

1.1.1.1 ADDENDUM REPORT - ADOPTION OF COUNCIL BUDGET 2014/15

Meeting Type: Ordinary Council Meeting
Date of Meeting: 17 June 2014
Author (name and title): Donald Mace, Manager - Finance
File Name: Council Budget 2014/15
File No.: 51.060.022

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Executive Summary

This report is presented to Council to recommend that the Draft 2014/15 Budget be adopted.

RECOMMENDATION:

That Council resolves to:

- 1. consider submissions made regarding the 2014/15 Budget;***
- 2. adopt the 2014/2015 Budget annexed to this resolution;***
- 3. authorise the Chief Executive Officer to give public notice of Council's decision to adopt the 2014/2015 Budget in accordance with section 130(2) of the Local Government Act 1989; and***
- 4. advise budget submitters of this decision and that the reasons for the decision are that Council considers that the Budget ensures that the services and facilities provided by the Council are accessible and equitable, that the rates and charges are reasonably imposed and that the Budget contributes to Council's financial sustainability;***

Background

At its Special Council Meeting held on 6 May 2014, Council resolved to give public notice of the preparation of the Budget for the 2014/2015 financial year.

In accordance with s129 of the *Local Government Act 1989* (the Act) the Draft Budget was placed on public display on Council's website, at the Wangaratta Government Centre and the Wangaratta Library.

Public submissions on the Draft 2014/2015 Budget were invited via Council's website and in the local media.

Implications

Policy Considerations

There are no specific Council policies or strategies that relate to this report.

Financial Implications

The Draft 2014/2015 Budget establishes the financial framework of Council including income and expenditure, rating strategy, borrowings and asset management programs necessary for Council operations.

The statutory process regarding exhibition of the Draft 2014/15 Budget and consideration of submissions has been completed.

Detailed information on relevant aspects of the Draft 2014/2015 Budget are contained in the Draft 2014/2015 Budget Report annexed to this report (***refer attachment***).

Legal/Statutory

In accordance with s127 of the Act, Council must prepare a budget for each financial year.

The presentation of the 2014/15 Budget is in a format recommended by the Institute of Chartered Accountants as a model of best practice and contains a comprehensive assessment of Council's financial position and proposed expenditures and revenues.

The 2014/15 Budget has taken into consideration recent amendments to the Act and new Regulations. The *Local Government Amendment (Performance Reporting and Accountability) Act 2014* was given Royal Assent on 11 February 2014. The *Local Government (Finance and Reporting) Regulations 2004* sunset on 20 April 2014 and new regulations - the *Local Government (Planning and Reporting) Regulations 2014* - commenced operation on 18 April 2014.

Social

The 2014/15 Budget contains financial provision for Council to achieve significant social and community programs which will improve the social sustainability of our population.

Environmental/Sustainability Impacts

The 2014/15 Budget contains financial provision for Council to deliver environmental and sustainability programs and services to the community.

Economic Impacts

The establishment of the 2014/15 Budget is a critical component in the financial management of Council's operations to ensure the delivery of appropriate services, programs and infrastructure to residents and ratepayers

Council Plan-Key Strategic Activity/Action

Included in the Draft Council Plan 2013-2017 reviewed 2014 are objectives to:

1. ensure we consult and engage effectively with the community in our decision making;
2. ensure that Council's plans and budgets are responsible and sustainable; and
3. Provide accessible, open and transparent governance.

Strategic Links

a) Rural City of Wangaratta 2030 Community Vision

Council's Budget 2014/15 is linked to the Rural City of Wangaratta 2030 Community Vision through the Council Plan.

b) Other strategic links

The 2014/15 Budget provides the financial resources to prepare and deliver a number of key strategic programs.

Risk Management

Risks	Likelihood	Consequence	Rating	Mitigation Action
Budget compliance requirements not met	L	H	M	Completion of compliance check list by Manager Finance

Consultation/Communication

Council has undertaken a series of community presentations regarding the 2014/15 Budget. These forums have been conducted in urban and rural settings and have included a presentation by Council officers followed by a period of public question time. The forums were held in the following locations:

- 7 March – Wangaratta – Business After Hours meeting
- 19 March – Wangaratta – Performing Arts Centre
- 20 March – Moyhu Soldiers Memorial Hall
- 26 March – Glenrowan Recreation Reserve

27 March – Tarrawingee Hall
28 March – Springhurst Hall

Six written submissions were received and one submission received after the consultation period had closed (**refer attachment**).

Mr Jim Lewis requested to appear in person to be heard in support of his submission.

A committee of the Council heard the submission from Mr Lewis on Tuesday 10 June 2014.

Mr Paul O'Brien's submission was received after the closing date on Thursday 12 June 2014 with a requested to appear in person to be heard in support of his submission.

A committee of the Council heard the submission from Mr O'Brien on Monday 16 June 2014.

Officers believe that appropriate consultation has occurred and the matter is now ready for Council consideration.

Public notification on the adoption of the 2014/2015 Budget will be given in the local media and on Council's website.

Advice will be forwarded to budget submitters of the outcome of their submissions to Council in relation to the Draft 2014/2015 Budget.

A copy of the Adopted 2014/15 Budget will be forwarded to the Minister for Local Government as required by the Act section 130 (4).

Submissions summary

Kevin & Sue Bromilow

Summary of Submission	Suggested Response
Strong support for the Wangaratta Saleyards due to economic and social benefits for rural and city ratepayers. Relates to: Page 17. Major Initiative: 30) Commence the development of the Wangaratta Saleyards upgrade.	Included in the 2014/15 Budget subject to Council approval based on full information. No change
Strong support for the Whorouly Football and Netball Change rooms project for improved sporting participation, community spirit and social interaction.	Included in the 2014/15 Budget No change

<p>Relates to: Page 61. Appendix C: Buildings 01108 Whorouly Football/Netball Club change rooms</p>	
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Mr Bernard Young

As per Council Plan submission:

Summary of Submission	Suggested Response
<p>Request for both the Budget and Council Plan to be amended to include funds for real action, not a course of action resolved, nor an action plan, but the outcome of pedestrian crossings built this coming year.</p> <p>Relates to: Council Plan Page 28. Section 4 – Infrastructure Services 4.1.1.6 Resolve a course of action for addressing traffic and pedestrian issues within the Wangaratta Central Activities Area. Output Indicator: Action plan for pedestrian and traffic in Central Activities Area developed and presented to the Corporate Management Team.</p>	<p>As an action plan, with the controlling authority (Vicroads), has not been agreed to and cost implications are unknown it would be premature to include this in the Budget or Council Plan.</p> <p>No change</p>

Mr Jim Lewis

Summary of Submission	Suggested Response
<p>Rise in Rates. Recommendation that after the 6% Rate rise for 3 years and the subsequent year % should be lower than 5% to ensure an average of 5% is maintained</p> <p>Relates to: Page 4. CEO Summary 1. Rates</p>	<p>We will increase rates by 6% in the 2014/15 financial year. This level allows us to recover from previously incurred governance costs, maintain existing service levels, fund a small number of new initiatives and continue to allocate additional funds to renew the municipality's infrastructure. The subsequent 6% rate rises will ensure the Council's long term liquidity and sustainability.</p> <p>No change</p>
<p>Some service Costs. How can we deliver the same services at a lesser cost and where was the 2013/14 Victorian Grants Commission in advance shown?</p>	<p>Expenses are estimated to be relatively flat with the Council to maintain services. \$3.4m of Victorian Grants Commission for 2013/14 is shown in income for</p>

<p>Relates to: Page 5. CEO Summary 3. Services (Net Costs calculated as Total Expenses excluding depreciation less Total Revenue excluding Rates and Capital Grants)</p>	<p>2012/13 as per accounting standard for the recognition of revenue when received. Therefore, Net costs are higher in 2013/14.</p> <p>No change</p>
<p>Capital Works. 2014/15 \$20m higher than all other years.</p> <p>Relates to: Page 6. CEO Summary 5. Capital Works</p>	<p>The capital works program for the 2014/15 year is expected to be \$20.55 million of which \$4.4 million relates to projects which will be carried forward from the 2013/14 year. The carried forward component is fully funded from the 2013/14 budget</p> <p>No change</p>
<p>Community Wellbeing Services. Prioritisation of resources including service reviews required eg YMCA, defer Community Wellbeing review, Cultural Services Plan and Pool Facilities utilisation.</p> <p>Relates to: Page 12. Section 2.2 Strategic Objective 2: Community Wellbeing</p>	<p>Council has provided for a service level review to be undertaken in 2014/15 to inform future decision making regarding resource allocation.</p> <p>No change</p>
<p>Development Services. Consider ways to mandate design and building. Is waste management the only indicator?</p> <p>Relates to: Page 14. Section 2.3 Strategic Objective 3: Development Services</p>	<p>Council continues to monitor design and building requirements through the Planning Scheme. Indicators listed are as per the Local Government Performance Reporting Framework which come into effect from 1 July 2014.</p> <p>No change</p>
<p>Infrastructure. Can residents have more opportunities to understand more on works priorities and make suggestions?</p> <p>Relates to: Page 16. Section 2.4 Strategic Objective 4: Infrastructure Services</p>	<p>Monthly Council meetings are available for residents to attend to raise issues. This year Council conducted a series of community road shows to discuss local community issues and opportunities.</p> <p>No change</p>
<p>Fees and Charges. Fees and charges to be updated every two to three years.</p> <p>Relates to:</p>	<p>As noted 'Existing fees and charges to be increased in line with CPI or cost recovery where applicable'.</p> <p>No change</p>

Page 19. Section 3.3 Budget Principles	
<p>Spread of Expenditure. Is expenditure reasonably spread across all sections?</p> <p>Relates to: Page 61. Appendix C: Capital works program</p>	<p>Council conducts a robust assessment process on all projects before including in the budget.</p> <p>No change</p>

Mr John Frame

Summary of Submission	Suggested Response
<p>Strong support for Administrators to take time to impartially decide on the Wangaratta Saleyards and would prefer to leave the yards as is.</p> <p>Relates to: Page 17. Major Initiative: 30) Commence the development of the Wangaratta Saleyards upgrade.</p>	<p>Included in the 2014/15 Budget subject to Council approval based on full information.</p> <p>No change</p>

James Neary

Summary of Submission	Suggested Response
<p>Strong support for the Wangaratta Saleyards figures to remain as is in order to service rural communities.</p> <p>Relates to: Page 17. Major Initiative: 30) Commence the development of the Wangaratta Saleyards upgrade.</p>	<p>Included in the 2014/15 Budget subject to Council approval based on full information.</p> <p>No change</p>
<p>Strong support for the Whorouly Football and Netball Change rooms project figures to remain as is in order to service rural communities.</p> <p>Relates to: Page 61. Appendix C: Buildings 01108 Whorouly Football/Netball Club change rooms</p>	<p>Included in the 2014/15 Budget</p> <p>No change</p>

Paul O'Brien - Late Submission received 12 June 2014

Summary of Submission	Suggested Response
<p>AA. Format of draft budget to include prior year actuals and current year budget.</p>	<p>Council complies with the Local Government Model Budget template prepared by The Institute of</p>

<p>Relates to: Page 47. Appendix A</p>	<p>Chartered Accountants in Australia. Some prior year numbers are contained in the CEO section for key measures.</p> <p>No change</p>
<p>BB. There is no strategy to reduce rates, a lack of leadership to actively reduce expenditure and rate increase at no more than CPI.</p> <p>Relates to: Page 4. CEO report 1. Rates</p>	<p>We will increase rates by 6% in the 2014/15 financial year. This level allows us to recover from previously incurred governance costs, maintain existing service levels, fund a small number of new initiatives and continue to allocate additional funds to renew the municipality's infrastructure. The subsequent 5% rate rises will ensure the Council's long term liquidity and sustainability. Expenditure is budgeted to decrease by 1.9% (with Employee costs up 1.2% and Materials & Services down 7.0%)</p> <p>No change</p>
<p>CC. Employee Costs greater than EBA & CPI, suggest a \$ per person comparison</p> <p>Relates to: Page 24. Section 4.3.1 Employee Costs</p>	<p>Employee costs are forecast to increase by 1.2% or \$262,000 compared to 2013/14 due to \$% EBA, Increased contribution to the Superannuation Guarantee Levy from 9% to 9.25% and partially reduced by increased employee costs incurred during 2013/14 relating to termination of executive officers.</p> <p>Subsequent years take into consideration increases to EBA, super and on costs.</p> <p>No change</p>
<p>DD. Why is the budget surplus of \$4.1 not \$7.4m (after \$1.6m revenue growth, reduced governance costs \$2m and recurrent grant increase \$3.74m)</p> <p>Relates to: Page 48. Appendix A Income statement</p>	<p>It is difficult to do a reconciliation between from one year to the next because of the pluses and minuses between service areas and between Revenue and Expense items. I think the starting point of the 2013/14 year is deficit of \$2m compared to Paul's number of a breakeven point. Therefore adding the \$7.4m of changes noted would bring the surplus to \$5.4m with the \$1.3m difference coming from</p>

	<p>reduced reimbursements of \$0.8m from flood restoration and state revenue office.</p> <p>No change</p>
<p>EE. FSL impact should not impact Council's financial position.</p> <p>Relates to: Page 19. Section 3. Budget Influences 3.1 External influences</p>	<p>Council's obligation is to collect the FSL, we do not recognise it as revenue in the budget or as debt as this is the State government responsibility. Therefore no impact on budget figures.</p> <p>No change</p>
<p>FF. SGL was paid in 2013 not 2014. Should include any future calls.</p> <p>Relates to: Page 36. Section 7.2 Key Assumptions</p>	<p>Correct. Line item has been deleted as relates to prior year. The latest indications from Vision Super is that the Defined Benefit portfolio is tracking above required ROI. Council not aware of any future calls and therefore has not budgeted for it.</p> <p>Change made</p>
<p>GG. Capital works should be clear on what is carried forward.</p> <p>Relates to: Page 64. Appendix C Capital Works</p>	<p>Council complies with the Local Government Model Budget template and is a new requirement not reported on in prior budgets.</p> <p>No change</p>
<p>FF. Suggest showing the true cost of programs such as WISAC and PAC and include cost of debt.</p> <p>Relates to: Page 11. Section 2. Activities, initiatives and service performance indicators</p>	<p>This will be considered under Action 5.2.1.1 in the Council Plan (page 32) Identify Council's contribution to deliver best value services.</p> <p>No change</p>
<p>HH. Will debt levels change if saleyards project does not proceed?</p> <p>Relates to: Page 44. Section 10.1 Borrowings</p>	<p>Yes borrowing will reduce.</p> <p>No change</p>
<p>II. Recommend highlighting changes to organisation structure from 2012/13 to 2013/14</p> <p>Relates to: Page 11. Section 2. Activities, initiatives and service performance indicators</p>	<p>Refer comment on recover from previously incurred governance cost in CEO Summary 1. Rates</p> <p>No change</p>

<p>JJ. Council should consider it's position on activities that are not self-funding such as Wangaratta Unlimited, PAC, WISAC, animal shelter</p> <p>Relates to: Page 11. Section 2. Activities, initiatives and service performance indicators</p>	<p>Council provides a number of services for the benefit of the whole community that need to be cross subsidised</p> <p>No change</p>
<p>QQ. How has >40 ha rating differential determined</p> <p>Relates to: Page 57. Appendix B section 2 Differential rates</p>	<p>Determined by the Rating Strategy Reference Group.</p> <p>No change</p>
<p>RR. Fee increase consistency - for example Childcare up 2.8% vs EBA 4%.</p> <p>Relates to: Page 68. Appendix D Fees and charges</p>	<p>Existing fees and charges to be increased in line with CPI or cost recovery where applicable.</p> <p>No change</p>
<p>SS. Productivity improvements required in order to reduce rates.</p> <p>Relates to: Page 4. CEO report 1. Rates</p>	<p>As per response above BB</p> <p>No change</p>

Copies of the full submissions are attached (*refer attachment*).

Key Changes to the Draft Budget document

The Draft Budget 2014/15 document has been updated in order to comply with the updated Model Budget template and meet our statutory disclosure requirements. The overall financial numbers have not changed since the draft budget only the format or additional detail split out.

The following changes were made to the Budget Document:

- Appendix A Financial Statements: Format changed to the prescribed layout as set out in the Local Government Model Financial Report
- Section 8.3 Financial performance indicators (page 39): Updated some financial measures to reflect changes to Local Government Performance Reporting Framework formula calculations
- Appendix C Capital Works and Section 4: Further breakdown and classifications were required by expenditure type, and classified by source of funding
- Appendix D Fees & Charges: Minor changes to fees and charges with no impact to budget revenue amounts

- Minor corrections to spelling and formatting.

Key Changes to the Strategic Resource Plan document

The Strategic Resource Plan document has been updated in order to comply with the updated Model Budget template and meet our statutory disclosure requirements. The overall financial numbers have not changed since the draft budget only the format or additional detail split out.

The following changes were made to the Strategic Resource Plan:

- Financial Statements: Profit & Loss, Balance Sheet, Cash Flow and Capital Works changed to match identical the 4 year information shown in the Budget document format as set out in the Local Government Model Financial Report
- Statement of Human Resources: A new requirement to include a statement of Human Resources for 4 years detailing costs and FTEs split by Department
- Plans: A new requirement to list all plans in the SRP that have been included for consideration in its preparation

Options for Consideration

The preparation of Council's Annual Budget is required by the Act.

Conclusion

Following consideration of the written submissions, presentation and the circumstances mentioned above, it is proposed that the budget be adopted without amendment.

Attachments

- 17.1.1.6 - 2014/15 Budget,
- 17.1.1.7 - Submission Report to Administrators