



Notice of Special Council Meeting

Purpose: Consideration of 2018/19 Budget

TO:

ALL COUNCILLORS

To be held on

Friday, 10 August 2018

Commencing at 9.00am

Shire of Donnybrook Balingup Council Chambers, Donnybrook.

Benjamin Rose
Chief Executive Officer

7 August 2018

Disclaimer

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**SPECIAL COUNCIL MEETING
ADOPTION OF 2018/19 BUDGET**

10 August 2018

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SHIRE OF DONNYBROOK BALINGUP SPECIAL COUNCIL MEETING – CONSIDERATION OF 2018/19 DRAFT BUDGET

**To be held at Shire of Donnybrook Balingup Council Chambers, Donnybrook
Friday, 10 August 2018 at 9.00am**

COUNCILLORS	STAFF
Cr Piesse (President)	Ben Rose – Chief Executive Officer
Cr Wringe (Deputy President)	Greg Harris – Manager Finance and Administration
Cr Atherton	Damien Morgan – Manager Works and Services
Cr King	Leigh Guthridge – Manager Development and
Cr Lindemann	Environmental Services
Cr Mills	Bob Wallin – Principal Planner
Cr Mitchell	Belinda Richards – Accountant
Cr Tan	
Cr Van Der Heide	

PUBLIC GALLERY

APOLOGIES

1 PUBLIC QUESTION TIME

2 APPLICATION FOR LEAVE OF ABSENCE

3 DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Councillors to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the Act.

4 PETITIONS/DEPUTATIONS/PRESENTATIONS

5 REPORTS OF OFFICERS

5.1 MANAGER FINANCE AND ADMINISTRATION

5.1.1 CONSIDERATION OF DRAFT BUDGET FOR 2018/19 FINANCIAL YEAR

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	FNC 04/1
Author	Greg Harris – Manager Finance and Administration
Attachments	5.1.1(1) – 2018/19 Draft Budget
Voting Requirements	Simple Majority
Executive Summary	It is recommended that Council endorse the content of the 2018/19 Draft Budget Schedules and instruct the Chief Executive Officer to proceed with development of the Statutory Budget for the Shire of Donnybrook Balingup for the year ending 30 June 2019.

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	Strategy	Action No.	Actions
4.2 – A respected, professional and trusted organisation.	A respected and efficient operations and service provision.	4.2.1.4	Demonstrate sound financial planning and management, including revenue/expenditure review and revenue diversification strategies and long term financial planning.

BACKGROUND

The purpose of the meeting is to consider the Draft 2018/19 Shire Budget.

The following Integrated Planning and Strategic documents were presented and subsequently adopted at the April 2018 Ordinary Meeting of Council:

- Rating Strategy
- Plant Replacement Strategy
- Workforce Planning Strategy

The Draft Budget for the 2018/19 financial year was prepared on the basis of the approved strategies comprised within the above-mentioned documents, together with the compilation of

all income and expenditure proposed to be undertaken during the 2018/19 financial year. This data has been aggregated into one large document which is commonly referred to as the Budget Schedules.

In recent weeks, Elected Members have participated in a series of workshops whereby the strategies identified within the planning documents adopted in April 2018 have been further reviewed and discussed at length. Elected Members have also undertaken a thorough review of the Budget Schedules which provide extensive detail at a Function and Activity level of the Budget.

Following this Special Meeting of Council (10 August 2018) a further Meeting of Council will be scheduled for late August 2018, at which the Statutory Budget for the Shire of Donnybrook Balingup for the 2018/19 year will be presented for consideration.

Formal consideration and adoption by resolution of the matters identified in this report will enable Shire staff to proceed with preparation of the final Statutory Budget document.

DETAILS

The following matters are presented for consideration at this Special Meeting of Council:

- Adoption of Fees and Charges
- Utilisation of Reserves
- Loan Borrowings
- 2017/18 Untied Surplus Funds
- Waste Bin Collection and Waste Management Levy
- Workforce Planning
- Rating
- Adoption of Budget Schedules

As comprehensive information has already been provided to Elected Members through various Budget workshops, limited information will be provided with this agenda. However further information can be made available at the request of Elected Members prior to this meeting.

All Officer's Recommendations shown in this report, if adopted by Council, will be subject to final endorsement at Special Meeting of Council at which the Statutory Budget is formally adopted.

1. ADOPTION OF FEES AND CHARGES

Section 6.16 of the Local Government Act 1995 enables a local government to impose and recover a fee or charge for any good or service it provides or proposes to provide, other than a service for which a service charge is imposed.

Proposed Fees and Charges are shown on pages F1 to F19 of the Draft Budget Supporting Schedules.

Discussion at the Budget workshops also included consideration of various strategies to attract more useage of Council facilities. These included the concept of providing discounted fees for

local citizens that hire Council facilities and discounted fees for Seniors using the Donnybrook Recreation Centre.

Investigations with neighbouring Council's have shown that the Shire of Capel provides a 50% concession to local citizens who hire halls or similar facilities. The Shire of Collie also provides facilities free of charge for the conduct of meetings and various activities within their community centre.

The Draft Budget and Fees and Charges Schedule, as presented, does not include any of the above initiatives, however, they can be further researched (with supporting Shire policies/procedures developed) during the year.

Executive Recommendation

Moved: Cr

Seconded: Cr

Pursuant to section 6.16 of the Local Government Act 1995, Council endorses the proposed Fees and Charges included at pages (F1 to F19) of the 2018/19 Draft Budget.

2. UTILISATION OF RESERVES

Elected Members have previously been provided a copy of Budget Schedule 23 which details transactions that will occur between each of the various Reserve Funds held by Council.

The Draft Budget proposes a net drawdown from Reserves of \$1,540,387.

This net drawdown from Reserves should be viewed in the context of the fact that the Transfers from Reserves include the following amounts:

- \$200,000 from the Building Reserve for the Balingup Town Hall project. The grant of \$200,000 was received in the 2017/18 year and has been placed in the Building Reserve as a Restricted Asset. This amount will be transferred from the Reserve in 2018/19 to meet project expenditure.
- \$75,000 from the Roadworks Reserve for the Victory Lane Carpark Upgrade. These funds were allocated in the 2017/18 budget and have been placed in the Roadworks Reserve as a carry-over project.
- \$250,000 from the Aged Housing Reserve. As a result of the current budget estimates for Tuia Lodge it will be necessary to draw down \$200,000 from the Aged Housing Reserve to offset the operational deficit for the Facility. A further \$50,000 will be drawn down from the Reserve to offset capital expenditure.
- During the finalisation of the 2017/18 accounts, some further carry over projects may be identified. This may require further transfers into Reserves in 2017/18 and a corresponding transfer out of Reserves in the 2018/19 year.

- All other transfers in and out of the Reserves, including the last three (3) items above, would be considered to be normal utilisation of the Reserves for the purpose for which they have been established.

Executive Recommendation

Moved: Cr

Seconded: Cr

That Council endorse the utilisation of Reserve Accounts as detailed in Schedule 23 of the 2018/19 Draft Budget.

3. LOAN BORROWINGS

The 2018/19 Draft Budget proposes the raising of two (2) new Loans.

An 'interest only' loan of \$900,000 is proposed for the construction of the final four (4) units at Preston Retirement Village. The construction of these units will complete the facility as it was originally proposed, being a complex of 17 units plus a Community Building. Following construction of the units, the proceeds from the lease of the buildings will be utilised to payout the loan. The amount paid by the ingoing leasees is however recognised as a liability on Council's Balance Sheet as in accordance with the terms and conditions of the lease the amount is repayable to the leasee after vacation of the premises.

The raising of this loan for the construction of the final four (4) units is conditional upon the completion of a review of the Village Scheme Lease. This review is currently underway and the project will not be progressed any further until such time as Council has reviewed the scheme and leasing arrangements.

A further loan of \$500,000 is proposed to fund the retro-fitting of a fire suppression system at Tuia Lodge (potentially a sprinkler system). Investigations are continuing in regard to this matter and the project will not proceed until all options have been fully considered, including other options such as external funding.

A principal and interest loan over a term of ten (10) years has been included in the Draft Budget. The inclusion of this item in the Budget enables the Shire to proceed quickly, once/if the final decision is made by the Council to proceed with the works.

Council's total loan principal outstanding as at 30 June 2018 is \$236,101. After raising the two (2) new loans proposed in the Draft Budget and after taking into account existing loan repayments during 2018/19, the total loan principal outstanding as at 30 June 2019 will be \$1,605,306.

Executive Recommendation

Moved: Cr

Seconded: Cr

That Council endorse the inclusion of new loan borrowings totalling \$1,400,000 as described above in the 2018/19 Draft Budget.

4. 2017/18 UNTIED SURPLS FUNDS

The 2018/19 Draft Budget has been formulated on the basis of a carry forward surplus position of \$1,345,626. This amount includes known advance payments such as the WA Local Government Grants Commission Grant (\$1,005,029) and unspent 'Employee salaries' (\$220,000) from the 2017/18 year.

With the exception of the above, the Draft Budget has been prepared as a 'stand alone' budget i.e. without placing reliance on a carry forward surplus amount to balance the budget.

Due to minor variances throughout the budget year, it is usual that the end of year position is a modest surplus. Finance staff are currently working on determining the end of year position with the aim of a close estimate being available late August 2018 prior to the Council Meeting in late August at which meeting the Budget will be presented for adoption.

As the Draft Budget is being presented as a stand-alone budget, it is recommended that any untied surplus funds identified prior to the final budget adoption be transferred to Reserves, predominately those Reserves that provide for future Asset Renewal.

Any further variance between the budgeted end-of-year position and the actual end-of-year position must be addressed during the mid-year budget review.

Executive Recommendation

Moved: Cr

Seconded: Cr

That Council endorse the proposal to transfer any untied surplus carry over funds from the 2017/18 budget year to Asset Renewal Reserves.

5. WASTE BIN COLLECTION FEES AND WASTE MANAGEMENT LEVY

During the Budget workshops, Elected Members have considered the review of the Refuse Bin Collections fees in light of previous waste management reviews undertaken and more recently the review of the fee structure undertaken by the Executive.

During the review, it was identified that the cost of processing of materials collected from the General Waste service did not include a fee component relating to the cost of processing this waste at the Refuse Site. Effectively, this cost was not being recovered from customers / land owners benefitting from the service.

Similarly to the way the fee structure is determined for the Organics and Recycling service, it was recommended that the General Waste Service fee incorporate the cost of disposal at the Refuse Site.

This will result in a significant increase in the cost of the fee component applicable to the general waste service. The proposed fees are identified in the Fees and Charges schedule. This approach will generate over \$100K additional revenue from this service, much more closely offsetting the true cost of this service provision.

During discussions on the above, the setting of the fee for the Waste Management Levy was also considered, with the charge at a minimum rate of \$170.00 being recommended. As the minimum rate is below the amount prescribed in the Local Government Act 1995 it is possible for all properties that pay the Waste Management Levy to pay the minimum rate (i.e. Council is not bound by the requirement to levy no more than 50% of properties on a minimum rate).

Executive Recommendation

Moved: Cr

Seconded: Cr

That Council endorse the proposed Refuse Removal Fees and Waste Management Levy charge as identified in the 2018/19 Draft Budget and Fees and Charges Schedule.

6. WORKFORCE PLANNING

In addition to a modest FTE increase in operational areas, the key workforce planning inclusion within the 2018/19 Draft Budget are two recommended senior staff positions; Executive Manager Corporate and Community Services and Executive Manager Operations. The inclusion of these positions into the organisation structure will bring the executive resourcing and senior structure of the Shire of Donnybrook Balingup into alignment with almost all other Band 3 and Band 4 local governments throughout the south west (e.g. Boyup Brook, Bridgetown, Capel, Collie, Dardanup, Manjimup – which all have Executive Managers and/or Directors).

During deliberation of the Draft Budget Schedules, the CEO provided explanation around the possibility of staging the commencement of the above senior positions, noting that the Draft 2018/19 Budget allows for commencement of these position mid financial year 2018/19 (i.e. January 2019). Further information was provided at the workshops around the additional employment costs for future years i.e. the 2019/20 year and beyond. The 2019/20 and future budgets will need to provide for these positions, however, any future growth in employment costs must be matched against needs and available resources at the time.

Elected Members will recall the CEO and Executive prepared Business Cases to support all new positions. At the request of Elected Members, the CEO has provided further information in regards to anticipated KPI's and outcomes to be achieved through the appointment of the two Executive Manager positions.

In addition to the above positions, discussion at the Draft Budget Workshops has indicated that Elected Members wish to see more emphasis put on projects, in particular the Shire being in a position to have 'shovel-ready' projects available when Grant opportunities are presented.

An initial budget provision of \$20,000 was included in the Other Governance section of the Budget to provide funding for this purpose. This budget provision has now been increased to \$50,000 with the current Draft Budget.

Executive Recommendation

Moved: Cr

Seconded: Cr

That Council endorse the inclusion of all new positions identified in the Workforce Planning Strategy adopted by Council in April 2018 in the 2018/19 Draft Budget.

7. RATING

Council's Rating Objectives Strategy, adopted in April 2018, considered a number of options with the aim of providing greater equity amongst all ratepayers within the district. To achieve this objective Council has considered the removal of concessions previously applied to some properties, as well as a strategy of moving towards an equalised minimum rate between the Gross Rental Valuation (GRV) and Unimproved Valuation (UV) areas of the Shire. The intent was to increase the lower minimum rate previously applied to GRV properties to the same level as properties rated on a UV basis.

At its April 2018 Meeting, Council considered an alternate motion to stage the equalisation of the minimum rate over a 2-year period. This motion was lost and Council subsequently resolved to endorse the Rating Objectives Strategy (which recommends GRV-UV minimum rate equalisation).

This matter has been workshopped extensively during budget deliberations and from these budget discussions, the Executive are recommending a staged approach to the equalisation of the minimum rates over a two-year period (i.e. half way in 2018/19 followed by full equalisation in 2019/20).

With respect to the 'rate in the dollar', the Draft Budget is presented as a balanced budget with a 'rate in the dollar' modelled at 8.0926c for GRV and 0.5323c for UV. This equates to a 7% increase from 2017/18, however, still maintains the Shire of Donnybrook as one of the, if not the, lowest rating Shires in the south west. By way of comparison, GRV rates in the dollar for nearby comparable Shires include; 13.42c for Boyup Brook, 8.41 for Collie, 9.04c for Bridgetown Greenbushes and 9.68c for Dardanup.

Whilst Elected Members and the Executive are cognisant of prevailing economic conditions, it is evident from detailed analysis of the Shire's financial ratios, in particular those that measure future asset renewal capacity and resourcing ratios, that the Shire must take proactive, strategic steps towards redressing resourcing and asset renewal deficiencies if it is to arrest a decline into irrelevance in terms of contestability with other local governments within the south west (e.g. in terms of lifestyle, economic development, land development, facilities, services breadth and quality, financial management etc).

Executive Recommendation

Moved: Cr

Seconded: Cr

That Council endorse the proposal to move towards equalisation of the Gross Rental Valuation and Unimproved Valuation areas minimum rate whereby the minimum rate for Gross Rental Valuation properties will be set at a mid-point between the prior year Gross Rental Valuation minimum and the proposed minimum rate for Unimproved Valuation properties for the 2018/19 year.

The following Rate in the Dollar and Minimum rates to apply for the 2018/19 year:

Gross Rental Valuation Properties	8.0926 cents in the dollar
Minimum Rate for Gross Rental Valuation	\$1,037.00
Unimproved Valuation Properties	0.5323 cents in the dollar
Minimum Rate for Unimproved Valuation	\$1,126.00

8. ADOPTION OF 2018/19 DRAFT BUDGET SCHEDULES

As previously mentioned Council have conducted a thorough (page-turn) review of the 2018/19 Draft Budget Schedules. All amendments discussed and agreed by Council have been incorporated into the Draft Budget document.

With the exception of known carry over income the budget position has now been essentially balanced. This provides for the 2018/19 budget to stand-alone without reliance on a brought-forward surplus position.

Executive Recommendation

Moved: Cr

Seconded: Cr

That Council endorse the content of the 2018/19 Draft Budget Schedules and instruct the Chief Executive Officer to proceed with development of the Statutory Budget for the Shire of Donnybrook Balingup for the year ending 30 June 2019.

CONSULTATION

Extensive internal consultation has occurred between all divisions and through draft budget meetings conducted with Elected Members.

FINANCIAL IMPLICATIONS

Specific financial implications are as outlined in the Comment section of this report and as itemised in the 2018/19 Draft Budget Schedules.

STRATEGIC IMPLICATIONS

The 2018/19 Draft Budget has been developed with consideration of existing strategic planning documents adopted by Council.

Voting: Simple Majority

6 CLOSURE OF MEETING

The Shire President to advise the date of the next Ordinary Council Meeting at a time and venue to be confirmed.

The Shire President to declare the meeting closed at _____.