



# Special Council Meeting 13 August 2013

6.00pm

## MINUTES

**MINUTES OF A SPECIAL COUNCIL MEETING, HELD IN THE COUNCIL CHAMBERS, ON TUESDAY, 13 AUGUST 2013 COMMENCING AT 6.00PM.**

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**MINUTES OF A SPECIAL COUNCIL MEETING, HELD IN THE COUNCIL CHAMBER, ON TUESDAY, 13 AUGUST 2013 COMMENCING AT 6.00PM.**

**164. DECLARATION OF OPENING OF MEETING**

The Acting Mayor (Presiding Member) declared the meeting open.

**164.1 Present**

Cr A Wilson	Acting Mayor/Presiding Member
Cr C Collinson	
Cr B de Jong	
Cr R Lilleyman	
Cr S Martin	
Cr D Nardi	
Cr R Olson	
Cr M Rico	
Mr J Douglas	Acting Chief Executive Officer
Mr L Mainwaring	Executive Manager Finance & Administration
Ms J May	Minute Secretary

**165. ACKNOWLEDGEMENT OF COUNTRY**

The Presiding Member made the following acknowledgement:

*“On behalf of the Council I would like to acknowledge the Nyoongar people as the traditional custodians of the land on which this meeting is taking place.”*

**166. WELCOME TO GALLERY AND INTRODUCTION OF ELECTED MEMBERS AND STAFF**

There were no members of the public in the gallery at the commencement of the meeting.

**167. RECORD OF APPROVED LEAVE OF ABSENCE**

Nil.

**168. RECORD OF APOLOGIES**

Nil.

**169. PUBLIC QUESTION TIME**

Nil.

**170. BUSINESS**

**170.1 2013/2014 Budget**

*By Les Mainwaring Executive Manager Finance & Administration 8 August 2013*

**PURPOSE**

To set differential and minimum rates, set interest and penalty charges, adopt the schedule of fees and charges, set councillor fees, set a materiality guide to financial reporting, adopt significant accounting policies and adopt the annual budget for the 2013/2014 financial year.

**BACKGROUND**

The Town of East Fremantle’s 2013/2014 draft Municipal Budget is presented for adoption by Councillors, noting the following key points.

A consultation process was undertaken from 15 April 2013, with input from elected members, relevant staff within areas of responsibility and community groups. Councillors also participated in two comprehensive budget workshops on the 16 and 31 July 2013.

The executive group have sought to implement prioritised objectives within the context of a balanced draft budget, using reasonable funding estimations. The draft budget as proposed is based upon a general increase in rates of 5.5%, which compares to 5% from the previous year.

Carried forward capital works have been included where identified, with unspent funds from the 2012/13 adopted budget remaining in relevant reserves.

All additional requirements for capital expenditure programs for 2013/14 have been matched with transactions that transfer funds to and from reserves. This accounting practice allows the Town to match all capital activity with reserve transactions and assist in preservation of allocated asset funding and the development of a more planned approach to asset management with links to the long term financial plan.

#### Relevant Cost Indexes

When considering the requirements for local government operations we need to consider the impact of existing services and any expansion in services that will impact on the rate setting equation. There are also various indicators that affect the cost structure of local government.

Relevant indices to consider when comparing the price signal of rate increases are the Wage Price Index (WPI), and Local Government Cost Index (LGCI) as opposed to the Consumer Price Index (CPI). Being a service industry the WPI has a significant impact on budgets, followed by the LGCI which includes a combination of CPI and construction indices to better reflect local government operations than CPI alone.

At the time of setting the budget, the following indices were forecast as WPI 4.25%; LGCI 3.2% and CPI 3.0%.

Wages growth is predicted to remain strong in WA, although job vacancy data has been particularly volatile in recent quarters which adds a degree of uncertainty to labour market forecasts

## REPORT

### **Comparison to Long Term Financial Plan (LTFP) 2013/2014**

Noting that the LTFP draws upon broad assumptions trending from last year's budget position, and the draft budget has the benefit of line item assessments, the draft budget Operating Cash Result of \$1.370 million is \$122,000 favourable to the LTFP estimate of \$1.248 million. This tightening of operating activities has allowed additional funds to be applied to capital reserves such as infrastructure and public art compared to the LTFP.

### **Comments/Discussion**

- Differential Rates

The proposed differential rates increase of 5.5%, plus interim rates of \$15,000 will yield an amount of \$6.031 Million, which is calculated to meet the requirements of the current draft budget shortfall in order to provide for a balanced budget.

At a Special Meeting of Council held on 16 July 2013, the proposed differential rates were considered for advertising in accordance with Section 6.36 of the Local Government Act 1995 (LGA), where advertising is required for a minimum of 21 days. A request for submissions on differential rates was given local public notice on 20 July 2013, with a closing date for submissions set at 5:00pm 12 August 2013 (23 days).

No submissions had been received at the time of preparing this report.

#### *Differential General Rate*

- Residential rate is 7.1277 cents in the dollar of (GRV)
- Commercial rate is 10.3128 cents in the dollar of (GRV)

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In consideration of what the community is getting for its differential rates, the operating budget is used for providing community services and maintaining infrastructure as well as supporting Council's administration.

Services include rubbish collection, recycling, road repair, footpaths, cycleways, car parks, traffic management, bus shelters, foreshore maintenance, drainage, street lighting, verge maintenance, street cleaning, street trees and tree watering, graffiti removal, parks and gardens maintenance, playgrounds, barbeques, East Fremantle/Fremantle lending library, launching ramp, mooring pens, sporting and recreational facilities, home and community care services, community organisations such as Glyde-In, and events such as the East Fremantle Festival.

The operating projects planned for 2013/14 include a Community Survey, Home and Community Care in-home care programs, completion of the review of the Town Planning Scheme, review and expansion of the Municipal Heritage Inventory, progression of the East Fremantle Oval Master Plan through the dedicated efforts of a Community Reference Group, the East Fremantle Festival, other community entertainment, rapid response graffiti removal, native plant subsidies at APACE, an e-waste verge collection and bi-monthly Living Smart workshops on waste reduction.

In keeping with the Town's top five ranking of metro Councils for waste management performance, Council will continue providing weekly recycling collections and three green waste collections and one general verge waste collection (including e-waste) during 2013/14. As a member of the South Metropolitan Regional Council (SMRC), we will also provide a free tip pass, which can be used at Henderson Waste Recovery Park or the Regional Resource Recovery Centre (RRRC), which will accept green waste. As part of our commitment to improving environmental sustainability the SMRC diverts waste from landfill and saves greenhouse gas emissions.

Other significant projects of interest include:

Historic Building Preservation	\$1,200,000
Town Hall heritage restoration Year 2	\$383,000
Plympton footpaths program Year 3	\$364,900
Drainage Hubble Street	\$153,900
Plympton Parking programme	\$152,800
Old Police Station heritage restoration Year 2	\$150,000
EF Cricket/Lacrosse Club Building Renewal	\$150,000
King Street asphalt resurfacing	\$94,600
May Street asphalt resurfacing	\$75,900
Walter Street asphalt resurfacing	\$72,600
Plympton steps and Kitson Park conservation works	\$49,500
Acquisition and installation of Outdoor Public Art	\$49,500
Sumpton Green Building Renewal	\$35,000
Adult exercise equipment into parks	\$27,500
Merv Cowan Park Gazebo Renewal	\$27,000
Sumpton Green Playground Renewal	\$23,100

- Minimum Rates

Minimum rates have received a general increase of 5.5%, therefore the minimum rate for any Residential property is \$835 (last year \$795) and any Commercial property is \$1035 (last year \$981).

The purpose of adopting minimum rates is to ensure that all property owners make a fair contribution to the operations of Council, including governance and compliance as well as the more visible services and infrastructure improvements.

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There are 184 properties in East Fremantle on minimum rates which represents 5.7% of rateable properties that contribute approximately 2.6% of total rate revenue.

- Interest and Penalty Charges

Under the local government act, Council is empowered to change instalment interest and fees on instalment arrangements and interest on overdue rates. The maximum interest rate prescribed by regulation is 5.5% on instalment arrangements and 11% on unpaid rates.

Instalment charges under regulation are set to provide a full or partial reimbursement of administration costs. One instalment transaction fee of \$15 is set to reflect the administrative handling where the 2 or 4 instalment option is chosen.

Alternative instalment plans are those that fall outside of the standard arrangements and by their nature often involve a greater degree of staff time and can involve a greater number of instalment transactions over time. A fee of \$42 is proposed for the set up of special payment plans outside of standard instalments.

	<b>Interest Rate %</b>	<b>Admin. Charge \$</b>	<b>2013/14 Budget \$</b>	<b>2012/13 Actual \$</b>
Interest on Unpaid Rates	11.00%		20,000	20,900
Pensioner Deferred Rates Interest			3,600	3,600
Interest on Instalments Plan	5.50%		32,000	31,800
Charges on Instalment Plan		\$15	35,000	35,000
			90,600	91,300

Ratepayers have the option of three payment plans as follows:

One instalment due – 26 September 2013

Two instalments due – 26 September 2013 & 30 January 2014

Four instalments due – 26 September 2013, 21 November 2013, 30 January 2014 & 27 March 2014.

- Schedule of Fees and Charges (incl Commercial Rubbish Charges)

Recycling services are continuing on a weekly collection cycle, in an initiative to increase recycling activity generally, therefore one full rubbish service will include weekly waste and weekly recycling collection.

There is no additional Residential charge for the collection of general domestic waste and recycling, instead the recovery of costs associated with one full service collection is incorporated within the general residential rate charge.

Commercial properties waste and recycling service charge have been set at \$433 (last year \$418) per annum, and additional singular services for waste or recycling are \$216 per annum for either.

From the 1 November 2013 the Cat Act 2011 comes into full operation, where all cats are required to be registered, microchipped and sterilised.

Under the local government act, a Council may impose a fee or a charge for any goods or services it provides, or proposes to provide.

The schedule of fees and charges is found in the supplementary section of the statutory budget. There are a number of acts that guide or impose the level of fees and charges, and the empowering legislation has been identified in the schedule.

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- Councillor Fees and Allowances

Local government regulation prescribes minimum and maximum amounts for Councillor fees and allowances. The Town of East Fremantle has elected to pay annual fees instead of per meeting fees.

A comparison of the Elected Members fees and allowances, as a percentage of the maximum prescribed amounts adopted last year, are illustrated below;

Fee/Allowance	2012/2013	%	Prev.Maximum
Sitting Fee – Mayor	\$14,000	100%	\$14,000
Sitting Fee – Councillor	\$ 7,000	100%	\$ 7,000
Allowance – Mayor*	\$12,000	74%	\$16,265
Allowance – Deputy Mayor**	\$ 3,000	74%	\$ 4,066
Allowance – ICT	\$ 2,420	71%	\$ 3,400
<b>TOTAL (all Councillors)</b>	<b>\$106,780</b>	<b>88%</b>	<b>\$120,931</b>

In June 2013 the Salary and Allowances Tribunal handed down a review of Local Government Elected Member fees under the Local Government Act 1995, effective from 1 July 2013. Fee ranges were set according to four Council bands, and the Town of East Fremantle was determined fall within the band 3 Council range.

*\*Sitting Fees*

Councillor sitting fees were set at a range of \$7,500 to \$15,500, and the office of mayor is set in a range of \$7,500 to \$24,000.

*\*Mayoral Allowance*

The prescribed maximum annual local government allowance for a Mayor was changed to \$35,000 or 0.002 of operating revenue, whichever is the lesser. For East Fremantle, with the last audited 2011/2012 operating revenue of \$8,419,773, the maximum allowance would be calculated as \$16,840.

*\*\*Deputy Mayoral Allowance*

Regulation prescribes that a Deputy Mayor may be paid up to 25% of the Mayoral Allowance.

*\*\*\*Annual Allowances*

A range of \$500 to \$3,500 was set for annual ICT allowances. Currently the communications allowance is made up of any or all of the following; \$360 landline phone, \$360 mobile phone, \$700 internet connection and \$1000 IT related expenses. The following fee settings are presented with a proposal based on the consensus from the 31 July Budget workshop, and the intent to further review fees for the following year. The fee setting for 2013/14 represents 80% of the maximum prescribed amounts and is an increase of 50% on the previous year.

Fee/Allowance	2013/2014	%	Maximum
Sitting Fee – Mayor	\$24,000	100%	\$24,000
Sitting Fee – Councillor (8)	\$12,500	81%	\$15,500
Allowance – Mayor*	\$12,000	71%	\$16,840
Allowance – Deputy Mayor**	\$ 3,000	71%	\$ 4,210
Allowance – ICT (9)	\$ 2,420	69%	\$ 3,500
<b>TOTAL (all Councillors)</b>	<b>\$160,780</b>	<b>80%</b>	<b>\$200,550</b>

The payment of sitting fees, mayoral and deputy mayoral allowances are paid quarterly in arrears and the ICT allowances are claimed quarterly in arrears. Councillors are provided with claim forms on a quarterly basis.

Quarterly payments would be a maximum of;

Mayor	\$9,000
Deputy Mayor	\$3,875
Councillors	\$3,125
ICT Allowance	\$ 605

- Materiality in Financial Reporting

At the budget special Council Meeting 21 August 2013, Council adopted the position of materiality in financial reporting as follows;

*“A materiality threshold in financial reporting at each program level, of either the greater of 10% or \$10,000.”*

At the Ordinary Council Meeting 16 July 2013, in the interests of improving governance structure, Council held that the materiality statement should be amended to read;

*“Adopts a materiality threshold in financial reporting at each program level of 10% or \$10,000, whichever the greater, and that council approval is required for a material change in capital project scope compared to the originally budgeted capital project plan”*

Monthly reporting, by regulation, requires the establishment of a Council adopted materiality statement by which it is mandatory to explain the budget variance. It is deemed prudent to re-adopt this position during the passage of each annual budget.

- Significant Accounting Policies

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, **selecting and applying appropriate accounting policies**; and making accounting estimates that are reasonable in the circumstances.

Significant accounting policies are reviewed annually, after consultation and advice from external auditors, and disclosed in Note 1 of every adopted annual budget and annual financial report. The accounting policies in this report are relevant for the budget period 2013/2014, whereas the annual report 2012/2013 is based on policies adopted in the previous years budget.

In the interests of continuously improving good governance practices, it is considered to be good practice to adopt significant accounting policies as a separate part of the budget process.

- 2013/2014 Budget Adoption

Section 6.2 of the Local Government Act 1995 requires Council to adopt the annual budget by 31 August in each year.

The budget process commenced in April 2013 and set out to achieve the following objectives:

- 1) Councillors and officers have adequate opportunity for input,
- 2) Responsibility and accountability for budgets is conveyed to the relevant officer responsible, and
- 3) Completion of documentation in a timely manner and the formal Council meeting to adopt the budget in early August.

Workshops were held 16 and 31 July to discuss the draft budget, Fees and Charges and the capital programs for Civic Buildings, Roadwork's, Parks and Gardens and Plant replacement. During these workshops all new initiatives, carried forward



initiatives, existing budget impacts, major projects, and strategic issues have been considered in terms of budget impact.

The draft budget document is in statutory form and includes statutory statements, notes to the financial statements, significant accounting policies and supplementary schedules and appendices.

The 2013/2014 draft budget currently has a carried forward balance of \$134,550, which is mainly the result of the continued federal stimulus initiative to provide councils with 50% of their 2013/14 general purpose grants in advance. The Town of East Fremantle has taken the prudent position of treating these early paid funds as advance payments to be carried forward and used in the following budget year 2013/2014.

Indications from budget forecasting reported to the end of May indicates that we are expecting to have operated within the funding limitations of the 2012/2013 budget however, notwithstanding the early general purpose grants, the carried forward position cannot be reliably confirmed until end of year processes are completed, especially in the area of unpaid employee leave liability calculations. For this reason we have taken the approach of ensuring that current year budget expenditure is matched with current year revenue estimates for budget purposes.

There has been pre-budget discussion of increasing the Municipal Heritage Inventory Project from \$50,000 to \$200,000. The most likely source of additional funding for this project could come from a carried forward surplus, however the exact sum available will not be known until completion of the 2012/13 external audit which will be finalised in a matter of months. At this point, when sums are certain, additional allocation could be considered for the Municipal Heritage Inventory Project, noting that \$50,000 is immediately available to commence the project.

The draft budget has been prepared using the advertised general rate increase of 5.5%, which is slightly higher than the previous year when rates were set at 5%.

In macro dollar terms Council will invest \$3.4 million in asset service activities including; \$2 million civic building works; \$1.1 million road, drainage, parks and infrastructure works; \$200,000 of mobile plant and equipment acquisitions; \$74,000 of other equipment acquisition and \$134,000 retirement of existing council debt.

Funding for the capital activities includes developer contributions of \$139,000; sale of plant of \$60,000; loan proceeds of \$1.2 million and a \$736,000 net transfer from reserves.

### **Statutory Requirements**

Local Government Act 1995 (LGA), Local Government Financial Management Regulations 1996 (FM Regs), Local Government Administration Regulations 1996 (Admin Regs), Waste Avoidance and Resource Recovery Act 2007 (WARR)

- Differential Rates  
LGA s6.33 and s6.36
- Minimum Rates  
LGA s6.35
- Interest and Penalty Charges  
LGA s6.13, FM Reg 19A, 68 and 69
- Schedule of Fees and Charges (incl Rubbish Charges)  
WARR s67, LGA s6.16 and s6.17, Planning & Development Act 2005, Health Act 1911, Freedom of Information Act 1992, Litter Act 1992, Dog Act 1976, Environmental Protection Act 1986, Cat Act 2011.
- Councillor Fees and Allowances  
LGA s5.98, s5.98A, s5.99, s5.99A, Admin Regs 30, 31 and 32.

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## MINUTES

- Materiality in Financial Reporting  
LGA s6.4, FM Reg 34
- Significant Accounting Policies  
FM Reg 5A
- 2013/2014 Budget Adoption  
LGA s6.2

**Relevant Policies**

Significant Accounting Policies

**CONCLUSION**

Recommend the adoption of the proposed Budget, including differential rates, minimum rates, interest and penalty charges, the schedule of fees and charges, Councillor sitting fees and allowances, materiality statement in financial reporting, significant accounting policies and the annual budget for the year ending 30 June 2014.

**RECOMMENDATION**

That Council adopts:

1. The following differential general rates to be imposed on all rateable land in the district, for a general rate increase of 5.5%:  
  
Residential rate is 7.1277 cents in the dollar of Gross Rental Value  
Commercial rate is 10.3128 cents in the dollar of Gross Rental Value
2. The following general minimum rates for each of the differential general rating categories:  
  
Residential \$835  
Commercial \$1035
3. The following interest charges:  
  
Interest on unpaid rates - 11%  
Interest on Instalment plans - 5.5%
4. The Schedule of Fees and Charges.
5. The following annual amounts for elected member sitting fees and allowances:
 

Sitting Fee – Mayor	\$24,000
Sitting Fee – Councillors	\$12,500
Allowance – Mayor	\$12,000
Allowance – Deputy Mayor	\$ 3,000
Allowance – ICT	\$ 2,420
6. A materiality threshold in financial reporting at each program level of 10% or \$10,000, whichever the greater, and that council approval is required for a material change in capital project scope compared to the originally budgeted capital project plan.
7. The significant accounting policies for 2013/2014
8. The 2013/2014 Budget.

**Absolute Majority Resolution Required**

The Executive Manager Finance &amp; Administration:

1. advised that as at the close of the advertising period (12 August 2013), no submissions had been received in response to the proposed differential rates.
2. provided a brief overview of the 2013/2014 budget as proposed.

Considerable discussion ensued with the Executive Manager Finance & Administration and Acting CEO responding to queries raised by elected members on various aspects of the proposed Budget.

Cr Olson – Cr de Jong

That Council adopts:

1. The following differential general rates to be imposed on all rateable land in the district, for a general rate increase of 5.5%:

Residential rate is 7.1277 cents in the dollar of Gross Rental Value  
 Commercial rate is 10.3128 cents in the dollar of Gross Rental Value

2. The following general minimum rates for each of the differential general rating categories:

Residential \$835  
 Commercial \$1035

3. The following interest charges:

Interest on unpaid rates - 11%  
 Interest on Instalment plans - 5.5%

4. The Schedule of Fees and Charges.

5. The following annual amounts for elected member sitting fees and allowances:

Sitting Fee – Mayor	\$24,000
Sitting Fee – Councillors	\$12,500
Allowance – Mayor	\$12,000
Allowance – Deputy Mayor	\$ 3,000
Allowance – ICT	\$ 2,420

6. A materiality threshold in financial reporting at each program level of 10% or \$10,000, whichever the greater, and that council approval is required for a material change in capital project scope compared to the originally budgeted capital project plan.

7. The significant accounting policies for 2013/2014

8. The 2013/2014 Budget.

CARRIED  
ABSOLUTE MAJORITY

**171. CLOSURE OF MEETING**

There being no further business, the meeting closed at 6.22pm.

*I hereby certify that the Minutes of the special meeting of the Council of the Town of East Fremantle, held on 13 August 2013, Minute Book reference 164. to 171. were confirmed at the meeting of the Council on*

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*Presiding Member*