



Notice of Special Council Meeting

**Purpose: Adoption of the Long Term Financial Plan,
adoption of the Corporate Business Plan and
Consideration of the 2017/18 Draft Budget**

TO:

ALL COUNCILLORS

To be held on

Tuesday, 8 August 2017

Commencing at 12.00pm

At the Function Room, Donnybrook Recreation Centre
Steere Street, Donnybrook WA 6239

Benjamin Rose
Chief Executive Officer

3 August 2017

Disclaimer

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SPECIAL COUNCIL MEETING – AGENDA DRAFT BUDGET

8 August 2017

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SHIRE OF DONNYBROOK/BALINGUP

SPECIAL COUNCIL MEETING

To be held in Function Room, Donnybrook Recreation Centre
Steere Street, Donnybrook
on Tuesday, 8 August 2017 at 12.00pm

MEMBERS PRESENT

COUNCILLORS

Cr Logiudice (President)
Cr Mills (Deputy)
Cr Bailey
Cr Crowley
Cr Dilley
Cr King
Cr Tan
Cr Van Der Heide

STAFF

Ben Rose – Chief Executive Officer
Greg Harris – Manager Finance and Administration
Damien Morgan – Manager Works and Services
Leigh Guthridge – Manager Development and Environmental Services

GUEST

Russell Barnes, Moore Stephens

PUBLIC GALLERY

APOLOGIES

Cr Mitchell

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 ELECTED MEMBERS MOTIONS

6 REPORTS OF OFFICERS

6.1 Manager Finance and Administration

6.1.1 ADOPTION OF LONG TERM FINANCIAL PLAN

Location:	Shire Donnybrook Balingup
Applicants:	Administration
Zone:	N/A
File Ref:	CNL19
Author:	Greg Harris – Manager Finance and Administration
Report Date:	3 August 2017
Attachments:	6.1.1 – Draft Long Term Financial Plan

Background

Council appointed Moore Stephens in February 2017 to undertake a review of Council's Integrated Planning and Reporting Framework, including a full review of the Shire's Long Term Financial Plan (LTFP). The LTFP was prepared based upon the inputs, outcomes and objectives identified during the review of the Strategic Community Plan (SCP) and the Corporate Business Plan (CBP) which has also been subject to a Major Strategic Review.

At a Council workshop conducted on 19 July 2017 Council were presented with a Draft LTFP incorporating a Draft Capital Works Schedule for the ensuing four (4) financial years. The workshop focussed on agreeing the proposed Capital Works Program and discussed Council's future rating strategy and the need to address the Shire financial ratios through the its long term financial planning.

Comment

Following the 19 July workshop Moore Stephens have updated the plan to reflect discussions at the workshop also taking into consideration the resources required to fund the 2017/18 budget.

Although a definitive rate increase could not be determined at the Workshop (this can only be done through the adoption of the Annual Budget), elected members indicated that they would be prepared to consider a higher than 2% rate increase as identified in the Draft LTFP presented at the Workshop. The Draft Long Term Financial Plan (LTFP) has therefore been based on an increase in rates of 5% for the 2017/18 financial year, followed by increases of 4% per annum for years 2, 3 and 4, and then 3% for year 5 onwards. A static inflation rate of 2% has been built into the Draft LTFP therefore the increase of 5% for the current year can be viewed as a 2% increase for inflation (currently 0.7% for the June 2017 quarter with the preceding quarter being 1.0%) plus an additional 3% above inflation. This level of rate increase will ensure the Shire's financial ratios more closely reflect the Department of Local

Government's target financial ratios. A higher increase in rates will have a positive impact on the overall financial position of Council and will provide the opportunity for an ongoing improvement in Council's financial sustainability indicators.

Russell Barnes (or Paul Breman) from Moore Stephens will be attending the meeting to present the updated LTFP and will outline the impact of a policy decision to increase rating to the level proposed. A full LTFP, incorporating narrative, will be forwarded to elected members prior to the meeting however in the interim a condensed version showing key calculations and results has been circulated with this agenda.

As this meeting will be a Special Meeting of Council it is possible for Council to adopt the LTFP and the financial strategies outlined in the document. Alternatively Council may wish to defer adoption of the LTFP until after the Draft Budget has been considered in which case the LTFP would be re-presented to the Budget Meeting to be held on 23 August 2017.

Consultation

Council and senior staff have been engaged in the development of the Draft LTFP. The LTFP reflects the outcome and aspirations of Council's Strategic Community Plan which was recently adopted by Council.

Policy Implications

N/A

Statutory

Local Government Act 1995

Local Government (Administration) Regulations 1996.

Voting Implications

Simple Majority required.

Financial Implications

The LTFP is an informing document for the Corporate Business Plan and provides a long term financial strategy for the Council and its community.

Strategic Implications

The LTFP provides a mechanism for Council to manage and influence its long term financial sustainability to ensure Council and community Strategic objectives are achieved.

6.1.3	PRESENTATION OF THE 2017/18 DRAFT BUDGET
Location:	Shire Donnybrook Balingup
Applicants:	Administration
Zone:	N/A
File Ref:	FNC 04/1
Author:	Greg Harris – Manager Finance and Administration
Report Date:	3 August 2017
Attachments:	6.1.3 - Draft Budget

Background

The Draft Budget has been prepared, taking into account requests made by Council and staff during the last twelve months and applications submitted by Community organisations. The Draft Budget incorporates all capital and operating items identified in the Long Term Financial Plan and closely reflects the content and objectives of the Strategic Community Plan and Corporate Business Plan.

This budget has been prepared on the basis of an estimated overall increase in rates of 5.0%. At this stage full scenario modelling has not been undertaken therefore the indicative rate revenue has been based on prior year figures with a percentage increase of 5% applied. Although there has been limited property growth within the last 12 months it is probable that some additional income will be derived through an increase in values for completed properties or other adjustments. Rating is a main source of income which is under the direct control of the Council and Council's long term financial sustainability depends upon its ability to raise revenue to provide a wide range of services for the benefit of an expanding community.

Control over expenditure is the other side of the equation with expenditure directly affecting the level of service provided to the community. Council approves a certain level of service by virtue of its authorisation of budget expenditure. Any modifications to the draft budget by virtue of any increase or decrease in expenditure or income will have a direct effect on the amount rates required to be raised. Alternatively other projects will need to be modified to ultimately produce a balanced budget.

The Draft Long Term Financial Plan (LTFP) has been based on an increase in rates of 5% for the 2017/18 financial year, followed by increases of 4% per annum for years 2, 3 & 4, and then 3% for year 5 onwards. A static inflation rate of 2% has been built into the Draft LTFP therefore the increase of 5% for the current year can be viewed as a 2% increase for inflation (currently 0.7% for the June 2017 quarter with the preceding quarter being 1.0%) plus an additional 3% above inflation. Population growth i.e. growth in the rating base should also be considered to have been incorporated in these figures. These rate increases will maintain services at current levels and fund known projects and activities but will also contribute to an improvement in Council's financial ratios over the life of the plan. This will ensure the Shire's financial ratios more closely reflect the Department of Local Government's target financial ratios. A higher increase in rates will have a positive impact on the overall financial position of Council and will provide the opportunity for an ongoing improvement in Council's financial

sustainability indicators. In particular increasing Council's revenue base will target the Operating Surplus Ratio and the Own Source Revenue Coverage Ratio which will provide for the future renewal of assets.

Council's current rating strategy is to move towards a uniform minimum rate across the district i.e. the same minimum rate applying to all properties regardless of whether they are rated on a gross rental or unimproved valuation basis. When considering the level at which to set rates Council may wish to consider increasing the GRV minimum by more than the UV minimum rate. Council is however bound by the provisions of the Local Government Act 1995 which require no more than 50% of properties within a rating area to be on the minimum rate.

The draft budget contains provision for salaries and wages to increase by an overall percentage increase of 1.5%. This accords with the recently negotiated Enterprise Bargaining Agreement with the Shire's Works and Services team. ABS Statistics show the wage price index increasing by 1.8% for the private sector and by 2.4% for the public sector as at the March 2017 quarter (i.e. March 2016 to March 2017). Salary increases will of course be subject to satisfactory performance and management will award any increase to individual employees on this basis. Provision has also been included within overall employee costs to commence staged implementation of a reform agenda to increase overall efficiency and effectiveness within the organisation.

There have been minimal increases applied to Council Fees and Charges reflecting the more difficult economic circumstances prevailing within the community. Generally increases of around 1% have been applied with some fees and charges remaining static. A separate document containing fees and charges is provided with this agenda for Council review.

The draft budget shows an overall increase in Reserves of \$628,000 however this figure should be viewed with caution. Within this figure is the potential receipt of \$875,000 from Alliance Housing for the Affordable Housing project plus a transfer to the Plant Reserve Fund of \$266,428. The net transfers to/from Reserve also include a draw-down from the Land Development Reserve of \$250,000 for the Affordable Housing project. Therefore taking into account the above items the overall Reserve figures are essentially being maintained but not increased or decreased.

An essential part of the budget development process is the internal allocation of Administration costs across all areas of the Shire's operations. Finance staff have recently undertaken a comprehensive review of the Shire's Activity Based Costing system and this new methodology has been incorporated within this budget. The draft budget therefore reflects full cost allocation to each area of operations, including Tuia Lodge. As part of its budget deliberation process Council may wish to consider whether it wishes to cross subsidise any of these cost allocations, particularly when viewing the operations of Tuia Lodge. For example full cost allocation (without subsidy) for Tuia Lodge will potentially reduce the transfer of Tuia operating surpluses to Reserve by approximately \$350,000. A decision to maintain full cost recovery is reliant on the accuracy of the cost reallocation method which by its very nature is open to challenge.

The draft budget has been prepared on the basis of a cash surplus of just under \$1,372,000 as at 30 June 2017, predominately made up of a number of restricted assets and known carry forward cash balances. For example Council received the first quarterly Financial

Assistance Grant from the WA Local Government Grants Commission in June which totalled \$992,763. The final net current asset position will not be known until the final Budget meeting scheduled to be held on 23 August 2017 and adjustments can be made to the budget to reflect any variation in the final result.

Once the final end-of-year result is determined then adjustments can be made to the budget to accommodate any surplus or deficit in cash with the ultimate aim of producing a balanced budget for the 2017/2018 year.

Comment

Following consideration of the Draft LTFP and the Corporate Business Plan the Draft Budget for the 2017/18 year will be introduced for Council consideration.

As outlined in a previous memorandum, the procedure for presentation of the Draft Budget will be a little different this year. Councillors are requested to review the document before the meeting with the view to noting items for discussion or which require more information. Rather than go through each budget item line by line it has been recommended that Council focus only on items of interest to elected members. Senior staff will be attending the meeting to respond to any questions raised by elected members or to provide additional information when requested.

The reason for this approach is two-fold. Firstly it is anticipated that this will reduce the time required for consideration of the draft budget. More importantly it gives elected members the opportunity to drive the budget discussion and make more effective use of elected members time, as opposed to the discussion being led by Council staff. Senior staff have been through the Draft Budget and highlighted in orange items which Council may wish to more closely consider. All items within the budget are recommended however Council does have ultimate discretion to resource, or not resource, each element within the budget. A decision to not resource any particular element within the budget will obviously result in a reduction in service level in some way.

Councillors have been provided with the detailed budget schedules, excluding summary pages to minimise printing costs and to avoid duplication of information. The budget detail is shown in the grey shaded areas with the budget amount being shown in the column shaded in light yellow.

Some supplementary information has also been provided with the Draft Budget document i.e.

- Draft Budget for Tuia Lodge (incorporated within Schedule 8)
- Draft Budget for Donnybrook Recreation Centre (incorporated within Schedule 11)
- Draft Works and Services Budget spreadsheet (incorporated within Schedule 11 and 12).
- Draft Fees and Charges Schedule

Policy/Statutory Implications

Section 6.2 (1) of the *Local Government Act 1995* provides that not later than 31 August in each financial year, each local government is to prepare and adopt a budget for its municipal fund for the financial year ending on the next following 30 June.

Financial Implications

The budget forms the basis of all Council operations.

Strategic Implications

The budget is the tool by which Councils Strategic objectives are achieved.

Council Decision

Moved: Cr

Seconded: Cr

That the 2017/2018 Draft Budget be received and that Council staff proceed to prepare the 2017/2018 Annual Budget on the basis of the recommendations of Council:

Account	Description	Action

7 CLOSURE OF MEETING

The Shire President to advise that the date of the next Ordinary Council Meeting will be Wednesday, 23 August 2017, commencing at 5.00pm at the Seniors Room, Donnybrook Community Library, Donnybrook.

Shire President to declare the meeting closed at _____.