



## **Special Council Agenda**

***21 July 2016***

ALL INFORMATION AVAILABLE IN VARIOUS FORMATS ON REQUEST

**CITY OF BUSSELTON**


**MEETING NOTICE AND AGENDA – 21 JULY 2016**

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**TO: THE MAYOR AND COUNCILLORS**

**NOTICE** is given that a meeting of the Special Council will be held in the Meeting Room One, Community Resource Centre, 21 Camilleri Street, Busselton on Thursday, 21 July 2016, commencing at 5.00pm.

Your attendance is respectfully requested.



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**MIKE ARCHER**

**CHIEF EXECUTIVE OFFICER**

15 July 2016

CITY OF BUSSELTON

AGENDA FOR THE SPECIAL COUNCIL MEETING TO BE HELD ON 21 JULY 2016

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**1. ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE****Apologies**

Mr Mike Archer, Chief Executive Officer

**Approved Leave of Absence**

Nil

**2. PURPOSE OF MEETING**

To consider the adoption of the annual budget for 2016/17 and to reaffirm the fees and charges for 2016/17.

**3. PUBLIC QUESTION TIME****4. DISCLOSURE OF INTERESTS**

A declaration of Financial Interest has been received from:

- Mayor, Grant Henley in relation to agenda Item 6.2 Adoption of 2016/17 Annual Budget

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

**5. PRESENTATIONS BY PARTIES WITH AN INTEREST**

## 6. REPORTS

### 6.1 REAFFIRMATION OF THE ADOPTED SCHEDULE OF FEES AND CHARGES - 2016/17 FINANCIAL YEAR

<b>SUBJECT INDEX:</b>	Financial Operations
<b>STRATEGIC OBJECTIVE:</b>	An organisation that is managed effectively and achieves positive outcomes for the community.
<b>BUSINESS UNIT:</b>	Finance and Corporate Services
<b>ACTIVITY UNIT:</b>	Finance
<b>REPORTING OFFICER:</b>	Financial Compliance Officer - Jeffrey Corker
<b>AUTHORISING OFFICER:</b>	Director, Finance and Corporate Services - Matthew Smith
<b>VOTING REQUIREMENT:</b>	Absolute Majority
<b>ATTACHMENTS:</b>	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 2016/17, 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 2016/17 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 27 April 2016, the Council adopted (C1604/102) its Schedule of Fees and Charges for the 2016/17 financial year.

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 27 April 2016, public notice was given on 11 May 2016.

#### **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 3.5% 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 2016/17.

## **FINANCIAL IMPLICATIONS**

### **Long-term Financial Plan Implications**

The 2016/17 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 2016/17.

## **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**

This report is purely for the purposes of finalising the adoption of the City's Schedule of Fees and Charges for 2016/17 year, noting there have been no changes since the Schedule adopted by the Council at the meeting of 27 April 2016.

## **CONCLUSION**

The Council has previously adopted its Schedule of Fees and Charges for the 2016/17 financial year and it now has now been incorporated within the Schedule of Fees and Charges as is included in the 2016/17 draft annual budget document. It is therefore recommended that the Council reaffirms the adoption of its Schedule of Fees and Charges for 2016/17.

**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 27 April 2016 became effective from and including 1 July 2016.

**OFFICER RECOMMENDATION**

**ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED**

That the Council:

1. reaffirms the adoption of its Schedule of Fees and Charges for the 2016/17 financial year, as comprised within the 2016/17 Draft Annual Budget document.

## 6.2 ADOPTION OF 2016/17 ANNUAL BUDGET

<b>SUBJECT INDEX:</b>	Budget Planning and Reporting
<b>STRATEGIC OBJECTIVE:</b>	An organisation that is managed effectively and achieves positive outcomes for the community.
<b>BUSINESS UNIT:</b>	Financial Services
<b>ACTIVITY UNIT:</b>	Finance
<b>REPORTING OFFICER:</b>	Financial Accountant - Ehab Gowegati
<b>AUTHORISING OFFICER:</b>	Director, Finance and Corporate Services - Matthew Smith
<b>VOTING REQUIREMENT:</b>	Absolute Majority
<b>ATTACHMENTS:</b>	Attachment A Schedule of Estimated Carry-Over Items Attachment B Published Under Separate Cover 2016/17 Annual Budget

DISCLOSURE OF INTEREST	
<b>Name/Position</b>	Grant Henley, Mayor
<b>Item No./Subject</b>	6.2 - Adoption of 2016/17 Annual Budget
<b>Type of Interest</b>	Financial Interest
<b>Nature of Interest</b>	Relating to items in the budget due to the ownership of 66 Adelaide Street, Busselton and 8 Swan Street, Busselton.

### 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 2016 and in consideration of other determinations associated with the budget development process, this report now seeks the Council's formal adoption of its 2016/17 annual budget.

### BACKGROUND

Work commenced on the 2016/17 budget early in 2016. During its development, the budget was informed by the Council's endorsed Long Term Financial Plan (LTFP) and in particular its associated assumptions and parameters. The LTFP was first reviewed and updated, with 4 Councillor workshops held throughout March. The revised LTFP was adopted by Council at its meeting on 27 April 2016.

Following finalization of the LTFP the draft 2016/17 budget was compiled in line with LTFP 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 2016, two draft budget workshops were conducted with Councillors, during which time all facets of the draft budget were reviewed and deliberated. Councillors reviewed the whole operational budget by directorate, with separate sections for Engineering Maintenance and Capital Works, Facilities and Waste and Fleet. Councillors also reviewed the organisation's whole Capital budget which was consistent with the endorsed LTFP. Information was also provided in relation to the 2016/17 draft budget allocations in accordance with the City's endorsed Workforce Plan. The budget presented to Council reflects the outcome of these workshops.

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 might 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. While a few 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 2016. A closing surplus position of \$1,178,089 was achieved in relation to 2015/16, noting that \$616,918 of that surplus is required for carryover items which are reflected in the draft 2016/17 budget which is being presented to Council. These are shown listed in Attachment A to this report. An additional adjustment at the end of the 2015/16 financial year of \$23,000 was also made with regard to a restricted fund for Meelup Rehabilitation of Zone 6. These funds were utilised in 2015/16 and subsequently needed to be removed from the 2016/17 budget. Thus in accordance with Council Resolutions C1303/074, the 2016/17 budget reflects the transfer of \$538,171 to the Infrastructure Development Reserve. Council Resolution C1303/074 requires in part that any budget surplus which is 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 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 2016/17 budget has been guided by the Council's Strategic Community Plan 2013 (Reviewed 2015) 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 2016/17 financial year.

## **Long Term Financial Plan**

As discussed in the background section of this report, the 2016/17 budget is in line with the LTFP as adopted by Council on 27 April 2016.

### **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 2016/17 budget has been informed by the Council's Strategic Community Plan 2013 (Reviewed 2015), 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 2016/17 draft budget have largely been addressed.

### **CONSULTATION**

In its development, the 2016/17 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 2016/17. These were advertised on 1 June 2016 with 21 days being allowed for comment. No submissions were received.

### **OFFICER COMMENT**

The 2016/17 budget as presented for consideration is reflective of the documents workshopped with Elected Members during May 2016, and incorporates any amendments determined during that process. However, 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. 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 2016/17 draft budget presented to Councillors for the workshops in May reflected a balanced budget position (no surplus or deficit). The workshops themselves resulted in some fairly minor changes to the draft budget and at the end of the workshops a balanced budget position was still achieved.

The draft budget presented initially to the workshops was based on a general rate increase of 4.95%. However, savings were found during the workshop such that a balanced draft budget for the 2016/17 financial year could be prepared based on a general rate increase of 4.45%. Funding was also found for various bid items at the workshop including the Railway House Interpretation Fitout, the Vasse River Foreshore Improvements Project, costs associated with remediation of Ambergate Reserve, the installation of Air Flow Filters, the Yallingup Underground Power Study, and the

remediation work in Zone 6 at Meelup Regional Park. These have now been included in the 2016/17 budget.

At the end of the workshops there was in fact a small net budget surplus of approximately \$79,500. It was agreed that this money could be utilised for contingency matters that needed funding that arose subsequent to the workshops but prior to budget adoption, with any remaining funds to be included as a contingency account in the 2016/17 budget. The only significant changes since the budget workshops have been agreed at subsequent Councillor workshops, being the inclusion of additional funding of approximately \$24,550 for Surf Life Saving Services, \$5,000 increase in budget for Sister City involvements as discussed with Council and additional funding of approximately \$12,800 associated with the Youth Officer position in Community Services.

Other than these changes, there have been some very minor adjustments to the budget to correct figures that were slightly erroneous or to update amounts required where more information has become known, however, the impacts of these changes are not materially significant. Following all of these adjustments, there remains a sum of just over \$37,000 included as a contingency account in the 2016/17 budget as proposed for adoption.

### **Busselton Foreshore Project**

Just under \$5,500,000 has been included in the budget for buildings associated with the foreshore project, being the Community Youth/Surf Life Saving building, Railway House, the Milne Street Pavilion and the Old Busselton Lighthouse. Just under \$3,350,000 of these costs is funded from government grants, with the majority of the remainder of the cost being funded from community facility contributions.

There is also just under \$7,700,000 worth of funding included for infrastructure projects associated with the Busselton Foreshore. Just over \$4,600,000 worth of this is funded by government grants, with the grant of \$4,500,000 to the City from the State Government being confirmed subsequently to the budget workshops. \$3,000,000 worth of the infrastructure costs associated with the Busselton Foreshore Project are funded by a new loan proposed to be taken out in the 2016/17 financial year.

### **Civic Administration Building Project**

Approximately \$16,000,000 has been included in the 2016/17 budget as proposed for adoption for completion of the Civic Administration Building Project. This amount is reflective of the amount remaining in the project budget, taking into account the amount which has been spent on the project in the 2015/16 financial year.

### **Proposed Borrowings**

The 2016/17 draft annual budget includes \$3,650,000 in proposed new borrowings, for the purposes identified below:

- Busselton Foreshore (\$3,000,000) - Additional loan funding to continue works in relation to the Busselton Foreshore. Borrowings to date for the Busselton Foreshore inclusive of the 2016/17 budgeted amounts are \$10,600,000.
- Car Parking (\$500,000) - Relating to land purchase for the provision of future town site car parking with the remainder being funded from the Car Parking Reserve.
- Community Groups Self Supporting Loan (\$150,000) – A provision made for loan funding to 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.

Notwithstanding the above draft budget allocations, the City's overall debt exposure continues to reflect a favourable position, with the Department of Local Government's recommended debt ratios being exceeded (in relation to these ratios a higher number is better).

### **Grants**

At the time of the budget workshops in May, officers were unsure of the outcome of a number of grant applications which have been made by the City. These were outlined in a list of current and proposed grant applications which was provided to all Councillors at the workshop.

The 2016/17 budget as presented to Councillors has been updated to reflect the known outcome of those grant applications, where information has been received by the City since the budget workshops. Thus officers have included a grant of \$24,600 in the GLC budget for the GLC vacation care programme which the City was advised of in June 2016. The City was also advised in June of its success in receiving \$20,000 worth of funding for a storm surge inundation and evacuation study. This \$20,000 has been added to the 2016/17 budget, along with \$20,000 of matching funding which the City was required to contribute, with the matching funding being taken from the Beach Protection Reserve. The City was also successful in obtaining \$30,520 in funding from Department of Fire and Emergency Services (DFES) in respect of the Yallingup Rural Bush Fire Brigade and this additional funding has also been added to the 2016/17 budget.

During June, the City was advised that it was not successful in obtaining the \$20,000 funding sought for the next stage of the Settlement Art Project and also funding of \$561,000 sought for the Port Geographe Finger Jetty widening and renewal. Both of these items have now been removed from the 2016/17 budget as proposed for adoption, with additional reserve funding of \$187,000 associated with the Port Geographe Finger Jetty also having been removed from the budget.

Finally, the City was not successful in obtaining grant funding for the King Street Seawall. The City had sought funding of \$155,000. However, as \$187,000 worth of Reserve funding is not proposed to be used for the Port Geographe Finger Jetty, \$150,000 of this Reserve funding has been proposed to be utilised for the King Street Seawall. Thus the project is still in the 2016/17 budget, with the full cost of the project, \$305,000, proposed to be funded from the Beach Protection Reserve (which is proposed to be renamed the Climate Adaptation Reserve).

### **Carryover Items**

The 2016/17 budget reflects carryover items totalling \$616,918 which are detailed in Attachment A to this report. These items primarily relate to capital works which have been commenced in the 2015/16 year and are carrying over to the 2016/17 financial year. These items form a substantial part of the 2015/16 financial year closing surplus of \$1,178,089, and as is always the case have been funded from those surplus monies as they directly contributed to that surplus result.

### **New Reserves**

At its meeting of 25 May 2016, Council resolved to create a number of new reserves as part of the 2016/17 annual budget process. The detail in relation to the intention behind these reserves and the money to be transferred to them is contained in the relevant Council report. The creation of the new reserves is reflected in the 2016/17 annual budget for the following purposes:

- Community Development Contribution Reserve - To hold development contributions received by the City for the provision of new or upgraded community infrastructure.

- Busselton Area Drainage and Waterways Improvement Reserve - To hold development contributions received by the City for the provision of drainage works and the management and improvement of waterways within the Busselton area including the lower Vasse River.
- Joint Venture Aged Housing Reserve - To hold funds to meet future expenses, including capital, maintenance, operational and administrative costs associated with the provision of community aged housing at Winderlup Villas and Harris Road pursuant to the relevant joint venture agreements with the Department of Housing.
- Public Art Reserve - To hold restricted development contributions received by the City for the commissioning, purchase and enhancement of public art works.

### Changes to Existing Reserves

As part of the same report to Council in May 2016, a number of changes were proposed to the name/and or purpose of existing Council reserves. These changes are also reflected in the 2016/17 annual budget as proposed for adoption. The changes which were identified are as follows:

- The Beach Protection Reserve has been renamed the Climate Adaption Reserve with the purpose remaining as follows:  
*To cover repairs or preventative measures necessary to protect the beach or land based assets as well as specific capital projects designed to protect the shoreline, e.g. construction of a sea wall.*
- The Infrastructure Development Reserve has been renamed the New Infrastructure Development Reserve with the purpose remaining the same as follows:  
*For the purpose of setting aside funds to facilitate the identification, design and development of new infrastructure and other capital projects.*
- The Building Reserve has been renamed the Building Asset Renewal Reserve with the purpose being slightly reworded as follows:  
*To provide funding for future building requirements for assets that do not have their own reserve account or loan funding.*
- The Long Service Leave, Sick Pay Incentive and Professional Development Reserves have been replaced with a single Reserve being called the Employee Entitlements Reserve with the purpose of:  
*To provide funding to meet Council's future long service leave obligations. To provide funding to meet Council's obligations under the City of Busselton's Enterprise Bargaining Agreement (Sick Pay Incentive). To provide funding to meet the City's ongoing contractual professional development obligations.*
- The Asset Depreciation Reserve and Road Asset Renewal Reserve have been combined into the one new reserve which is called the Infrastructure Asset Renewal Reserve for the following purpose:  
*To assist the City in funding capital expenditure on renewal, replacement and improvements of infrastructure assets as determined by Council, and as specifically identified in relevant asset management plans. To meet the needs of the Long Term Financial Plan road asset management plan requirements.*

- The purpose of the Waste Management Facility and Plant Reserve has been changed slightly to read:

*To fund the acquisition of additional waste plant, waste facility infrastructure, waste related expenditure and post closure management.*

### **Rates**

The 2016/17 budget has been predicated on a general rate increase of 4.45%, which is 0.5% less than the projected figure in the Council's endorsed Long Term Financial Plan. The 4.45% comprises a CPI/general operating component of 2.55% (which is less than the 10 year average Local Government Cost Index (LGCI) figure which is 3.5%), 1% for road asset management plan funding requirements, and 0.90% to assist in the funding of loan repayments associated with the Busselton Foreshore project. The 0.5% reduction in the projected general rate increase is seen as a good outcome, given that many of the City's operating costs including staff costs, utility costs and insurance expenses have increased by much more than 2.55%.

In addition to the general rate increase, the Council has indicated its support for a further increase of 1% (to a total of 10%) in the differential rate for tourism and marketing activities, which is also reflected in the budget.

In confirmation of the above, at the 2<sup>nd</sup> Budget Workshop held on 25 May 2016, Council agreed to the advertising of its proposed differential rates in the dollar and associated minimum payments to apply for 2016/17; which reflect these 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.

Local public notice was given on 1 June 2016, with submissions required to be provided to the City on or before 22 June 2016. 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 3.5% 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 10 year average LGCI figure has been utilised.

### **Variance Reporting Threshold – 2016/17 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 2016/17 financial year.

### **2016/17 Annual Budget – Highlights**

The budget as presented for adoption reflects a balanced position as at 30 June 2016, 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 \$160,000,000 including approximately \$95,000,000 in capital expenditure.
- The capital expenditure allocation includes:
  - ✓ \$42,000,000 to continue development of stages 1b and 2 of the Busselton Regional Airport
  - ✓ \$13,000,000 for the further development of the Busselton Foreshore
  - ✓ \$7,000,000 in respect of the City's road network
  - ✓ \$4,000,000 in sanitation infrastructure and rubbish site development
  - ✓ \$200,000 in boat-ramp construction and beach restoration
  - ✓ \$1,300,000 in Parks, Gardens and Reserves works
  - ✓ \$1,100,000 in footpath and cycleway construction
  - ✓ \$500,000 in Townscape works
  - ✓ \$16,000,000 for the final stage of the Civic and Administration Centre project
  - ✓ \$2,000,000 Bridge Construction

As illustrated above, the 2016/17 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 2016/17 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 (Reviewed 2015).

### **CONCLUSION**

It is considered that the Council's 2016/17 annual budget is financially prudent. 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 analogous with Council's Strategic Community Plan 2013 (Reviewed 2015), 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 2016/17 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 2016/17 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 2016/17 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 2016/17 financial year, in accordance with the provisions of the Local Government Act and subject to all necessary pre-requisites and protocols there under

<b>Description</b>	<b>Rate in the \$</b>	<b>Minimum Payment \$</b>
<b><u>Zone Groups (GRV)</u></b>		
Residential	8.3838c	\$1,160
Residential – Vacant Land	8.0266c	\$1,160
Industrial	10.1243c	\$1,160
Industrial – Vacant Land	11.1528c	\$1,160
Commercial	10.1243c	\$1,160
Commercial – Vacant Land	11.1528c	\$1,160
<b><u>Land Use Groups (UV)</u></b>		
Primary Production	0.4031c	\$1,160
UV Rural	0.3669c	\$1,160
UV Commercial	0.7337c	\$1,160
<b><u>Specified Area Rates</u></b>		
Port Geographe	1.3402c	N/A
Provence GRV	1.2372c	N/A
Provence UV	0.0132c	N/A
Vasse GRV	1.5800c	N/A

2. That in accordance with Section 6.2 of the Local Government Act, the Council adopts its 2016/17 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 2016/17 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.

City of Busselton - 2016/2017 Annual Budget

Schedule of Estimated Carry-over Items



Directorate (Business/ Activity Unit)	Description	Account String				Annual Budget 2015/16	Estimated Expenditure/ Revenue to 30 June	Re-list Value Expenditure	Re-list Value Revenue	Re-list Value Net	Comments
		Sec	Cost Code	Natural Acc	Act Code						
<b>Finance &amp; Corporate Services</b>											
Information Services	Library Management System (LMS) - Purchase	220	10251	7743	0000	75,000	0	75,000	0	75,000	LMS Purchase under the South West Library Consortia has been delayed due to procurement requirements.
Human Resources	HR Consultancy - MERCER Job Evaluation Project	320	10521	3260	0000	30,000	20,350	9,650	0	9,650	For completion of Mercer project due to some aspects being delayed slightly
Information Services	Consultancy (Cemetery Expansion Land Use Evaluation)	232	10370	3260	0000	65,000	51,798	12,800	0	12,800	For completion of the cemetery expansion land use evaluation project due to some components being slightly delayed
<b>TOTAL</b>								<b>97,450</b>	<b>0</b>	<b>97,450</b>	
<b>Community &amp; Commercial Services</b>											
Airport	Contractors (Inc Contract Staff)	345	C6097	3280	0000	687,000	0	614,659	-614,659	0	Stage 2 Jet Fuel - RADS funding agreement totals \$264,659/City contribution \$350k Total \$614,659.
Cultural Planning	Exp Offset Acc-Furn & Equip - Settlement Art P	330	10900	7743	0000	101,094	76,594	24,500	0	24,500	Items listed include the final payment to Artist on completion of sculpture
Cultural Planning	Sundry income	330	10900	1750	0000			0	-2,754	-2,754	Income received from fundraising activities for 2015/16 towards the Settlement Art project. - Restricted Assets
Tourism Promotion & Community Events	Events Sponsorship (Diff Rates)	333	10530	3645	0000	326,850	318,362	8,488	0	8,488	Unspent Differential Rates funds
Tourism Promotion & Community Events	Events Sponsorship (Diff Rates)	333	10567	3645	0000	16,500	10,915	5,585	0	5,585	Unspent Differential Rates funds - in-kind support Cinefest Oz
Naturaliste Community Centre	Exp Offset Acc-Furn & Equip	336	10590	7743	0000	10,000	2,749	5,487	0	5,487	To put towards a storage solution issues that consider future planning are to be worked through as part of the NCC master planning before this can go ahead
Kookaburra Caravan Park	Furn & Off Equip Purchase - Non Capital	337	10600	3301	0000	15,000	0	15,000	0	15,000	Furniture & fitout of cabin. Cabin RFQ delayed due to forward bookings of existing cabin
<b>TOTAL</b>								<b>673,719</b>	<b>-617,413</b>	<b>56,306</b>	
<b>Planning &amp; Development Services</b>											
Environmental Services	Whale Viewing Platform Point Picquet	425	C3127	3280	0	64,145	44,619	19,526	0	19,526	Carryover to complete works
Environmental Services	Coastal Node maintenance	425	11170	3186	0	18,700	0	18,700	0	18,700	Council resolution C1506/172 to allocate funds (Gourmet Escape Event) to Meelup .
Environmental Services	Donations and Contributions	425	B9601	3280	0	11,000	0	10,000	0	10,000	Purchased Storage Shed for Meelup to be situated at Vidler Road Waste Facility.
Environmental Services	Willyabrup Brigade Shed	441	B9104	3280	0	82,500	49,500	33,000	-33,000	0	Carryover to complete works
<b>TOTAL</b>								<b>81,226</b>	<b>-33,000</b>	<b>48,226</b>	
<b>Engineering &amp; Works Services</b>											
Engineering & Works Support	Busselton Jetty Refurbishment	500	C3500	3280	0000	1,200,000	1,181,340	18,660	-18,660	0	Tourism WA have agreed to allow us to keep the balance of funds from the grant on completion of the works. This is on a 50/50 basis with the City. The balance of the budget is being carried over on this basis to construct seating and further gangways to be used for cruise ships and berthing vessels.
Building & Facilities	Kookaburra Caravan Park - New Park Home	522	B9804	3280	0000	80,000	11,978	68,022	-68,022	0	Completion of Cabin Replacement - RFQ delayed due to forward bookings of existing cabin, works are due to complete in early August.

**City of Busselton - 2016/2017 Annual Budget**  
**Schedule of Estimated Carry-over Items**



Directorate (Business/ Activity Unit)	Description	Account String				Annual Budget 2015/16	Estimated Expenditure/ Revenue to 30 June	Re-list Value Expenditure	Re-list Value Revenue	Re-list Value Net	Comments
		Sec	Cost Code	Natural Acc	Act Code						
Engineering Fleet Management	Replacement for P162101 Road Maintenance Truck (Patching Truck)	528	11404	7723	0000	300,000	-40,000	300,000	-300,000		Plant was ordered early in the financial year however has a long delivery time. No impact on municipal position as funded from the Plant Reserve and sales proceeds.
Engineering & Capital Works	Queen Street Bridge - 0240A	541	A0010	3280	0000	288,000	0	288,000	-288,000		Special bridge project funded 100% by federal government. Works delayed due to MRWA workload and the determination of the traffic study.
Engineering & Capital Works	Ludlow Hithergreen Road Bridge	541	A0020	3280	0000	159,000	0	159,000	-159,000		Main Roads and Federal funded Bridge project. \$106,000 in Federal Funding has already been received by the City via the quarterly Financial Assistance Grants, thus this amount needs to be restricted to offset expenditure in the 2016/17 FY. The remaining \$53k is direct income in 2016/17.
Engineering & Capital Works	Bridge maintenance Unspent Grant monies	541	A9999	3280	0000	360,321	180,321	180,000	-180,000		Carry over the remaining RTR special bridge money to continue maintenance and safety improvements to bridges throughout the City.
Engineering & Capital Works	Churchill Park Hardstand Area (Parking)	541	C0035	multi	0000	130,000	2,970	127,030	0	127,030	This project was put on hold in order to finalise the plan associated with Churchill Park.
Engineering & Capital Works	Lou Weston / King St Car Parking	541	C0036	3280	0000	101,000	98,713	2,287	-2,287	0	Funded from Shire District Community Facilities only balance of budget being carried over to finalise outstanding invoices.
Engineering & Capital Works	Brown Street Footpaths	541	F0059	3280	0000	153,000	94,212	58,788	0	58,788	Unspent funds to be carried over to finalise these projects.
Engineering & Capital Works	Busselton Bypass - Strelly Street to Clydebank Avenue	541	F1008	3280	0000	245,000	190,696	54,304	-42,659	11,645	Unspent funds to be carried over to finalise these projects.
Engineering & Capital Works	Yallingup Footpath	541	F0063	3280	0000	70,000	38,318	31,682	0	31,682	Carry over remaining budget associated with this project to complete the works identified.
Engineering & Capital Works	Busselton Bypass - Fairway to Kangaroo Gully	541	F1014	3280	0000	600,000	471,400	128,600	-120,000	8,600	Carry over balance of budget to complete these works, note project is mainly grant funded.
Engineering & Capital Works	Footpath Maintenance ( From Capital)	541	F9999	3280	0000	76,490	45,214	31,276	0	31,276	These are capital funds which were placed in the maintenance budget to complete numerous asset renewal projects that were too small to be capitalised. Funds to be carried over to continue with repairs.
Engineering & Capital Works	Strelly Street	541	S0035	3280	0000	190,664	120,536	70,128	-50,000	20,128	Works were delayed due to Traffic Study deliberations and decisions. \$50,000 in revenue needs to be carried over representing unclaimed grant funds over the past two years; 1. 2015 final 20% of grant yet to be claimed = \$20,000 2. Claim 2 @ 40% and claim 3 @ 20% of the 1/3rd grant amount @ \$50k = \$30,000
Engineering & Capital Works	Peel Terrace	541	S0064	3280	0000	112,426	38,707	73,719	-30,000	43,719	Works were delayed due to Traffic Study deliberations and decisions. \$30,000 in revenue needs to be carried over representing unclaimed grant funds.
Engineering & Capital Works	Puzey Road	541	T0016	3280	0000	1,043,000	623,474	419,526	-419,526	0	100% grant funded. Unspent revenue received this year will be restricted and applied against expenditure in 2016-17. Works are ongoing completion of this section is weather dependant.
Engineering & Capital Works	Bus Bays & Shelters	541	W0028	3280	0000	278,423	274,703	3,720	0	3,720	Carry Over balance of budget for the payment of outstanding invoices
Engineering & Capital Works	Bussell Highway - Bell Drive	541	W0080	3280	0000	31,000	4,067	26,933	-8,340	18,593	Carry over balance of budget, project not completed on time due to other commitments.
Engineering & Capital Works	Bussell Highway - Norman Road	541	W0135	3280	0000	34,000	641	33,359		33,359	Carry over balance of budget project not completed on time due to other commitments.

City of Busselton - 2016/2017 Annual Budget

Schedule of Estimated Carry-over Items



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		Sec	Cost Code	Natural Acc	Act Code						
Engineering Parks & Gardens	Eagle Bay Viewing Platform	545	C1753	3280	0000	23,000	0	23,000	-23,000	0	Carry over of City contribution to Eagle bay hall landscaping, to be finalised with eagle bay residents Community Facilities (Shire District) Council Res C1106/185
Engineering Parks & Gardens	Dunsborough - BMX / Skatebowl	545	C3046	3280	0000	35,000	8,604	26,396	0	26,396	Carry over Budget and commitments, the four Harbour Curl Shelters were not delivered on time as anticipated thus this project was not completed.
Engineering & Capital Works	Vasse Community & Recreation Precinct - AFL Oval Stage 1	545	C3134	3280	0000	1,085,000	435,658	300,000	-300,000	0	The project is ongoing, due to the recent poor weather rain and cold conditions the turf was saturated and could not be cut and laid. The balance of the budget to be carried over to complete oval construction. Turfing is expected in September
Engineering Parks & Gardens	Newtown Oval - Minor Upgrade of Existing Oval	545	C3136	3280	0000	20,000	10,255	9,745	-9,745	0	Works on the Kaloorup Oval have taken longer than anticipated by the community group.
<b>TOTAL</b>								<b>2,434,175</b>	<b>-2,019,239</b>	<b>414,936</b>	
<b>GRAND TOTAL</b>								<b>3,286,570</b>	<b>-2,669,652</b>	<b>616,918</b>	

**7. CLOSURE**