finalised subsequent to the Council's determination in respect of item a) above.
 - c) A Statement of Cash Flows to be finalised subsequent to the Council's determination in respect of item a) above.
 - d) A Rate Setting Statement to be finalised subsequent to the Council's determination in respect of item a) above.

SIMPLE MAJORITY DECISION REQUIRED

3. That pursuant to Regulation 34(5) of the Local Government (Financial Management) Regulations, the Council adopts a material variance reporting threshold with respect to financial activity statement reporting for the 2014/15 financial year to comprise variances equal to or greater than 10% of the year to date budget amount as detailed in the Income Statement by Nature and Type/ Statement of Financial Activity report, however variances due to timing differences and/ or seasonal adjustments are to be reported on a quarterly basis.

Note: Although the change of purpose to one reserve and the creation of two new reserves were identified in the budget papers provided, Council decided this needed to be clear in the decision made.

COUNCIL DECISION

ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED

C1407/190 Moved Councillor C Tarbotton, seconded Councillor G Henley

That the Council adopts its 2014/15 annual budget, subject to the following:

1. That the following general rates, differential rates, specified area rates and minimum payments, along with other charges, impositions and concessions as specified in the Memorandum of Imposing Rates and Charges as is contained within the draft annual budget, and consequent to any alterations made during the course of this meeting, be adopted by the Council for imposition upon all applicable rateable properties within the district of the City of Busselton for the 2014/15 financial year, in accordance with the provisions of the Local Government Act and subject to all necessary pre-requisites and protocols there under

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 - c) A Statement of Cash Flows to be finalised subsequent to the Council's determination in respect of item a) above.
 - d) A Rate Setting Statement to be finalised subsequent to the Council's determination in respect of item a) above.
3. Changing the purpose of the Port Geographe Development Reserve "to provide for costs associated with the Port Geographe Development."

- 4. Creating a new Civic and Administration Centre Construction Reserve for the purpose of providing funding for the construction and fit-out of a Civic and Administration Centre, plus associated costs.
- 5. Creating a new Election, Valuation and Corporate Expenses Reserve for the purpose of providing funding for Council elections, rating valuations, fair value valuations, and other corporate expenses as determined.

SIMPLE MAJORITY DECISION REQUIRED

- 6. That pursuant to Regulation 34(5) of the Local Government (Financial Management) Regulations, the Council adopts a material variance reporting threshold with respect to financial activity statement reporting for the 2014/15 financial year to comprise variances equal to or greater than 10% of the year to date budget amount as detailed in the Income Statement by Nature and Type/ Statement of Financial Activity report, however variances due to timing differences and/ or seasonal adjustments are to be reported on a quarterly basis.

CARRIED 7/2

BY ABSOLUTE MAJORITY

FOR	AGAINST
Cr I Stubbs	Cr T Tuffin
Cr G Henley	Cr R Bennett
Cr J McCallum	
Cr G Bleechmore	
Cr C Tarbotton	
Cr J Green	
Cr T Best	

7. CLOSURE

The meeting closed at 5.02pm.

THESE MINUTES CONSISTING OF PAGES 1 TO 19 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON WEDNESDAY, 13 AUGUST 2014.

DATE: _____

PRESIDING MEMBER: _____