

Shire *of* Capel

AGENDA

SPECIAL COUNCIL MEETING
Wednesday, 12 August 2015

5.00pm – Peppermint Grove Beach
Community Centre



Experience the
Shire of Capel



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SHIRE OF CAPEL

NOTICE OF SPECIAL MEETING

A Special Meeting of Council will be held in the Peppermint Grove Beach Community Centre, Hayfield Drive, Peppermint Grove Beach on Wednesday 12 August 2015, commencing at 5.00pm.

P F Sheedy.

**P F SHEEDY
CHIEF EXECUTIVE OFFICER**

16 July 2015

PURPOSE OF MEETING

- Adoption of Budget and Differential Rates for 2015/16

A G E N D A

- 1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**
- 2 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)**
- 3 PUBLIC QUESTION TIME**
- 4 ADOPTION OF BUDGET & DIFFERENTIAL RATES FOR 2015/16**
- 5 PUBLIC QUESTION TIME**
- 6 MEETING CLOSURE**

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

2 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

Apology: Cr G Norton

Leave of Absence: Cr S Manley (OC0301)

3 PUBLIC QUESTION TIME

4 ADOPTION OF BUDGET & DIFFERENTIAL RATES FOR 2015/16

4.1 Adoption of Budget and Differential Rates for 2015/16

Location: N/A
Applicant: Shire of Capel
File Reference:
Disclosure of Interest: Nil
Date: 01.08.15
Author: Executive Manager Corporate Services, S Stevenson
Senior Officer: Chief Executive Officer, P Sheedy
Attachments: 1. Differential Rates Submission
2. Differential Rates Submission response
3. Shire of Capel Budget for the year ending 30 June 2016

MATTER FOR CONSIDERATION

Council to consider adopting the 2015/16 Budget and also approve:

- differential, minimum and specified area rates;
- rate payment discount, instalment interest rate and fee, penalty interest rate and early payment incentive prizes;
- rubbish collection and disposal fees and charges;
- the waiving of charges and granting of concessions;
- the Schedule of Fees and Charges; and
- the materiality percentage for monthly financial reporting of variances.

BACKGROUND / PROPOSAL

Background

On 24th June 2015 Council considered and endorsed the draft Budget for 2015/16 (refer Council resolution OC0618). At the Council meeting on 24th June 2015, Council also endorsed the advertising of the differential rates for 2015/16 (refer Council resolution OC0619).

Proposal

Council consider the adoption of the 2015/16 Budget, incorporating the Schedule of Fees & Charges, differential, minimum and specified area rates, related concessions, discounts, interest rates and monthly reporting variance.

STATUTORY ENVIRONMENT

Local Government Act 1995, Section 6.2

6.2. Local Government to prepare Annual Budget

- (1) During the period from 1 June in a financial year to 31 August in the next financial year, or such extended time as the Minister allows, each local government is to prepare and adopt*, in the form and manner prescribed, a budget for its municipal fund for the financial year ending on the 30 June next following that 31 August.
**Absolute Majority required*
- (2) In the preparation of the annual budget the local government is to have regard to the contents of the plan for the future of the district made in accordance with section 5.56 and to prepare a detailed estimate for the current year of –
 - (a) the expenditure by the local government; and
 - (b) the revenue and income, independent of general rates, of the local government; and
 - (c) the amount required to make up the deficiency, if any, shown by comparing the estimated expenditure with the estimated revenue and income.

Local Government (Financial Management) Regulations 1996, regulation 26

26. Discount, incentive, concession, waiver and write-off information

- (1) The annual budget is to include for each discount or other incentive to be granted for early payment of any money and in respect of each waiver or concession proposed in relation to any money –
 - a) in respect of a discount -
 - (i) the amount of the discount, or the percentage discount, to be allowed; and
 - (ii) the circumstances in which the discount will be granted;
 - and
 - c) in relation to a waiver or concession -
 - (i) a brief description of the waiver or concession;
 - (ii) a statement of the circumstances in which it will be granted;
 - (iii) details of the persons or class of persons to whom it is available; and
 - (iv) the objects of, and reasons for, the waiver or concession.

Local Government Act 1995, Section 6.12

6.12. Power to defer, grant discounts, waive or write off debts

- (1) Subject to subsection (2) and any other written law, a local government may –
 - a) when adopting the annual budget, grant* a discount or other incentive for the early payment of any amount of money; or
 - b) waive or grant concessions in relation to any amount of money; or
 - c) write off any amount of money, which is owed to the local government.** Absolute majority required*
- (2) Subsection 1(a) and (b) do not apply to an amount of money owing in respect of rates and services charges.
- (3) The grant of a concession under subsection (1)(b) may be subject to any conditions determined by the local government.

Local Government Act 1995, Section 6.16(1)

6.16. Imposition of fees and charges

- (1) A local government may impose* and recover a fee or charge for any goods or service it provides or proposes to provide, other than a service for which a service charge is imposed.
** Absolute majority required.*

Local Government Act 1995, Section 6.28

6.28. Basis of Rates

- (2) In determining the method of valuation of land to be used by a local government the Minister is to have regard to the general principle that the basis for a rate on any land is to be –
 - a) where the land is used predominantly for rural purposes, the unimproved value of the land; and

- b) where the land is used predominantly for non-rural purposes, the gross rental value of the land.
- (4) Subject to subsection (5), for the purposes of this section the valuation to be used by a local government is to be the valuation in force under the *Valuation of Land Act 1978* as at 1 July in each financial year.

Local Government Act 1995, Section 6.32

6.32. Rates and Service Charges

- (1) When adopting the annual budget, a local government –
 - (a) in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either –
 - i. uniformly; or
 - ii. differentially;and
 - (b) may impose* on rateable land within its district –
 - i. a specified area rate; or
 - ii. a minimum payment;and
 - (c) may impose* a service charge on land within its district.
- **Absolute Majority required*

Local Government Act 1995, Section 6.33

6.33. Differential General Rates

- (1) A local government may impose differential general rates according to any, or a combination, of the following characteristics –
 - (a) the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the *Planning and Development Act 2005*; or
 - (b) a purpose for which the land is held or used as determined by the local government; or
 - (c) whether or not the land is vacant land; or
 - (d) any other characteristic or combination of characteristics prescribed.
- (2) ...
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.

Local Government (Financial Management) Regulations 1996, regulation 52A

52A. Characteristics prescribed for differential general rates

- (1) In this regulation
 - commencement day** means the day on which the *Local Government (Financial Management) Amendment Regulations (No.2) 2012* regulation 5 comes into operation;
 - relevant district** means a district that –
 - (a) is declared to be a district by an order made under section 2.1(1)(a) on or after commencement day; or
 - (b) has its boundaries changed by an order made under section 2.1(1)(b) on or after commencement day.
- (2) For the purposes of section 6.33(1)(d), the following characteristics are prescribed in relation to land in a relevant district, where not more than 5 years has elapsed since the district last became a relevant district –
 - (a) whether or not the land is situated in a townsite as defined in the *Land Administration Act 1997* section 3(1);
 - (b) whether or not the land is situated in a particular part of the district of the local government.

Local Government Act 1995, Section 6.34

6.34. Limit on Revenue or Income from General Rates

Unless the Minister otherwise approves, the amount shown in the annual budget as being the amount it is estimated will be yielded by the general rate is not to –

- (a) be more than 110% of the amount of the budget deficiency; or
- (b) be less than 90% of the amount of the budget deficiency.

Local Government Act 1995, Section 6.35

6.35. Minimum Payment

- (1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.
- (2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.
- (3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than –
 - (a) 50% of the total number of separately rated properties in the district; or
 - (b) 50% of the number of properties in each category referred to in subsection (6), on which a minimum payment is imposed.
- (4) A minimum payment is not to be imposed on more than the prescribed percentage (50%) of –
 - (a) the number of separately rated properties in the district; or
 - (b) the number of properties in each category referred to in subsection (6), unless a general minimum does not exceed the prescribed amount (\$200).
- (5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsection (2), (3) and (4) for that land.
- (6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsection (2), (3) and (4) in respect of each of the following categories –
 - (a) to land rated on gross rental value; and
 - (b) to land rated on unimproved value; and
 - (c) to each differential rating category where a differential general rate is imposed.

Local Government Act 1995, Section 6.36

6.36. Local Government to give Notice of Certain Rates

- (1) Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so. *(21 days – may be 2 months before financial year)*
- (2)
- (3)
- (4) The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.
- (5)

Local Government Act 1995, Section 6.37(1)

6.37. Specified Area Rates

- (1) A local government may impose a specified area rate on rateable land within a portion of its district for the purpose of meeting the cost of the provision by it of a specific work, service or facility if the local government considers that the ratepayers or residents within that area –
 - (a) have benefited or will benefit from; or
 - (b) have access to or will have access to; or
 - (c) have contributed or will contribute to the need for, that work, service or facility.

Local Government Act 1995, Section 6.45(1)(2)(3)

6.45. Options for Payment of Rates or Service Charges

- (1) A rate or service charge is ordinarily payable to a local government by a single payment but the person liable for the payment of a rate or service charge may elect to make that payment to a local government, subject to subsection (3), by –
 - (a) 4 equal or nearly equal instalments; or

- (b) such other method of payment by instalments as is set forth in the local government's annual budget.
- (2) Where, during a financial year, a rate notice is given after a reassessment of rates under section 6.40 the person to whom the notice is given may pay the rate or service charge —
 - (a) by a single payment; or
 - (b) by such instalments as are remaining under subsection (1)(a) or (b) for the remainder of that financial year.
- (3) A local government may impose an additional charge (including an amount by way of interest) where payment of a rate or service charge is made by instalments and that additional charge is, for the purpose of its recovery, taken to be a rate or service charge, as the case requires, that is due and payable.

Local Government Act 1995, Section 6.47

6.47. Concessions

Subject to the *Rates and Charges (Rebates and Deferments) Act 1992*, a local government may at the time of imposing a rate or service charge or at a later date resolve to waive* a rate or service charge or resolve to grant other concessions in relation to a rate or service charge.

** Absolute majority required*

Local Government Act 1995, Section 6.51

6.51. Accrual of interest on overdue rates or service charges

- (1) A local government may at the time of imposing a rate or service charge resolve* to impose interest (at the rate set in its annual budget) on —
 - (a) a rate or service charge (or any instalment of a rate or service charge); and
 - (b) any costs of proceedings to recover any such charge, that remains unpaid after becoming due and payable.

** Absolute majority required.*

Local Government Act 1995, Section 5.56

6.56. Planning for the Future

- (1) A local government is to plan for the future of the district.
- (2) A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district.

**Local Government (Administration) Regulations 1996 apply. Specifically :-
Division 3 — Planning for the future**

19C. Planning for the future: strategic community plans — s. 5.56

19DA. Planning for the future: corporate business plans — s. 5.56

- (1) A local government is to ensure that a corporate business plan is made for its district in accordance with this regulation in respect of each financial year after the financial year ending 30 June 2013.
- (2) A corporate business plan for a district is to cover the period specified in the plan, which is to be at least 4 financial years.
- (3) A corporate business plan for a district is to —
 - (a) set out, consistently with any relevant priorities set out in the strategic community plan for the district, a local government's priorities for dealing with the objectives and aspirations of the community in the district; and
 - (b) govern a local government's internal business planning by expressing a local government's priorities by reference to operations that are within the capacity of the local government's resources; and
 - (c) develop and integrate matters relating to resources, including asset management, workforce planning and long-term financial planning.
- (4) A local government is to review the current corporate business plan for its district every year.
- (5) A local government may modify a corporate business plan, including extending the period the plan is made in respect of and modifying the plan if required because of modification of the local government's strategic community plan.

- (6) A council is to consider a corporate business plan, or modifications of such a plan, submitted to it and is to determine* whether or not to adopt the plan or the modifications.
*Absolute majority required.
- (7) If a corporate business plan is, or modifications of a corporate business plan are, adopted by the council, the plan or modified plan applies to the district for the period specified in the plan.

19D. Notice of plan to be given

Other legislation (i.e.: Freedom of Information Act 1992, Emergency Service Levy Act 2002, Caravan Park & Camping Ground Regulations 1997, Health Act 1911, Waste Avoidance & Resource Recovery Act 2007, Planning & Development Act 2005, Building Services Act 2011) specifies certain fees and charges that may be adopted by Council, and the fee threshold.

Regulation 34(5) of the Local Government (Financial Management) Regulations 1996 states that each financial year a local government is to adopt a percentage or value, calculated in accordance with the AAS, to be used in statements of financial activity for reporting material variances.

POLICY IMPLICATIONS

The Budget is based on the principles contained in the Strategic Community Plan and Corporate Business Plan. Policy 2.7 – Preparation of Integrated Financial Plan and Annual Budget applies.

FINANCIAL IMPLICATIONS

Budget

The Budget outlines planned expenditure and revenue and determines the financial parameters for the Shire to operate within for the 2015/16 financial year. The proposed budget for the year is balanced with all revenue to be received during the year and the estimated brought forward surplus being expended on meeting operating expenditure demands, the capital works program and transfers to reserves for future year's expenditure.

The fees and charges when adopted will determine the amount of revenue to be received during the 2015/16 financial year for certain areas. This income has been forecast in the draft budget income projections.

After taking into consideration all other sources of income, Council is required to raise sufficient rates to meet its total expenditure. However, it is allowed to adopt a budget that has a deficit that does not exceed 10% of its rate revenue.

For the 2015/16 Budget it is proposed a total of \$9,548,576 be raised from general property rates and \$583,552 from specified area rates. The expected yield from rates will be sufficient to balance the 2015/16 Budget after some adjustments have been made to increase other sources of revenue, reduce operating expenditure and to adjust the amount transferred to or from reserves.

The Budget outlines planned expenditure and revenue for the 2015/16 financial year. A generally balanced (break-even) position for the 2015/16 year provides a small estimated carried forward surplus at 30 June 2016 of \$21,756, but this will vary depending upon the final brought forward surplus/deficit from 2014/15.

Long Term

The proposed 6% increase in differential rate yield is in line with the Long Term Financial Plan. Minimum rates have increased by 10% as per the ratings workshop held on the 23rd March 2015. However, the level of population growth anticipated during 2012/13, 2013/14 and for

the next few years is noticeably lower than originally forecast in the Long Term Financial Plan and variable costs will need to be contained, where possible. Discretionary expenditure on capital works and other service areas will need to be closely managed to ensure the financial sustainability of the Shire is maintained.

Whole of Life

While the budget contains new assets and infrastructure, this report does not deal directly with the whole of life cost for those items. Consideration of the whole of life costs relevant to those items forms part of the individual project or asset evaluation and justification.

In future years it is anticipated that this will form an increasing proportion of the Strategic Integrated Planning process and link in with Council's Long Term Financial Plan and four year Corporate Plan.

SUSTAINABILITY IMPLICATIONS

The Budget includes a number of projects that will have a positive environmental impact. The levying of property rates has an environmental impact in that approximately 7,180 rate notices will be distributed in a paper based medium.

Many of the projects proposed in the Budget will provide a direct social benefit for the community. Increased property rates have the potential to have a social impact in terms of their affordability. Bearing in mind property rates also create a financial burden on customers, every effort has been made to minimise the size of the rate increase.

The projects in the Budget will generate a significant economic benefit for the Shire and some businesses within the Shire of Capel will share in this benefit. Property rates are the Shire's main area of "own source" revenue and it is therefore essential rate revenue be raised in a timely manner. To this extent they allow the continued financial operation of the Shire in a sustainable manner.

There are no environmental impacts expected from the adoption of fees and charges. The increased fees and charges are not expected to have any social impact on the use of Shire services.

Increases to fees and charges will result in increased economic benefit to the Shire and whilst the increases will need to be paid by the users of the services, the extent of the increases are not expected to cause any undue economic hardship.

STRATEGIC IMPLICATIONS

The Strategic Community Plan 2013 to 2031 includes the following strategic objective which has relevance:

- Provide efficient and effective financial management to ensure the long term financial sustainability of the organisation.
- Ensure the effective management of Council's resources.

CONSULTATION

The Budget includes items and projects that have been suggested by Councillors, the community and staff, and has been reviewed through the Executive Management Team.

The Shire departments involved with the administration of the various services involved were consulted and provided input to the proposed schedule of fees and charges.

The proposed differential rates were advertised for public comment in advertisements placed in the *Bunbury Herald* on Tuesday 30th June 2015 and the *South Western Times* on Thursday

2nd July 2015. Ratepayers and electors were invited to provide submissions by 4.00pm on Wednesday 22nd July 2015. No submissions were received. In accordance with Section 6.36(4), Council is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.

In accordance with Section 6.33(3) of the Local Government Act 1995, an application was made to the Department of Local Government on 30th June 2015 requesting the Minister's approval to impose a differential general rate for land rated on the basis of its unimproved value (UV) and gross rental value (GRV) that is twice the lowest differential general rate.

In accordance with Section 6.35(5) of the Local Government Act 1995, an application was also made to the Department of Local Government on 30th June 2015 requesting the Minister's approval to impose a minimum rate for the Vacant Residential and Urban differential rate category that exceeds 50%. The number of properties that the minimum rate of \$1,069 applies to is 84%.

This year saw a number of administrative changes by the Department of Local Government to how these applications were made to the Minister, resulting in additional material and submissions being made to provide these applications in the required format. This is an indication of increased scrutiny by the Department of the rate setting process to ensure compliance with the relevant legislation.

In line with government guidelines, staff have contacted, individually, the owners of 23 properties making up zone groups six and nine to advise of their new rate in the dollar as they form a group of fewer than 30 properties with a differential rate. They have been given the opportunity to make a submission. No submissions have been received by the end of the closing period on Wednesday 22nd July 2015. In addition, property owners in zone group 10 (Rural Commercial Use) have also been contacted individually as this group forms a group with fewer than 30 properties. This zone group is made up of 14 properties. Submissions for this group close on 4.00pm on Thursday 6th August 2015.

Section to be competed after the 6th August 2015 – This will report on any submission received regarding the proposed rates in the dollar for 2015/16. To date, none have been received however; the closing date is 4.00pm on Thursday 6th August 2015.

COMMENT

The 2015/16 budget document includes the following information:

- Commentary section incorporating:
 - Directory of the Council;
 - Message from the President;
 - Budget Highlights;
 - Graphs of operating Revenue and Expenditure;
 - Comparison of Key Statistics;
 - How a Rate Dollar is allocated; and
 - The Budget in Overview.
- Financial statements including the Statement of Comprehensive Income (Income Statement) by Nature or Type, Statement of Comprehensive Income (Income Statement) by Program, Cash Flow Statement and Rate Setting Statement;
- Notes to and forming part of the budget including notes on:
 - Significant Accounting Policies;
 - Operating Revenue and Expenditure;
 - Acquisition and Disposal of Assets;

- Information on loan borrowings;
 - Reserve funds;
 - Net Current Assets;
 - Rating Information including Specified Area Rating;
 - Fees & Charges;
 - Grants and Contributions; and
 - Asset Management.
- Detailed Financial Information at account level with Explanatory Notes, provides a greater level of detail for each account. This information is formatted with the account number, description and totals for the 2015/16 Budget, 2014/15 Actual (estimated end of year position) and 2014/15 Budget on the left hand page. The right hand page provides a break-down of the major components (expenditure or revenue items) of each account that has been included in the 2015/16 Budget column.
 - 2015/16 Differential Rates – Objects and Reasons;
 - 2015/16 Capital Works Program; and
 - 2015/16 Schedule of fees & Charges.

Following changes processed to the draft Budget provided to Council at its meeting on 24th June 2015, the Rate Setting Statement has been amended and shows essentially a balanced result.

The budgeted result of \$21,576 for 2015/16 assumes that a surplus of \$293,000 will be recorded for 2014/15. However, as the annual financial statements have not been completed this forecasted result is only a projection and may be subject to change.

Changes to the Draft Budget

Following the Council meeting on 24th June 2015 the following major changes have been processed in the Budget document:

- An additional \$25,000 of expenditure has been added to facilitate a working group to develop a theme for Capel;
- A reduction in the Emergency Services Levy (ESL) Grant for Bush Fire Brigades of \$15,934;
- Early payment of \$300,000 2015/16 capital grants funding towards the Dalyellup East Sporting Facility. This was transferred to the Unspent Grants & Loans Reserve in 2014/15;
- An updated rates model has been produced after the final input of additional properties into the Synergy database. This has resulted in changes to the rates due to additional subdivision lots being included (increase of \$21,062) and changes to the new rubbish service charges being generated. The increased revenue and expenditure projections are directly related to the number of pickup services for the three bin service and two bin service;
- \$2,000 has been allocated for costs potentially to be incurred for the Boyanup Heritage and Rail Precinct. An offsetting \$2,000 has been added in for lease income;
- Since the time of producing the draft budget, the WA Local Government Grants Commission (WALGGC) has advised that a portion of grants for 2015/16 would be paid in 2014/15. To date, they have not advised the total 2015/16 amount. Indications

provided by the Commission have suggested that grants for 2015/16 will be frozen as at 2014/15 levels.

On 29th June 2015 Council staff was advised that the Federal Government Notional Financial Assistance Grant (FAGs) would be paying \$512,839 for the General Purpose Grant and \$295,024 for the Local Roads Grant in 2014/15 as opposed to 2015/16. As a result, General Purpose Grants revenue for 2015/16 has reduced by a total of \$807,863. Whilst this does not represent a cut in overall funding, this does reduce income for 2015/16 and consequently affects any ratios where income is a variant. Particularly relevant to 2015/16 is the affect on the Debt Service Ratio. In the Draft Budget previously presented, the ratio was 1.98. As a result of the early payment of a portion of the Financial Assistance Grant (FAGs) this ratio has reduced to 1.02. This is significantly lower than the base guideline of 2.0 and will be something to consider when applying for borrowing. The prepaid \$807,863 has been transferred to the Unspent Grants & Loans Reserve and is included in the opening reserve balance for 2015/16;

- Changes in overhead allocations for Administration and Engineering Overheads for 2015/16. This does not change the total allocation, but affects the percentage of cost allocated to the various cost areas. This is undertaken periodically to ensure the overhead allocations reflect actual cost allocations;
- A reduction of \$2,500 in Youth Strategic Implementation Grants;
- Removal of the Wellington Regional Waste Group grants which will not relate to 2015/16;
- A \$130,000 increase in the Capital Expenditure Program to add an additional Light Tanker Fire Truck for Capel as this was not delivered as planned in 2014/15. This is fully funded and has no net impact on 2015/16 operating statement;
- Additional Roads to Recovery (RTR) grant of \$224,048 for 2015/16. This has been allocated against existing roads projects and in turn has reduced the budgeted amount to be transferred from the Infrastructure Asset Preservation Reserve from \$340,000 to \$115,952. This permits the use of the reserve funds in future years;
- A reallocation of \$34,912 between capital road maintenance and operating expense road maintenance as a result of increased funding. Operating expense has reduced for 2015/16 by \$34,912 compared to the Draft Budget; and
- Other minor variations to other grants, income, subscriptions, interest and expense areas to reflect updated forecasts for 2014/15 and 2015/16.

Rates, Discounts, Penalties and Instalments

The rates in the dollar and minimum rates included in the budget document are the same as those approved by Council at its meeting on 24th June 2015.

A letter was sent on 30th June 2015 to the Director General of the Department for Local Government requesting approval to implement a differential rate for both UV and GRV properties that are more than twice the lowest differential rate and to have the percentage of properties under the Vacant Residential & Urban Development category exceed the 50% limit.

This approval in part is required in accordance with Section 6.33(3) of the Local Government Act 1995 and applies to the Rural Commercial Use UV rate of 1.2309 cents which is more than twice the Rural UV rate of 0.4095 cents and the Vacant Residential & Urban Development GRV rate of 11.6721 cents which is more than twice the Special Rural GRV rate of 5.6472 cents.

In accordance with Section 6.35(5) of the Local Government Act 1995, an application was also made to the Department of Local Government requesting the Minister's approval to impose a minimum rate for the Vacant Residential & Urban Development differential rate category that exceeds 50%. The number of properties that the minimum rate of \$91,069 applies to in this category is 84%.

Section to be competed after the 6th August 2015 – This will report on any submission received regarding the proposed rates in the dollar for 2015/16. To date, none have been received however; the closing date is 4.00pm on Thursday 6th August 2015.

Overall, the objective for property rates was to increase the yield from rates by 6% in addition to the growth in the number of properties. This increase was 2% lower than applied for 2014/15 however the increase in minimum rates has been increased from 6% in 2014/15 to 10% in 2015/16. This increase is necessary to fund increases in the cost of the goods and services used by the Shire as well as fund the delivery of services to meet the needs of a rapidly growing area.

This rate increase has essentially resulted in a balanced budget for the year. Revenue from property rates including interim rates of \$254,000 has increased to \$9,548,476. Compared to the forecast rates income for last year of \$8,546,728 this represents an increase of 11%. A large part of this increase is attributable to the 6% increase in the differential rate yield and the 10% increase in minimum with the balance being attributable to the year on year growth rate in properties.

Penalty interest rate for rates not paid by the due date and rate payment instalment options and interest rate have been retained in percentage terms as per 2014/15 rates.

- The penalty interest to be charged on rates outstanding after the due date and for which the instalment option has not been taken up, was 11% last year. 11% is the maximum amount stipulated by Regulation.

It is proposed that this penalty interest rate be changed to be based on the penalty interest rate applied by the Australian Taxation Office General Interest Charge (GIC) rounded up to the nearest half percentage (9.15% for July-Sept 2015). This is in response to Ministerial Circular 11-2012 where the Minister sought a sector wide focus on administrative charges being based on cost recovery.

The GIC is based on the 90 day bank accepted bill rate plus an uplift factor of 7%. The definition of the 90 day bank accepted bill rate is the average mid rate for Australian dollar prime bank bills of exchange, accepted by an approved 'prime bank'. Prime bank designation approved by the Australian Financial Markets Association.

"The uplift factor is intended to make the GIC rate sufficiently high to discourage the use of tax debts as a source of business or private finance. However, the uplift factor is not intended to serve as a 'culpability penalty' that is, it is not a penalty for having engaged in blameworthy conduct. The GIC also serves to compensate the Australian Government for the impact of late payments, as delays in tax receipts mean that government borrowing and interest costs are higher than otherwise need be." (Australian Taxation Office - ATO)

This principle established in the determination of a Penalty Interest Charge by the ATO is proposed to form the basis for the determination of the penalty interest to be charged on rates outstanding after the due date.

The resultant budgeted interest charge is reducing to 10% for 2015/16.

- Rates can be paid in four instalments two months apart, provided there are no outstanding rates from the previous year. An instalment charge of \$12.00 is applicable to the second, third and fourth instalment (compared with \$11.00 in 2014/15).

Interest charges paid on instalments were 4.0% in 2014/15. 5.5% is the maximum amount stipulated by Regulation. In response to Ministerial Circular 11-2012 where the Minister sought a sector wide focus on administrative charges being based on cost recovery, it is proposed that this instalment interest rate be based on the average market interest rate available for a 12 month term deposit of \$100,000 in Western Australia, rounded up to the nearest half percentage.

The InfoChoice website (www.infochoice.com.au) provides this market comparison, which on the 30 June 2015 was on average between 2.4% - 3.05%. This change would result in the instalment interest charge reducing from 4.0% to 3.5%.

Rates incentive prizes for rates paid in full and received by Council by 4.30pm on the first due date are offered to ratepayers. Three prizes of Bendigo Bank savings accounts of \$500.00, \$300.00 and \$200.00 are anticipated to be offered again provided by the Donnybrook Capel Districts Community Bank Branch of Bendigo Bank.

Rubbish and Service Charges

Council agreed, at its meeting on 17th December 2014, to various refuse and service charges as a result of the "Review of Waste Management Services". Recommendations, as per minutes reference OC1221, are included in the Budget for adoption. Specifically, Council agreed to retain the combined fee for 3 bin and 2 bin kerbside collection at 2014/15 levels foregoing any fee increase in 2015/16. The charges are summarised below:

	3 Bin			2 Bin		
	2015/16	2014/15	2013/14	2015/16	2014/15	2013/14
Refuse Collection	254	254	240	191	191	180
Waste Transfer Fee	80	80	80	80	80	80
Green and Hard Waste Fee	30	30	29	12	12	12
Combined Fee	364	364	349	283	283	272

For ratepayers provided with the three bin service (primarily in residential areas) the combined Refuse Collection Charge will be \$364.00 which is unchanged from 2014/15. For ratepayers provided the two bin service (primarily rural, semi-rural, industrial and commercial areas) which consists of the domestic and recycling pickup service, the combined Refuse Collection Charge will be unchanged at \$283.00.

Please note that the combined collection fees in the 'Review of Waste Management Services' relate to 2013/14 financial year. As the intention of Council was to keep this fee unchanged from 2014/15, this has been applied in the final Budget for 2015/16.

Rate Concessions

Council has a number of properties where it needs to grant a rate concession or waive the rates each year, when adopting its Budget. Details are as follows:

- Sussex Location 1328, Capel Tutunup Road – GL Roberts. This property is held in one title, but is divided by the Ludlow River; hence the property is partly located in both the Capel Shire and City of Busselton. As a result, the section located in the Shire of Capel attracts the minimum rate for rural land each year and is more than Mr Roberts would

be levied if it was based on the rate in the dollar. Since 1997 Council has agreed to grant Mr Roberts a concession each year.

- A rate concession to all ratepayers in Dalyellup is requested in order to cap the specified area rate for Dalyellup Parks & Gardens Maintenance at \$176.30. The amount of this specified area rate is an increase of 6% or \$10.00 compared to the amount that was levied last year. The impact of this concession is that almost all properties will be rated the \$176.30 maximum rate.
- The amount budgeted to be raised from the specified area rate, including interim rates, is \$583,552. This is virtually equivalent to half of the total expenditure budget for maintenance of gardens and public open space in Dalyellup of \$535,485. \$30,000 will be utilised to fund additional POS maintenance provisions. The Dalyellup Specified Area Rate reserve is expected to be \$949,951 at the end of 2015/16. This is a useful insurance against expenditure increases in maintenance costs or unexpected costs being incurred.

Fees and Charges

Some minor amendments to the Schedule of Fees and Charges that was presented to Council at its meeting on 27th May 2015 (refer minute OC0523) include:

- The Emergency Services Levy has been increased from \$64.00 to \$68.00 in accordance with advice received from the Fire and Emergency Services Authority (FESA);
- The hard waste collection fee is now \$12.00 as per OC1221. This was noted as \$13.00 in the previous schedule;
- The general waste charge for a large utility or trailer is now \$30.00 as per OC1221. The previous version was notated as \$28.00;
- A new charge for green waste (Trailer 0.64m³) has been included as \$10.00 as per OC1221;
- Building Permit Applications have increased from \$92.00 to \$95.00 for 2015/16. These are regulated under Building Regulations 2012;
- Swimming pool four yearly inspection costs have increased from \$56.00 to \$57.45 for 2015/16; and
- Fees associated with the introduction of a fines enforcement process through the Fines Enforcement Registry, have increased year on year as follows:
 - Issuing Final Demand – increased from \$14.65 to \$16.40 for 2015/16;
 - Preparing enforcement certificate – increased from \$12.45 to \$13.95 for 2015/16; and
 - Registration of infringement notice – increased from \$46.60 to \$52.00 for 2015/16.

These fees are set under the *Fines Penalties and Infringements Notice Enforcement Regulations 1994*.

Summary

The Budget document as presented to Council is complete in its format. However, as the information relating to the 2014/15 financial year is still being compiled and is subject to end of financial year audit scrutiny, the brought forward position for 2015/16 is likely to change. All of the explanatory text associated with the Budget has been prepared and is included with the document provided with this item and Councillors are asked to refer to this text for additional commentary on the budget.

Once adopted by Council this document, after the relevant noted amendments, will be the final Budget and will be provided to the Department of Local Government and Communities by the end of August 2015 as is required by the Local Government Act (1995).

To complete the budget process for 2015/16 there are a number of formal decisions required and these are outlined in the staff recommendations.

Materiality Limit

Local Government Financial Management Regulation 34 (5) requires that each financial year a local government adopts a percentage or value, calculated in accordance with the Australian Accounting Standards (AAS).

This percentage or value is required to guide the users of financial reports regarding variances in actual to budget expenditures and revenues. Specifically the intention is to highlight variances that are important or significant due to their magnitude and possible impact.

Having regard to the fact that the users of these financial reports are management and Council requiring assistance with making management decisions, 10% has been considered to be a reasonable lower limit for highlighting material variances. However, this limit could be adjusted in the future if necessary and the use of this limit also does not preclude reporting lesser variances if it is considered their disclosure would be of benefit to the user of the financial report. It is therefore proposed that the materiality limit remain at 10% for 2015/16.

Council last approved the materiality limit of 10% at its meeting on 17th July 2013 (minute reference OC0708) as part of the annual budget approval process. As legislation requires this approval be provided every year, it is recommended it continue to be considered as part of the annual budget approval process.

Compliance Audit Return – Executive Functions

As part of the annual Compliance Audit Return process, Council is requested to attest to whether it has satisfied the provisions of Section 3.18 of the Local Government Act 1995. This section is entitled "Performing Executive Functions" and Part 2 deals with a local government providing services and facilities. Part 3 states that a local government is to satisfy itself that the services and facilities it provides are properly managed, avoid unnecessary duplication with other sectors and integrate and coordinate as far as practicable with other sectors.

At the Audit Committee Meeting on 9 March 2011, Councillors queried how this compliance could be substantiated. The advice provided from the Department of Local Government in a letter dated 4 April 2011 is as follows:

"The Department notes your comment that in adopting the annual budget to fund the services and facilities proposed, tacit acceptance of compliance with this section of the Act is given. There is no specific prescribed manner in which the local government is to satisfy itself that it has conformed with section 3.18 and in the Department's view, the absence of a specific resolution of Council does not of itself indicate non-compliance. However it is suggested that the following resolution as part of budget adoption would clearly indicate that the Council has considered and deliberated on this."

In accordance with this advice an additional staff recommendation, that replicates the wording of that provided by the Department of Local Government, has been included for Council's consideration.

OFFICER'S RECOMMENDATIONS – 4.1

VOTING REQUIREMENTS

Absolute majority

STAFF RECOMMENDATION 1

That Council having considered the one submission received in accordance with Section 6.36 of the Local Government Act 1995, adopts the following differential, minimum and specified area rates for the year ending 30 June 2016:

	Rate in \$	Minimum
Differential Rating :		
- Residential & Urban Developed (zone groups 1 & 3 GRV)	6.5335 cents	\$1,069.00
- Residential & Urban Vacant (zone groups 2 & 4 GRV)	11.6721 cents	\$1,069.00
- Town Centre / Special Use / Light Industry Vacant (zone groups 6 & 9 GRV)	8.7584 cents	\$1,069.00
- Town Centre/Light Industry / Commercial Use Urban Development (zone groups 5,7 & 8 GRV)	6.2050 cents	\$1,069.00
- Land Use – Rural Commercial Use (zone group 10 – UV)	1.2309 cents	\$1,069.00
- Rural (zone group 11 – UV)	0.4095 cents	\$1,069.00
- Special Rural (zone group 12 – GRV)	5.6472 cents	\$1,069.00
Specified Area Rating:		
- Dalyellup Parks, Reserves Maintenance (GRV) Purpose: Parks and Reserves Maintenance	4.5434 cents (to a maximum of \$176.30 per assessment)	Nil

VOTING REQUIREMENTS

Absolute majority

STAFF RECOMMENDATION 2

That Council grants a rate concession for 2015/16, under Section 6.47 of the Local Government Act 1995, to limit the specified area rate for Dalyellup Parks and Reserves Maintenance to a maximum amount of \$176.30 for all ratepayers in zone groups 3 and 4 (Dalyellup) who are levied the specified area rate for the maintenance of parks and reserves.

VOTING REQUIREMENTS

Absolute majority

STAFF RECOMMENDATION 3

That Council grants a rate concession for 2015/16, under Section 6.47 of the Local Government Act 1995, to GL Roberts for Sussex Location 1328 Capel Tutunup Road (A94), by levying a rate on the property calculated at the adopted rate in the dollar for rural land (Rate zone group 11) disregarding the application of the minimum rate.

VOTING REQUIREMENTS

Absolute majority

STAFF RECOMMENDATION 7

That Council, in accordance with Section 6.2 of the Local Government Act 1995, adopts the Annual Budget for the year ending 30 June 2016, acknowledging the changes noted contained will alter some of the annual budget content and authorises the Chief Executive Officer to effect changes to the budget document before distribution.

VOTING REQUIREMENTS

Absolute majority

STAFF RECOMMENDATION 8

That Council, in accordance with Local Government Financial Management Regulation 34(5), adopts a percentage of plus or minus 10% to be used for the reporting of variances of actual expenditure and revenue to budgeted expenditure and revenue in the monthly report of financial activity for 2015/16.

VOTING REQUIREMENTS

Simple majority

STAFF RECOMMENDATION 9

That Council, in accordance with Section 3.18 of the Local Government Act 1995, advises it is satisfied that the services and facilities it provides and which are funded in the 2015/16 Annual Budget:

- **integrate and coordinate, so far as is practicable, with any provided by the Commonwealth, State or any public body;**
- **do not duplicate, to an extent that the Council considers inappropriate, services or facilities provided by the Commonwealth, State or any other body or person, whether public or private; and**
- **will be managed efficiently and effectively.**

5 PUBLIC QUESTION TIME

6 MEETING CLOSURE