

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 31 JULY 2019

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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 31 JULY 2019 AT 4.00PM.

1. ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

The Presiding Member opened the meeting at 4.00pm.

<u>Presiding Member:</u>	<u>Members:</u>
Cr Grant Henley Mayor	Cr John McCallum Deputy Mayor Cr Coralie Tarbotton Cr Ross Paine Cr Paul Carter Cr Robert Reekie Cr Kelly Hick Cr Lyndon Miles

Officers:

Mr Paul Needham, A/Chief Executive Officer
Mr Oliver Darby, Director, Engineering and Works Services
Mrs Naomi Searle, Director, Community and Commercial Services
Mr Tony Nottle, Director, Finance and Corporate Services
Ms Lee Reddell, A/Director, Planning and Development Services
Ms Sarah Pierson, Manager, Governance and Corporate Services
Mrs Emma Heys, Governance Coordinator
Ms Melissa Egan, Governance Officer

Apologies:

Nil

Approved Leave of Absence:

Nil

Media:

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

Public:

20

2. PURPOSE OF MEETING

The purpose of this Special Meeting is to consider the following items:

- Request for Rate Concession – Lot 5203 Spinnaker Boulevard, Geographe
- Adoption of the City of Busselton 2019/2020 Annual Budget and Reaffirm the Fees and Charges for 2019/2020

3. PUBLIC QUESTION TIME

3.1 Mr Ian Stubbs

Question

How many meetings were held in relation to the budget and how many of these were open to the public?

Response

There were several meetings and detailed workshops in relation to the budget. None of these were open to the public.

Question

Is it possible to make changes to the budget to keep the rate rise below 1%?

Response

Yes, of course it is possible. A budget can be manipulated in such a way, for example through removing expenditure and / or increasing fees and charges, to have any type of rate increase.

Question

If it is therefore possible, is the Council capable of making changes to the budget?

Response

Yes, the Council is capable but must be mindful and informed by long term financial planning workshops and planned projects and priorities.

Question

Do you believe there is a willingness of the Council to change the rate increase to below 1%?

Response

The Council, through workshops, has adequately considered the rate increase and agreed to a rate level which it has advertised. To do so, would require discarding a whole raft of planned projects and services.

Question

So if it is possible and Council is capable, would you agree there is no willingness to keep the rate increase below 1%?

Response

I would say that through a series of workshops Council has worked up a budget. It is now up to Council to make a decision on that budget.

Response (Cr Carter with leave of the Presiding Member)

I would say the Council is very willing and it has reduced rates from where they were in the Long Term Financial Plan. The Council also needs, though, to balance up community needs and the level of

amenity it provides in order to be a great place to live and have a business, all of which comes at a cost. We provide a level of amenity superior for the level of rates than other neighbouring Councils.

3.2 Mr Gordon Bleechmore

Question

Given the level of public comment and feedback, has Council considered the views of ratepayers as to the increase of the rates?

Response

We have had discussions at briefing sessions and at our regular weekly catch-ups on what we could do, yes.

3.3 Mr Terry Best

Question

What projects require special funding or are in need of extra funding through this rate increase?

Response

I would need to take this question on notice as there are quite a few. Most if not all are funded with the consideration of the budgeted rate increase.

Question

What projects would need to be excluded if there is no rate rise?

Response

Council would need to remove about \$2,000,000 worth of planned projects from the base budget without an increase of rates.

Question

Are there specific projects?

Response

There are quite a few projects, for example we are about to complete works at the Busselton Tennis Centre and start paying for the loans and there are also major road projects which are funded by municipal funds.

Question

Has the Council received any grant money relating to planned projects?

Response

The City of Busselton has received a range of grant money from the state and federal government, including for such projects as the Lou Weston Oval and funding for our rural road networks. We are always looking at ways to optimise the opportunity for future grant funding.

Question

Does the Council have grants that need to be matched dollar for dollar?

Response

I believe there are, yes. I'd have to go through the budget to identify them all.

Question

Does the funding relate to new initiatives or those that already exist?

Response

I would have to take this on notice, but not to any that are not in the Long Term Financial Plan already.

Question

How many projects would have to be removed or changed with a lower rate rise?

Response

We would have to trim a variety of projects out of the budget. The 3.95% increase covers a number of initiatives committed by Council with feedback from the community through our Strategic Community Plan. 1.8% of the increase is to cover increases in the Local Government Cost Index. 0.3% is for finance and borrowing costs for key capital projects. And there is funding for asset management to ensure we maintain our assets in the future and deal with legacy issues – 0.5% for footpaths and cycleways, 0.5% for road upgrades, 0.4% for community buildings and halls, and 0.45% for new asset maintenance.

3.4 Mr Kevin Strapp

Question

The Deputy Mayor referred in the media to staff increases being locked into an Enterprise Agreement. What staff reductions have taken place to manage this?

Response

I know a figure of 5.5% has been floated. That is not what our Enterprise Agreement provides for as an increase. We have moderated staff increases. Staffing has grown by only 1% over the past two years as compared to population growth of 2%. People demand services and the Council must provide those services.

4. DISCLOSURE OF INTERESTS

Cr Grant Henley declared Financial Interests in relation to Agenda Item 6.2 Budget Adoption 2019/2020, specifically:

- Budget line item C3186, the Lou Western Courts and Pavilion Upgrade on page 179;
- Income and Expenditure relating to the Busselton Jetty on Page 113;
- Account String 500-11160-3460-0000 Busselton Jetty Sea Container Project (Carryover); and
- Budget line item C3497, Busselton Jetty Capital Expenditure on page 180



In accordance with the *Local Government (Rules of Conduct) Regulations 2007* the declaration would be read out immediately before Item 6.2 is discussed.

5. PRESENTATIONS BY PARTIES WITH AN INTEREST

Nil

6. FINANCE AND CORPORATE SERVICES REPORT

6.1 REQUEST FOR RATE CONCESSION - LOT 5203 SPINNAKER BOULEVARD GEOGRAPHE

SUBJECT INDEX:	Rate Concessions
STRATEGIC CONTEXT:	Key Goal Area: 4. ECONOMY Diverse, resilient, prosperous Objective: 4.2 A community where local business is supported and in turn drives our economy
BUSINESS UNIT:	Rates
ACTIVITY UNIT:	Rates
REPORTING OFFICER:	Rates Coordinator - David Nicholson
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Absolute Majority
ATTACHMENTS:	Attachment A Published Under Separate Cover Confidential Request For Rate Waiver Attachment B Published Under Separate Cover Confidential Profit & Loss Statement Attachment C Boat Pen Agreement  Attachment D Additional Boat Pen Information 

PRÉCIS

Council is requested to consider the phasing in of rates charges on Lot 5203 Plan 22641, being the Port Geographe Marina seabed and boat pens. This report recommends a rate concession of 66.66% in the 2019/20 financial year and 33.34% in the 2020/21 financial year.

BACKGROUND

When the Port Geographe Marina was constructed, it was done so on State Government land that was inside the City's high water boundary which runs across the marina entrance.

In April 1999, this land was leased from the Department of Transport by Tallwood Nominees Pty Ltd for 25 years with an option to extend for the same term.

In August 2005 Port Geographe Marina Pty Ltd (Lessee) acquired the lease and commenced a significant 5-year expansion to almost double the existing capacity at a cost of approximately \$2M. The marina consists of 187 boat pens, boat hardstands, boat lifter, boat refuelling facilities and servicing facilities managed by 2 working directors, 2 office staff and 2 service/maintenance employees.

Of the 187 boat pens, 74 are leased annually, 8 on long term of 17 years with 1 permanent live-aboard and 2 short term live-aboard, leaving 102 still available for future leasing. These pens and supporting facilities were supposed to be rated from the commencement of the original lease (1999). However, it seems that the processes were not put in place at the time to ensure the rates were paid by the lessee. It is likely there was a misunderstanding of the actual boundary of the lots.

Rates are applicable in accordance with section 1.4 of the *Local Government Act 1995* where "Owner" means a person who is in possession as:

- (ii) a Crown lessee or a lessee or tenant under a lease or tenancy agreement of the land which in the hands of the lessor is not rateable land under this Act, but which in the hands of the lessee or tenant is by reason of the lease or tenancy rateable land under this or another Act for the purposes of this Act.

During the 2018/19 financial year, procedures to rate the marina were initiated after staff requested a Gross Rental Value (GRV) from Landgate Valuation Services (LVS). To provide this GRV, LVS were required to contact the lessee to acquire marina rental and operational information as well as financial reports and data. As a consequence of this communication by LVS and City officers regarding this matter, the lessee requested a meeting to discuss the matter as well as the possibility of a rates concession.

In April 2019, a meeting held with the Mayor, Chief Executive Officer and Director of Finance and Corporate Services together with lessee's representatives, discussed the potential impacts of this process. Subsequently a potential phasing in or waiving of rates was requested by the lessee.

In July 2019, the lessee met with City officers to provide further information to assist with their request for a waiver of rates (Attachment A), a summary of the main ones being:

- The imposing of the commercial rates would result in significant financial hardship as there is no comparison to the operations of a commercial property and the marina.
- The requirement for substantial ongoing investment in the jetty system due to it being in a very harsh environment with \$160,000 in boat lifter and \$160,000 in jetty service projects in the pipeline.
- The prior five-year \$2,000,000 expansion of the jetty system being very ambitious due to not foreseeing the extent of the current economic downturn.
- A significant part of the expansion never being utilised, costing money as it is deteriorating as the same rate as if it was productive and with future investment being delayed until it is viable.

At this time the lessee is unsure how they would manage the proposed rates but some possibilities and their impacts could be:

- Pass on the rates to the pen holders, which according to the lessee would impose a price rise of 13% that may result in the loss of some clients. Also as a quarter of the pens are not occupied so the lessee would need to absorb a significant amount of the rates.
- Decommission part of the jetty so that the number of pens was in line with immediate outlook for pen rentals. This would affect the ability to host short term events such a "Race Week".
- Defer expansion, minimise maintenance, lay off staff or seek compensation from the City for business interruptions caused by other events such as the "Ironman".

A 2017/2018 profit and loss statement for Port Geographe Marina Pty Ltd is attached and shows an (\$874) loss. However an actual profit of \$199,791, before rates, is applicable after related party rental and depreciation cost adjustments. An explanation provided by the lessee for these related party adjustments is:

"The corporate structure involves one entity called Port Geographe Partners that owns the land (2/21 Spinnaker Blvd) as well as the seabed lease and the jetty improvements on the seabed lease. In essence, it is a passive investor. As the owner of the assets, it is able to charge a rent for their use, and it accounts for depreciation on those assets. There is another entity that undertakes all business operations of the marina. This entity is Port Geographe Marina Pty Ltd, and is the entity that earns pen income as part of its business operations. So Port Geographe Marina paid \$365,000 rent to Port Geographe Partners (2018). BUT OF COURSE, Port Geographe Partners has a depreciation expense (\$164,334 in 2018). The point I was trying to make was that if there were only one entity, then there would be no rent paid, but the depreciation would be applicable."

The lessee is seeking full waiver of the proposed rates and specified area rates for the 2019/20 financial period to allow them to further consult with the City so that a fair rating mechanism can be implemented. This would also assist in the lessee being able to cope better with the financial impact that the rates will cause. Also at the latest meeting the lessee mentioned that an objection may be lodged with LVS as to the manner in which the GRV was determined and/or the GRV amount.

This particular item was discussed at the Finance Committee's meeting in June 2019, and the Committee requested that officers bring a report to Council that considers this request.

STATUTORY ENVIRONMENT

Section 6.12(b) of the *Local Government Act 1995* allows a local government to waive or grant concessions in relation to any amount of money. An Absolute Majority decision is required.

RELEVANT PLANS AND POLICIES

There are no relevant plans or policies in relation to this item.

FINANCIAL IMPLICATIONS

For the 2018/19 financial period no rates were levied as the property was thought to be non-rateable. For the 2019/20 financial period \$89,848.28 in rates plus \$12,418.01 in specified area rate are to be levied.

If Council was to consider the applicants request then this would result in a rating income reduction of \$102,266.29 for the 2019/20 financial year.

However if Council was to consider a phasing in approach as commented on within this report, the impact would be as follows:

Financial Period	Waiver	Reduction in rating income to City
2019/20	66.66%	\$68,171
2020/21	33.34%	\$34,096 (est.)
2021/22	0%	\$0

LONG-TERM FINANCIAL PLAN IMPLICATIONS

The LTFP would need to consider a reduction in rates income as detailed above in financial implications in the 2019/20 and 2020/21 financial periods. There will be no other implication to the City's long term financial plan.

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 4 of the Strategic Community Plan 2017 and more specifically Community Objective 4.2 - 'A community where local business is supported and in turn drives our economy'.

RISK ASSESSMENT

There would be substantial reduction to the 2019/20 rating income should a full rates concession be approved. Alternatively, if rates are phased in over two years, then this rating income reduction lessens the impact.

CONSULTATION

No additional consultation was considered necessary in relation to this matter.

OFFICER COMMENT

The lessee acknowledges that the marina boat pens are liable for rates however they request consideration be given to the full waiver of the 2019/20 rates. The lessee also acknowledges that if rates are levied then they would need to work out the manner in which they will be paid.

In considering an alternate rating mechanism, the current legislative structure around rating does not easily allow for a specific rating mechanism for Marinas. Therefore the commercial rating is applied.

It is acknowledged that the imposition of rates on the Geographe Bay Marina will have a significant financial impact on the lessee. However, to fully waive a property's first rating assessment would set a precedent that may be sought by many other new property owners. It is considered that by phasing in the proposed rates would provide financial assistance to the lessee whilst reducing any precedent risk.

City officers are concerned that a precedent could be set for the treatment of future rates as they come due and payable should a full waiver of the 2019/20 rates be applied. It could also be argued that the City has not granted this waiver to other new businesses, particularly the more recent commercial department and large retail stores.

An option that Council could consider is the staged approach to the implementation of the rates.

CONCLUSION

That allowing the phasing in of the marina rates over a two year period at 66.66% for the 2019/20 financial period and 33.34% for the 2020/21 financial period is a valid option so as to achieve rating income for the City whilst allowing the lessee a period of time to determine how the rating of the marina will be managed.

OPTIONS

Council may consider to not provide any rate concession which could result in the marina being returned to Department of Transport due to a lack of financial viability.

Or Council could approve full rates waiver that would result in a large reduction to the 2019/20 annual budget.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The phasing in of rates concession would be effective 1 July 2019 and 1 July 2020.

OFFICER RECOMMENDATION

That Council:

1. Decline the request from Port Geographe Marina Pty Ltd for full waiver of the 2019/20 rates on lot 5203 plan 22641, Spinnaker Boulevard Geographe.

2. Approves a rate concession to Port Geographe Marina Pty Ltd under section 6.12(b) of the *Local Government Act 1995* of 66.66% and 33.34% for the 2019/20 and 2020/21 financial period respectively on lot 5203 plan 22641, Spinnaker Boulevard Geographe.

COUNCIL DECISION AND AMENDED OFFICER RECOMMENDATION

C1907/128

Moved Councillor P Carter, seconded Councillor J McCallum

That Council:

1. Decline the request from Port Geographe Marina Pty Ltd for full waiver of the 2019/20 rates on lot 5203 plan 22641, Spinnaker Boulevard Geographe.
2. Approves a rate concession to Port Geographe Marina Pty Ltd under section 6.12(b) of the *Local Government Act 1995* of 66.66% for the 2019/20 financial period on lot 5203 plan 22641, Spinnaker Boulevard Geographe.
3. Request the CEO to provide a report to Council by November 2019 to consider potential rating options for Port Geographe Marina Pty Ltd that takes into consideration:
 - a. Current legislation
 - b. Comparable business model operations and their rating
 - c. Vacancy rates

CARRIED 8/0

CARRIED BY ABSOLUTE MAJORITY

Reason:

The Valuer General determines the GRV according to a statutory formula applied to marinas and boat pen facilities that assumes the marina is fully occupied. The intent of the alternative recommendation is to arrive at a sustainable formula that recognises that the marina is not fully occupied and that the rates levied be calculated based on occupancy rates.

6.2 BUDGET ADOPTION 2019/2020

SUBJECT INDEX:	Budget Planning and Reporting
STRATEGIC OBJECTIVE:	6.1 Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Acting Manager Financial Services - Jeffrey Corker
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Absolute Majority
ATTACHMENTS:	Nil

DISCLOSURE OF INTEREST	
Date	31 July 2019
Meeting	Special Council
Name/Position	Grant Henley, Mayor
Item No./Subject	6.2 Budget Adoption 2019/2020
Type of Interest	Proximity (Financial)
Nature of Interest	Line item C3186, the Lou Western courts and pavilion upgrade, on page 179, the location of this project is immediately adjacent to my property at 8 Swan Street, West Busselton.

DISCLOSURE OF INTEREST	
Date	31 July 2019
Meeting	Special Council
Name/Position	Grant Henley, Mayor
Item No./Subject	6.2 Budget Adoption 2019/2020
Type of Interest	Financial
Nature of Interest	My daughter is a closely related person and works for Busselton Jetty Inc. The following items relate to the Busselton Jetty specifically: <ul style="list-style-type: none"> a. Income and Expenditure relating to the Busselton Jetty on page 113 b. Account String 500-11160-3460-0000 Busselton Jetty Sea Container Project (Carryover) c. Line item C3497 Busselton Jetty Capital Expenditure on page 180

The Presiding Member announced that Officer Recommendation 2 would be split into two parts and he would leave the meeting at the appropriate time for the moving of Officer Recommendation 2 Part 1.

PRÉCIS

To formally consider the attached budget papers presented for consideration by Elected Members in order to adopt the 2019/2020 Municipal Budget.

The author also requests that relevant staff and Elected Members identify whether they may have any financial or proximity interests with respect to any of the proposed capital works projects being near to or adjacent to properties they might own.

BACKGROUND

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.

Staff commenced the preparation of the budget in November 2018 and have provided all Elected Members, staff, residents and electors the opportunity to submit projects for consideration by Council.

The attached budget documents (Attachment A) have been prepared after extensive consultation with all relevant stakeholders and having regard to draft budget workshops convened with Elected Members during June 2019. This report now seeks the Council's formal adoption of its 2019/2020 annual budget. The budget has also been prepared with due regard to the Long Term Financial Plan.

The process outlined above was adopted to maximise the input into the budget by Elected Members, the community and staff to promote a greater understanding of the budget document itself and to ensure it accurately reflects the priorities of the Council.

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 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.

- Adoption of Fees and Charges

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. The Fees and Chargers were adopted by Council in May 2019 and advertising to enable them to apply from 1 July 2019.

RELEVANT PLANS AND POLICIES

The 2019/2020 budget has been guided by the Council's Strategic Community Plan 2017 (Review 2019) and 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 2019/2020 financial year.

LONG TERM FINANCIAL PLAN IMPLICATIONS

The 2019/2020 budget has been constructed with due consideration to the LTFP as adopted by Council on 28 March 2018.

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 – 'Leadership' and more specifically Community Objectives:

- 6.1 Governance systems, process and practices are responsible, ethical and transparent.
- 6.2 Council engages broadly and proactively with the community.
- 6.3 Accountable leadership that is supported by a skilled and professional workforce.
- 6.4 Assets are well maintained and responsibly managed.

RISK ASSESSMENT

The 2019/2020 budget has been informed by the Council's Strategic Community Plan 2017 (Review 2019), and more particularly the underpinning Corporate Business Plan, Long Term Financial Plan, Workforce Plan and Asset Management Plans. The integration with these plans assists to address the risks associated with the adoption of the 2019/2020 draft budget, mainly that the City has the financial capacity to deliver the programs, projects and ongoing services as identified in the budget papers without causing any detrition in its financial base, and that the programs, projects and services align to the strategic goals and objectives set by Council.

CONSULTATION

In its development, the 2019/2020 budget has been the subject of 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.

Differential Rates

Local public notice was placed in the West Australian Newspaper and Busselton Dunsborough Times on the 14th June 2019 and Busselton Dunsborough Mail on the 19th June 2019 with respect to the Notice of Intention to Levy Differential Rates for the 2019/2020 financial year. Copies were also placed on City's public notice boards at City's Administration Centre, Southern Drive, Busselton and both the Public Libraries (Busselton and Dunsborough). The proposed general rate increase advertised for 2019/2020 financial year was 3.95%.

Ratepayers and Electors were invited to make a submission to Council in relation to the proposal. Submissions closed 4:30pm Monday 10th July 2019.

In accordance with section 6.36 of the Local Government Act 1995, Council is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.

At the closing of the submission period only one formal submission had been received, being from McMahan Mining Title Services Pty Ltd. It is acknowledged however that there has been a number of other opinions tendered through various mediums that do not qualify as formal submissions.

The McMahan Mining Title Services Pty Ltd submission (provided at Attachment B) indicated concern around mining tenements differential rates and in particular, minimum payments. There is no differential rating category for mining tenements as they are rated as UV Commercial with only minimum payments raised on each mining tenement. It is considered that this submission does not warrant any change in minimum payments as:

- The minimum payment set by Council is to ensure all rateable properties contribute fair and equally to the City's budget;
- A mining tenement is not considered to be any different to other rateable properties;
- Apart from rates the City receives no other direct financial benefits from mining tenements.
- It is not acceptable that the City be financially burdened by reducing rates due the State Government increasing mining tenement license rentals; and
- Any reduction in mining tenement rates would mean an additional financial burden on other ratepayers by contributing more towards the City's budget.

OFFICER COMMENT

The 2019/2020 budget as presented for consideration is reflective of the documents workshopped with Elected Members during June 2019, and incorporates amendments determined during that process.

At the end of the workshops Council requested officers to endeavour to reduce the 2019/2020 rate increase to 3.95%.

The 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 budget and raised for consideration as part of this report, it is felt that presenting the Council with a complete and balanced budget is a preferable option. This has been the process in the past.

The majority of these changes have been of an operational accounting treatment nature only. The only subsequent amendment which is considered to be of specific interest is the sale of Lot 122 Kent St for \$2,700,000. There is no net impact to the budget from this sale as the funds are to be transferred to the Performing Arts Convention Centre Reserve.

This plus any other minor adjustments has not resulted in any change to the amount to be transferred to the Contingency Holding Account.

Carryover Items

The 2019/2020 budget reflects carryover items totalling \$1,263,448. These primarily relate to capital works which have been commenced in the 2018/2019 year and are carrying over to the 2019/2020 financial year; and the Meelup Coastal Carpark (as presented at the budget workshops). These items form a substantial part of the 2018/2019 financial year closing surplus of \$1,751,076.

The Surplus is made up as follows:

Carryover Items	\$1,263,448	to be utilised in 2019/2020 Budget
Additional 2 Days pay during 2019/20	\$ 295,000	to be utilised in 2019/2020 Budget
New Infrastructure Development Reserve	<u>\$ 192,628</u>	Transfer to Reserve 2019/2020 *
	<u>\$1,751,076</u>	

* To be transferred into the New Infrastructure Development Reserve as per Council Resolution.

Rates

The Council has previously adopted its Long Term Financial Plan (LTFP) 2018/19 to 2027/28. The LTFP details the City's financial position over the next ten years and incorporates the financial implications of the City's Asset Management Plans, Corporate Business plan and other plans as they impact the LTFP.

A rate increase averaging 3.95% is being considered for the 2019/20 financial period to fund:

- An additional 0.50% increase in footpath and cycle way funding.
- An additional 0.50% increase in road upgrading funding.
- An additional 0.40% increase in community owned buildings and halls funding.
- An additional 0.30% increase in finance and borrowing costs.
- An additional 0.30% increase in maintenance for new assets such as parks, drainage and roads etc. that the City is to take ownership of.
- A 0.15% increase has been factored into cover general growth.
- A 1.8% increase to cover general Local Government costs. (E.g. Power, water construction costs etc.)

Revaluations:

The standard annual revaluation of Unimproved Valuations (UV) has been completed by Landgate Valuation Services (LVS) and will be effective from the 1st July 2019. There are no significant UV valuation changes evident.

Both Unimproved and Gross Rental Valuations determine the distribution of total rate burden between Ratepayers. Whilst Council can control the total amount of rates to be collected, it is unable to determine what an individual property valuation will be and therefore what rate amount it will contribute.

Where a properties UV valuation has increased then the overall rate increase will usually be above the proposed average 3.95% increase. Conversely where a properties UV valuation has decreased then the overall rate increase will usually be below the proposed average 3.95% increase.

Further valuation information can be obtained at the following LVS websites:

Property Valuations Landing Page –

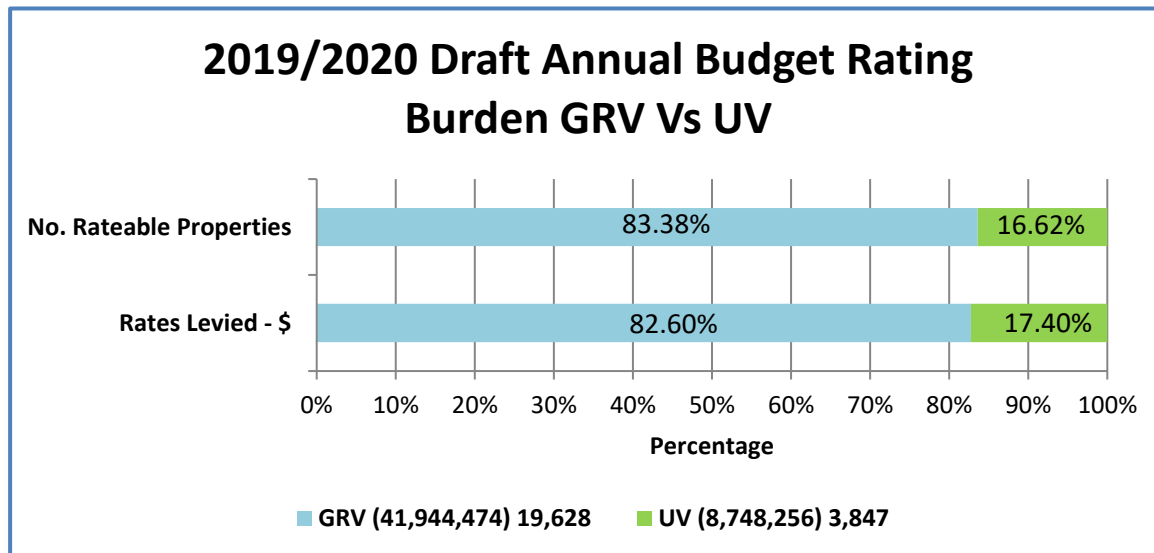
<https://www0.landgate.wa.gov.au/property-reports/property-valuations>

GRV & UV Videos –

<https://www0.landgate.wa.gov.au/property-reports/property-valuations/videos-grv-uv>

Objections –

<https://www0.landgate.wa.gov.au/property-reports/property-valuations/lodging-an-objection>



Waste Charges

There is to be an increase in waste charges however this has been kept to a minimal amount. Below are details of this increase:

Charge Type	2018/2019	2019/2020	Increase
Refuse Removal Commercial	\$ 165	\$ 169	\$ 4
Refuse Removal Domestic	\$ 165	\$ 169	\$ 4
Recycling Fees - Domestic	\$ 80	\$ 82	\$ 2
Recycling Fees - Commercial	\$ 80	\$ 82	\$ 2

Waste Avoidance and Resource Recovery Act Charges (WARR Act)

There has also been a further increase in the WARR Act charge from \$48 to \$ \$49.

Proposed Borrowings

The 2019/2020 draft annual budget includes \$150K in proposed new borrowing, for the following purposes:

Community Groups Self Supporting Loan (\$150K)

A Self Supporting Loan amount of \$150k has been included in the budget for provision of loan funding to other community groups, enabling them to borrow funds at lower interest rates through support of the City. Liability for the repayment of the loans remains with the community group. These loans are considered on request.

New Reserves

The following two new reserves have been added to the 2019/20 budget;

1. Vasse Sports Pavilion Building Reserve
Purpose: To provide funding for the construction, major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.
2. Other Infrastructure (Drainage, Signage etc.) Reserve
Purpose: To provide funding for the major maintenance and renewal of other infrastructure related to drainage signage and other associated road works.

Additionally, some minor changes have been made to the wording of the Reserve Purposes for a small number of the Reserves and these have been incorporated into the 2019/20 Draft Budget.

Variance Reporting Threshold – 2019/2020 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.*

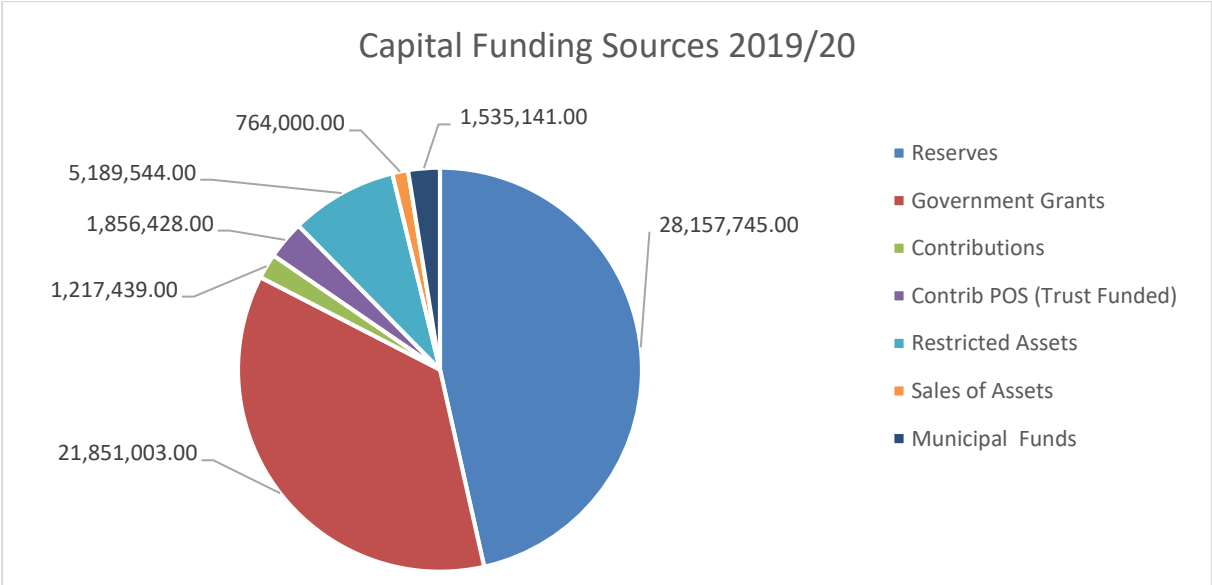
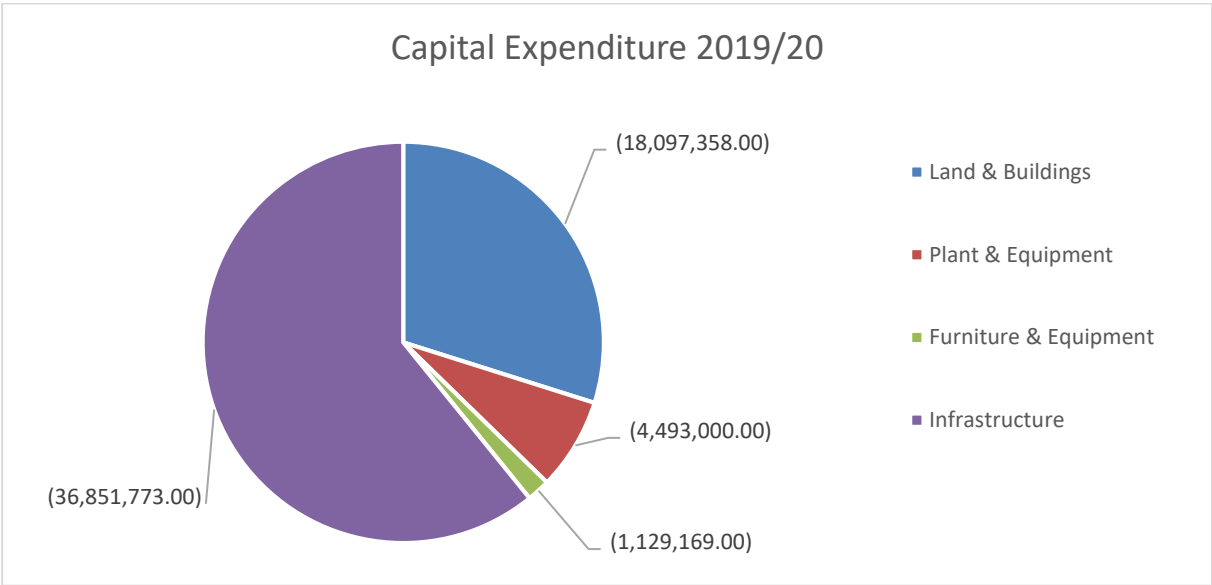
The Council has historically adopted a [+/- 10%] variance reporting threshold, with reportable variances resulting from timing differences and/or seasonal adjustments to be reported on a quarterly basis. It is considered that reporting threshold is reasonable, and ensures that the Council remains fully 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 2019/2020 financial year.

2019/2020 Annual Budget – Highlights

The budget as presented for adoption reflects a balanced position as at 30 June 2020, and comprises all of the amendments and additions as detailed in this report. The following provides a synopsis of relevant budget highlights:

Total expenditure is in the order of \$142.67m including approximately \$60.5m in capital expenditure and includes the following capital expenditure items:

Infrastructure	\$36.8M
Land and Buildings	\$18.1M
Plant and Equipment	\$4.5M
Furniture and Office Equipment	\$1.1M
TOTAL	\$60.5M



Description	2019/20 Budget
Airport Terminal Stage 2 (B9716)	\$12,500,000
Busselton Senior Citizens (B9407)	\$1,163,450
Buildings – Other (Various)	\$4,233,908
Plant and Equipment (Various)	\$4,493,000
Furniture and Equipment (Various)	\$1,129,169
Busselton Foreshore (Various)	\$3,127,170
Lou Weston Oval – Courts (C3186)	\$1,883,400
Busselton Jetty (C3497)	\$1,700,000
Footpath & Cycle Ways Construction (Various)	\$1,572,615
Drainage (Various)	\$193,251
Car Parking Construction (Various)	\$719,342
Bridges Construction (Various)	\$1,720,000
Townscape Construction (Various)	\$836,221
Boat Ramps Construction (Various)	\$500,810
Beach Restoration (Various)	\$1,260,669
Parks, Gardens and Reserves (Various)	\$4,011,110
Cemetery Capital Works (Various)	\$204,425
Sanitation Infrastructure (Various)	\$3,342,990
Main Roads Projects (Various)	\$4,193,233
Roads to Recovery Projects (Various)	\$2,312,635
Eastern Link Projects (Various)	\$3,150,000
Council Roads Initiative Road Projects (Various)	\$3,551,093

Major Road Infrastructure Projects	2019/20 Budget
Eastern Link - Busselton Traffic Study	\$2,500,000
Yoongarillup Road - Reconstruct & Widen (Western Section) Narrow Seal	\$1,478,100
Causeway Road / Rosemary Drive Roundabout	\$1,406,680
Peel & Queen Street Roundabout Service Relocation	\$750,000
Wonnerup South Road - Reconstruct and Widening (narrow seal)	\$705,465
Wonnerup South Road - Reconstruct and Widening (narrow seal)	\$624,535
Ludlow-Hithergreen Road Safety Improvements	\$576,500
King Street - Reconstruction, Drainage & Asphalt Overlay	\$518,000
Peel Terrace (Stanley Pl/Cammilleri St Intersection Upgrade)	\$425,912
Kaloorup Road Reconstruct and Seal Shoulders	\$420,000
Roundabout to Eastern Link Bridge	\$300,000
Ford Road Reconstruct and Asphalt Overlay	\$290,000
Fairway Drive - Intersection Works	\$270,000
Peel Terrace (Brown Street Intersection Upgrades)	\$245,849
Hovea Crescent - Asphalt Overlay, Kerb & Intersection Works	\$216,000
Yoongarillup Road - Reconstruct Intersection at Vasse Highway	\$210,000
Eastern Link Shared Path & Environmental Offsets	\$200,000
Carey Street - Asphalt Overlay & Kerb	\$175,000
William Drive - Asphalt Overlay, Kerb & Drainage	\$171,992
Ford Road Environmental Studies and Allocation	\$150,000

As illustrated above, the 2019/2020 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 services and initiatives. It is therefore considered that the 2019/2020 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 2017 (Review 2019).

Fees and Charges

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.

At its meeting of 8 May 2019, the Council adopted its Schedule of Fees and Charges for the 2019/2020 financial year.

Pursuant to Section 6.19 of the Act, local public notice was given and the Schedule of Fees and Charges came into effect from 1 July 2019.

Since this time several minor changes have been made to the Schedule of Fees and Charges as follows:

- Overdue Holiday Home Correspondence fee in the amount of \$35 added as new fee;
- Rates Instalment Option Administration Fee included in the list (has not been in the past) and increased from \$4 per instalment (or a total of \$12) to a flat \$18;
- Low Risk Bond fee of \$200 reinstated;
- Swim Club membership fee discount increased from 20% to 25% concession;
- Library Scanning of document fee of 20c deleted.

In addition, it is requested that a new fee being for the Purchase of an Audio Recording of a Council meeting in the amount of \$15 be added. Please note that this fee has not been included in the Schedule of Fees and Charges as included in the Budget papers, but is reflected in the Schedule included separately as Attachment C in this report.

CONCLUSION

In accordance with the principles expressed in the Long Term Financial Plan and relevant Council Policies, the 2019-2020 Budget has been drafted with a long term view of the needs of the City and its residents in mind. As illustrated in this report, the budget includes a significant level of capital projects which will be of benefit to the City's ratepayers. Many of these projects are aligned with Council's Strategic Community Plan 2017 (Review 2019), and as such reflect the aspirations of the community.

It is therefore recommended that the Council adopts its 2019/2020 draft annual budget as presented.

OPTIONS

The Council may determine to amend the 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 OFFICER RECOMMENDATION

The 2019/2020 annual budget will become effective immediately consequent to adoption by the Council.

COUNCIL DECISION AND OFFICER RECOMMENDATION 1**C1907/129** Moved Councillor C Tarbotton, seconded Councillor P Carter

1. That Council agrees it has sufficiently considered the formal submissions received with respect to the Notice of Intention to Levy Differential Rates for the 2019/2020 financial year.

CARRIED 8/0**BY ABSOLUTE MAJORITY**

- 4.20pm Cr G Henley left the meeting.
4.20pm Cr J McCallum, assumed the Chair.

COUNCIL DECISION AND OFFICER RECOMMENDATION 2, PART 1**C1907/130** Moved Councillor C Tarbotton, seconded Councillor P Carter

1. That the Council adopts its 2019/2020 annual budget as attached, excluding line items C3186, C3497, Income and Expenditure Relating to the Busselton Jetty, and Account String 500-11160-3460-0000, which incorporates the following:

- Statement of Comprehensive Income by Nature or Type
- Statement of Comprehensive Income by Program
- Statement of Cash Flows
- Rate Setting Statement by Program
- Notes to and Forming the Budget
- Budget Program Schedules

CARRIED 7/0**CARRIED BY ABSOLUTE MAJORITY**

- 4.22pm Councillor G Henley returned to the meeting and resumed the chair.

COUNCIL DECISION AND OFFICER RECOMMENDATION 2, PART 2-12**C1907/131** Moved Councillor P Carter, seconded Councillor J McCallum

2. 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 and as is contained within the draft annual budget be adopted by the Council for imposition upon all applicable rateable properties within the district of the City of Busselton for the 2019/2020 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	9.8489c	\$1,375
Residential – Vacant Land	9.8489c	\$1,375
Residential Holiday Homes	10.8339c	\$1,430
Industrial	11.3732c	\$1,375
Industrial – Vacant Land	11.3732c	\$1,375
Commercial	11.3732c	\$1,375

Commercial – Vacant Land	11.3732c	\$1,375
<u>Land Use Groups (UV)</u>		
Primary Production	0.4404c	\$1,375
UV Rural	0.4455c	\$1,500
UV Commercial	0.8037c	\$1,375
<u>Specified Area Rates</u>		
Port Geographe	1.5719c	N/A
Provence GRV	1.4462c	N/A
Provence UV	0.0143c	N/A
Vasse GRV	1.8385c	N/A

3. A rate payment instalment option fee of \$18.00 in accordance with section 6.45 (3) of the Local Government Act 1995.
4. An interest rate of 5.5% per annum on rates paid by instalments in accordance with section 6.45 (3) of the Local Government Act 1995.
5. An interest rate of 11% per annum on all outstanding rates in accordance with section 6.51 (1) of the Local Government Act 1995.
6. In accordance with regulation 64(2) of the Local Government (Financial Management) Regulations 1996, the following Instalment options:

Option 1 - Payment in full by a single instalment

1st 11 September 2019

Option 2 - Payment in full by four instalments

1st 11 September 2019

2nd 11 November 2019

3rd 13 January 2020

4th 13 March 2020

7. The following annual Refuse Collection and Recycling charges for the City of Busselton for the 2019/2020 financial year:

a)	Commercial Waste Charges	\$169
b)	Domestic Waste Charges	\$169
c)	Recycling Collection Charge - Domestic	\$82
d)	Commercial Recycling Collection Charge	\$82
8. In accordance with Section 66(1) Waste Avoidance and Resource Recovery Act 2007) and, in accordance section 66(3) of the WARR Act, apply the minimum payment provisions of section 6.35 of the Local Government Act 1995, imposes a Waste Infrastructure Rate as follows:
 - a) GRV General Properties – Rate in the dollar: 0.001 Cents, minimum \$49
 - b) UV General Properties – Rate in the dollar: 0.0004 Cents, minimum \$49
9. Pursuant to section 6.11 of the Local Government Act 1995, Council adopt the reserves and reserve fund budget contained at note 7 of the budget including amendment of some Reserve

Purposes and the inclusion of two new reserves:

- a) Vasse Sports Pavilion Building Reserve

Purpose: To provide funding for the construction, major maintenance, renewal, replacement, upgrading and future building and fit out requirements for the asset.

- b) Other Infrastructure (Drainage, Signage etc.) Reserve

Purpose: To provide funding for the major maintenance and renewal of other infrastructure related to drainage signage and other associated road works.

10. Councillors fees and allowances as follows;

- a) Councillor Annual Sitting Fees \$29,910

- b) Mayor Annual Sitting Fee \$41,788

- c) Mayor's Allowance \$80,129

- d) Deputy Mayor's Allowance \$20,032

- e) Telecommunications and Information Technology Allowance \$3,500.

11. Reaffirms the adoption of its Schedule of Fees and Charges for the 2019/2020 financial year, as amended and comprised within the 2019/2020 Draft Annual Budget document, with the addition of the a new fee being for the Purchase of an Audio Recording of a Council meeting in the amount of \$15.

12. 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 2019/2020 financial year as follows:

- a) 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; and

- b) Reporting of variances only applies for amounts greater than \$25,000.

CARRIED 8/0

CARRIED BY ABSOLUTE MAJORITY

7. CLOSURE

The Presiding Member closed the meeting at 4.32pm.

THESE MINUTES CONSISTING OF PAGES 1 TO 244 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON WEDNESDAY, 14 AUGUST 2019.

DATE: _____ PRESIDING MEMBER: _____