



## **FINAL MINUTES**

29 June 2011

Table of Contents

<u>Folio</u>	<u>Date</u>	<u>Particulars</u>
16129	29.06.2011	Special Budget Meeting Minutes
16129	29.06.2011	Mayor's Budget Speech
16157	29.06.2011	2011/2012 Fees and Charges - Commercial
16188	29.06.2011	Report on Financial Operations and Financial Position of the Council for the Financial Year 2010/2011 and Statement of Original Versus Amended Budget Versus Estimated Actuals for 2010/20011
16189	29.06.2011	Budget Policy for Mackay Regional Council for the Financial Year 2011/2012
16194	29.06.2011	Investment Policy for Mackay Regional Council for the Financial Year 2011/2012
16200	29.06.2011	Debt Policy for Mackay Regional Council for the Financial Year 2011/2012
16204	29.06.2011	Community Service Obligations Policy for Mackay Regional Council for the Financial Year 2011/2012
16207	29.06.2011	Performance Plan for Mackay Water Services for the Financial Year 2011/2012
16243	29.06.2011	Performance Plan for Mackay Waste Services for the Financial Year 2011/2012
16270	29.06.2011	Proposed Budget 2011/2012
16147	29.06.2011	Deputy Mayor's Budget Speech
16281	29.06.2011	Supporting Budget Schedules
16288	29.06.2011	Revenue Statement 2011/2012
16345	29.06.2011	014 - Remission for Non-Profit Community Organisations Policy
16348	29.06.2011	015 - Conservation Strategy Policy

Declaration of Potential Conflict of Interest

Nil.

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## **SPECIAL BUDGET MEETING** **MINUTES**

### **1. ATTENDANCE:**

His Worship the Mayor, Cr C Meng (Chairperson), Crs D E Camilleri, D T Comerford, P F Steindl, G R Thomsen, D J Perkins, D R Hatfield, K J Casey, K L May and R D Walker were in attendance at the commencement of the meeting. Also present was Mr P Franks (Chief Executive Officer) and Mrs M Iliffe (Minute Secretary).

The meeting commenced at 10.01 am.

### **2. APOLOGIES:**

CR W A Cameron

THAT the apology for Cr Cameron be accepted.

**Moved Cr May**

**Seconded Cr Casey**

**CARRIED**

### **3. MAYOR'S BUDGET SPEECH:**

#### **3.1 MAYOR'S 2011/2012 BUDGET SPEECH**

Good morning, my fellow Councillors, Council Staff and Ladies and Gentlemen.

Today brings a sense of achievement – we set on a journey of reviewing our operations – the way we do business, how we deliver services and to re-assess every programs budget with the fundamental goal of delivering an affordable budget that provides for our rapidly growing community.

The 2011/2012 budget is a significant step in the right direction.

The financial plan of this council is to set a platform which will ensure the long term sustainability of our region while keeping rates and charges as low as possible.

External factors, such as a rapidly growing resources sector and particularly the Queensland Government make this increasingly difficult, but I feel we have taken a giant leap towards a more sustainable way of managing the cost of living for many years to come.

The State Government continues to provide very few favours for this buoyant, viable and economically sound region. The ongoing loss of subsidies, a cap on developer contributions and a lack of funding for critical infrastructure continue to impose a massive financial burden on ratepayers.

We are the second fastest growing region in Queensland – our region’s economy is worth some \$18 BILLION – significantly higher than our neighbours Townsville and Rockhampton. Mackay Region currently has \$43 Billion in projects under study

It makes good business sense to invest in our region – as the financial rewards are significant – yet we constantly face the battle of persuading the Queensland Government to inject substantial funds into such a high growth area.

This \$417 million budget has been framed against the understanding of the strain on family budgets and the current impact on local business.

We have been devastated by a series of natural disasters and a prolonged wet season that has clearly caused further considerable damage to our road network and delayed works from previous events.

It is our challenge to restore infrastructure and services – this will take time and significant funding.

In 2011/2012, we expect to spend about \$118 million on flood recovery work. A further \$34 million has been allocated to additional roads and drainage work across the region.

As promised -- We have done a tremendous amount of work reducing council’s operating costs to minimise rate increases and ensure we deliver cost-effective, efficient services.

This will continue through council’s Business Improvement Teams. We must always review our systems and look at ways to do things better. That has been a commitment of this council since it was elected.

Cutting our cloth is a tangible way of delivering on our commitment to find internal savings and limit the average general rate rise to just 66 cents a week or \$34.20 for the full year.

We have already announced plans to change operating hours at Artspace on Sundays and close the Memorial Swim Centre on weekends. These changes are part of the Service Level Review and save considerable funds, which can be directed to areas of need.

We have also kept water and sewerage charges at 5 per cent as we recognise that many households are feeling the strain of rising government charges and utility cost increases but has been difficult due to the external factors and the cuts to State Government subsidies.

Without the financial support from the State Government for essential infrastructure, council is forced to borrow more funds in the future to meet the needs of our community.

We have anticipated potential borrowings of \$38.7 million this financial year to build much needed infrastructure -- projects such as wastewater plants and water treatment plants.

Today's budget lays the foundations for our region to progress and face the future with confidence.

On behalf of the Councillors, I sincerely thank the CEO, the Directors, Managers and particularly staff in Financial Services for their cooperation and hard work in preparing this budget.

Their professionalism and long hours is very much appreciated.

I trust the ratepayers will appreciate the difficulties we are faced with an understanding that this council is committed to providing value for money and doing what's best for the long term growth of this region.

I therefore propose to this Council the adoption of this Budget.

#### **4. OFFICERS' REPORTS:**

##### **4.1 2011/2012 FEES AND CHARGES - COMMERCIAL**

**File No** Fees and Charges  
**Author** Executive Manager Governance

##### **Purpose**

The purpose of this report is to submit Council's reviewed Commercial Fees and Charges schedule for consideration.

##### **Background/Discussion**

In accordance with the Local Government Act 2009 Council has charging powers to establish user pay charges.

The fees and charges being tabled in this report are commercial in nature and management have reviewed all charges to ensure they remain competitive and address appropriate cost drivers. Council recognises the validity of maintaining a user pays principle in that user charges are an equitable way of distributing the cost of providing services to the community while also minimising dependency on rates income. The average increase in charges is approximately 5% and in some cases a detailed review of the cost to provide the service has resulted in a higher than average increase. Where possible, and to minimise the impact on service users, increases will be phased in over a number of years.

The fees detailed in the attached schedules will apply from the 1 July 2011 and will be available on Councils website.

### **Consultation and Communication**

The proposed fees and charges are contained in the attached schedules and have been reviewed by relevant Directors and Managers. Where appropriate they have also been benchmarked against other Local Governments.

### **Resource Implications**

Fees and charges form a significant part of Council's revenue raising requirements and provide a source of funding and/or contribution to programs delivered by Council.

### **Risk Management Implications**

The Local Government Act allows Council to establish commercial fees and charges in line with normal commercial principles.

### **Conclusion**

It is recommended that the proposed schedule of commercial fees and charges be adopted as tabled.

### **Officer's Recommendation**

THAT in accordance with the Local Government Act 2009, Council adopt the Commercial Fees and Charges Schedule as attached, to take effect from the 1 July 2011.

### **Council Resolution**

THAT the Officer's Recommendation be adopted.

Moved Cr Camilleri

Seconded Cr Steindl

**CARRIED**

## **5. CONFIDENTIAL REPORTS:**

### **5.1 MECC COMMERCIAL FEES AND CHARGES**

#### **Council Recommendation**

THAT in accordance with the Local Government Act 2009, Council adopts the Commercial Fees and Charges Schedule for the MECC to take effect from the 1 July 2011.

Moved Cr May

Seconded Cr Casey

**CARRIED**

## 6. BUDGET REPORTS:

### 6.1 REPORT ON FINANCIAL OPERATIONS AND FINANCIAL POSITION OF THE COUNCIL FOR THE FINANCIAL YEAR 2010/2011 AND STATEMENT OF ORIGINAL VERSUS AMENDED BUDGET VERSUS ESTIMATED ACTUALS FOR 2010/2011

**Author** Executive Manager Governance

#### **Purpose**

In accordance with the provisions of Section 104 of the *Local Government Act 2009* and Part 8, Chapter 3, Section 153 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, a statement of estimated financial position is required for the 2010/2011 financial year. The Statement of Original Budget compared to Estimated Actual Results provides a comparison of the estimated results of Council and the Original Budget.

Part 8, Chapter 3, Section 153 of the *Local Government (Finance, Plans and Reporting) Regulation 2010* requires a report on the significant differences from the original budget (whether an actual or anticipated difference).

#### **Background/Discussion**

##### **Explanation of Financial Statements Estimated to 30 June 2011**

The attached comparison of Original Budget, Amended Budget and Estimated Actuals illustrates Council's estimated financial position as at 30 June 2011.

#### **Operating Revenue**

Revenue is currently estimated to be over original budget. This is predominantly due to unbudgeted advance grant payments for flood damage works. Other factors also include an increase in scope for recoverable works and increased rental and interest receipts. It is noted however that fees and charges revenue is estimated to be below budget, mainly through lower than anticipated activity in Development Engineering and the MECC, due in part to the recent extended wet weather period.

#### **Operational Expenditure**

Expenditure is also currently estimated to be over original budget. The main contributing factor here again is unbudgeted flood damage works. Employee costs are estimated to be close to budget after allowing for end of year adjustments. It is noted that finance costs are under budget as a result of the delayed borrowing program.

#### **Capital Funding**

The estimated result for Capital Funding is significantly over original budget. A large proportion of this is incorporating the carryovers from the previous years, drawdown of delayed loan borrowings and receiving additional flood damage grants.

## **Capital Expenditure**

The estimated result for Capital Expenditure is also significantly over original budget. As mentioned above, a major component of this is incorporating carryovers from the previous year as well as allowing for current year estimated carryovers. This is a result of delays in the delivery of Council's capital program predominately through the extended period of wet weather. These projects will be carried forward for completion in the 2011/2012 year. It is noted that loan repayments are below budget through the delayed borrowing program.

## **Explanation of the Impact on Current and Future Budgets**

The projected financial result to 30 June 2011 indicates an estimated surplus across all programs of just over \$ 3 million.

This result is subject to the completion of the 2010/2011 financial statements.

Consistent with previous practice and based on the above being an estimate only, the 2011/2012 budget has been established from a balanced opening position.

In accordance with Council's budget policy, it is proposed that any final actual surplus be constrained to an appropriate reserve or used in reducing debt levels.

The final audited results for 2010/2011 will be factored into the first budget review after the receipt of the audit report.

## **Consultation and Communication**

Chief Executive Officer, Directors, Executive Managers, Manager Financial Services and other Program Managers.

## **Resource Implications**

The estimated position for the financial year ended 30 June 2011 is a surplus of \$3 million across all funds, subject to finalisation of the 2010/2011 Financial Statements.

Delivery of major flood damage packages continues to prove a challenge inside existing timeframes.

## **Risk Management Implications**

Continued delays in the delivery of capital programs can leave Council exposed to future cost of construction increases.

## **Conclusion**

Consistent with previous practice and based on the above being an estimate only, the 2011/2012 budget has been established from a balanced opening position. It is recommended that any surplus resulting from the year ended 30 June 2011 be constrained to an appropriate reserve or used in reducing debt levels.

As detailed above the final audited results for 2010/2011 will be factored into the first budget review after the receipt of the audit report.

**Officer's Recommendation**

THAT the report be received.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Camilleri**

**Seconded Cr Perkins**

**CARRIED**

**6.2 BUDGET POLICY FOR MACKAY REGIONAL COUNCIL FOR THE FINANCIAL YEAR 2011/2012**

**Author Executive Manager Governance**

**Officer's Recommendation**

THAT the attached Budget Policy for Mackay Regional Council for 2011/2012 be adopted.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Camilleri**

**Seconded Cr Comerford**

**CARRIED**

**6.3 INVESTMENT POLICY FOR MACKAY REGIONAL COUNCIL FOR THE FINANCIAL YEAR 2011/2012**

**Author Executive Manager Governance**

**Officer's Recommendation**

THAT the attached Investment Policy for Mackay Regional Council for 2011/2012 be adopted.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

Moved Cr Camilleri

Seconded Cr Casey

**CARRIED**

**6.4 DEBT POLICY FOR MACKAY REGIONAL COUNCIL FOR THE FINANCIAL YEAR 2011/2012**

**Author Executive Manager Governance**

**Officer's Recommendation**

THAT the attached Debt Policy for Mackay Regional Council for 2011/2012 be adopted.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

Moved Cr Camilleri

Seconded Cr Perkins

**CARRIED**

**6.5 NATIONAL COMPETITION POLICY REFORM**

**Author Executive Manager Governance**

**Purpose**

This report seeks to identify Council's business activities where Council has resolved to apply the Code of Competitive Conduct (The Code) and Commercialisation requirements and confirm their treatment under the National Competition Policy guidelines.

**Background/Discussion**

In accordance with the Local Government Act 2009 (the 'Act') and the Local Government (Beneficial Enterprises and Business Activities) Regulation 2010 (the 'Regulation') Council is required to make certain assessments and disclosures in relation to its 'business' activities. These activities are defined as follows:-

### **Type One (1) and Type Two (2) – Significant Business Activity**

The Regulation states that a Type One (1) Significant Business Activity is a business activity which has expenditure exceeding \$39.4 million for combined water and sewerage services, and \$23.6 million for other business activities. The threshold for a Type Two (2) Significant Business Activity is \$11.8 million and \$7.9 million respectively.

Under this section, the threshold applies to the projected expenditure for the activities to the end of the year. Neither the Act nor Regulation defines 'expenditure'. However, senior officials from the department of Local Government and Planning have advised that they will interpret expenditure as excluding depreciation and including debt redemption. They have advised that a Bulletin has been drafted which will clarify this definition. The Bulletin is also expected to increase the threshold by CPI inflation. However, advice from the Department indicates that the Bulletin is unlikely to be issued before the end of the financial year. Therefore, the above threshold will still apply.

Section 10 of the Regulation requires the Council to use the financial information for the previous financial year presented to the Local Government's budget meeting to identify each new significant business activity for the financial year.

#### **Water & Waste Water**

The projected expenditure (according to the above definition) for Council's Water and Waste Water activity for 2010/2011 is \$41,400,176. This exceeds the threshold in the Regulation of \$ 39.4 million. Therefore, unless a Bulletin is issued before 30 June 2011 increasing the threshold, Council will be required to determine that the Water and Waste Water business unit is a Type One (1) Significant Business Activity. This will require Council to conduct a Public Benefit Assessment on the appropriateness of applying corporatisation, commercialisation or full cost pricing to this activity. This will need to be conducted by 30 June 2012.

Pending the commissioning and completion of the required Public Benefit Assessment, for the 2011/2012 financial year, the Council will need to continue to apply the commercialisation reforms to the Water and Waste Water business unit, in accordance with the previous Public Benefit Assessment and Council resolutions.

#### **Waste Services**

Subsequent to a Public Benefit Assessment and Council resolution, the Waste Services business unit was commercialised from 1 January 2011. Council will need to continue to apply the commercialisation reforms to the Waste Services business unit, in accordance with the previous Public Benefit Assessment and Council resolutions.

The expenditure of the activity for 2010/2011 of \$19,267,711 is below the Type One (1) threshold, therefore no further public benefit assessment is required at this stage.

### **Type Three (3) - Code of Competitive Conduct**

The Act requires Council to decide each financial year (by resolution) whether or not to apply the code of competitive conduct to a business activity prescribed under a regulation.

The Regulation (section 126) states that a business activity is prescribed if the amount of current expenditure for a financial year is \$270,000 or more (including operational, administrative and overhead, resources costs and depreciation). If Council decides not to apply the code of competitive conduct Council must state the reasons for not applying the code.

#### Mackay Entertainment & Convention Centre

This activity receives approximately 64 percent of its funding by trading in goods and services. However, a significant proportion of the services supplied by the activity are provided for community benefit rather than for commercial objectives. The activity has a significant role in encouraging the artistic and cultural development of the region. In addition, a significant purpose of the Centre is for economic development of the region. The experience since the establishment of the Centre has been that applying the code of competitive conduct has added an administrative expense without necessarily improving decision-making or the financial results of the activity. Therefore, it is proposed that the code of competitive conduct should not be applied after 30 June 2011.

#### Building Certification

The Regulation (section 125) prescribes that any building certification activity of Mackay Regional Council is a prescribed business activity. However, Council does not presently conduct a building certification activity and therefore this section does not apply.

#### Roads Activities

The Act (section 47(5)) states that the Local Government must apply the code of competitive conduct to a roads activity. A roads activity is defined to only include road activities which the State or Local Government has put out to tender. Council does not presently perform any road activities which have been put out to tender and therefore this section does not apply.

#### Other Business Activities

Council does not conduct any other activities which are primarily involved in trading goods and services.

### **Consultation and Communication**

Consultation has been undertaken with the appropriate business areas and recommendations reviewed by independent experts in the field.

### **Resource Implications**

Significant National Competition Policy payments have been received in prior years. However, there are no current incentive programs available. There are internal administrative costs associated with applying the code of competitive conduct, and consultancy fees associated with reviewing NCP processes. The proposed resolution will minimise these costs by focussing the application of National Competition Policy principles to where there is a clear public benefit.

### **Risk Management Implications**

This policy has been reviewed by external experts to ensure compliance with the Local Government Act and its Regulations.

### **Conclusion**

This Report concludes that the following National Competition Policy reforms should apply for the financial year 2011/2012:

<b>Business Activity</b>	<b>Level of NCP Reform</b>
<b>Water and Waste Water</b>	Commercialisation, Public Benefit Assessment for alternative reforms
<b>Waste Services</b>	Commercialisation
<b>MECC</b>	No application of the code of competitive conduct or full cost pricing

### **Officer's Recommendation**

THAT Council:-

1. Determines that the Water and Waste Water significant business activity is a Type One (1) significant business activity;
2. Determines that the code of competitive conduct should not apply to the Mackay Entertainment and Convention Centre activity for the 2011/2012 financial year, because Council considers that the costs of applying the code will outweigh the benefits, and the activity has significant non-commercial objectives; and
3. That Council does not conduct any other business activities or prescribed business activities.

### **Council Resolution**

THAT the Officer's Recommendation be adopted.

Moved Cr Camilleri

Seconded Cr Hatfield

**CARRIED**

**6.6**            **COMMUNITY SERVICE OBLIGATIONS POLICY FOR MACKAY REGIONAL COUNCIL FOR THE FINANCIAL YEAR 2011/2012**

**Author**      **Executive Manager Governance**

**Officer's Recommendation**

THAT the attached Community Service Obligations Policy for Mackay Regional Council for 2011/2012 be adopted.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Camilleri**

**Seconded Cr Walker**

**CARRIED**

**6.7**            **PERFORMANCE PLAN FOR MACKAY WATER SERVICES FOR THE FINANCIAL YEAR 2011/2012**

**Author**      **Executive Manager Governance**

**Officer's Recommendation**

THAT the attached Performance Plan for Mackay Water Services for the 2011/2012 Financial Year be adopted.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Comerford**

**Seconded Cr Steindl**

**CARRIED**

**6.8**      **PERFORMANCE PLAN FOR MACKAY WASTE SERVICES FOR THE FINANCIAL YEAR 2011/2012**

**Author**      **Executive Manager Governance**

**Officer's Recommendation**

THAT the attached Performance Plan for Mackay Waste Services for the 2011/2012 financial year be adopted.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Thomsen**

**Seconded Cr Perkins**

**CARRIED**

**6.9**      **RESERVES**

**Author**      **Executive Manager Governance**

**Officer's Recommendation**

THAT the following Reserves included in the Budget for the year 2011/2012 be created or maintained for the purposes as stated:

<b><u>Reserve</u></b>	<b><u>Purpose</u></b>
Constrained Works	An accumulation of funds received and held by Council for a specific purpose, until works relating to these funds are carried out.
Capital Improvements Reserve	To equalise and manage from year to year the impact on Council's budgeting of capital and operational demands relating to the General Fund.
Offstreet Parking Reserve	Consists of funds set aside for Capital Works relating to Offstreet Parking.
Community Housing Reserve	Unallocated funds received from Pensioner Housing rentals, which are to be spent on Capital Works relating to Pensioner or Community Housing.

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City Centre Reserve	Represents unspent or unallocated funds received from the City Centre Special Rate Levy.
Cleansing Reserve	To equalise and manage from year to year the impact on Council's budgeting of capital and operational demands associated with Waste facilities.
Water Reserve	To equalise and manage from year to year the impact on Council's budgeting of capital and operational demands associated with Water facilities.
Sewerage Reserve	To equalise and manage from year to year the impact on Council's budgeting of capital and operational demands associated with Waste Water facilities.
Natural Environment Reserve	Represents unspent or unallocated funds received from Natural Environmental Levy.
Natural Environment - Land Acquisition Reserve	Represents the accumulation of funds from an allocation of 20% from Natural Environment Levy, to be used for the purchase of Strategic Environmentally Sensitive Land.
Disaster Response Reserve	Represents unspent or unallocated funds received from the Disaster Response Levy.
Gravel Quarry Reserve	Represents the accumulation of funds from an allocation from quarry operations to fund future quarry restoration and remediation expenditure.
Carry Forward Works	Programmed works carried forward into the future financial year.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Camilleri**

**Seconded Cr Casey**

**CARRIED**

**6.10      PROPOSED BUDGET 2011/2012****Author     Director Corporate Services****Purpose**

The purpose of this report is to adopt Council's 2011/2012 Budget.

**Background/Discussion**

The 2011/2012 Budget has involved a number of workshops with Council to discuss key aspects of this proposed Budget, set the strategy and prioritise major expenditure. A major aspect of the development of the 2011/2012 budget has been the completion of a Long Term Financial Forecast which means Council has been able to consider the long term picture of rate increases, capital programs, loan levels, etc when developing its budget.

There have been a number of affordability issues that have had a financial impact on Council and also continue to have a major impact on the Long Term Financial Forecast.

These include:

- The cap on Developer Contributions.
- The ongoing impact of loss of State Government subsidies
- A major lack of funding for critical infrastructure. This is exacerbated by the high growth of the region.

Taking these factors into account, after the budget was set for the previous year, Council embarked on a process of reviewing the way it did business and reviewed levels of service for all its operations. In addition Council has a number of Business Improvement teams in place and a Corporate Service Enhancement team. These actions were implemented by Council to ensure Mackay Regional Council future rates are more affordable to the community. Indeed, the key focus of the Long Term Financial Forecast review was to deliver modest rate increases yet maintain an appropriate level of funding for its infrastructure such as roads, water and community facilities.

Comments are as follows:

**Operating Costs/General Rates**

It will be a major challenge in the 2011/2012 financial year to minimise operating costs and at the same time direct the majority of Council effort into capital works, to provide for the continuing growth in population and economic activity across the region.

Cash operating expenses excluding interest and internal transfers have increased by 6%, excluding flood damage operating costs. The following matters have had a significant impact on operating costs across the organisation:

1. Additional operational costs largely driven by growth, such as increasing impacts of roads maintenance, the maintaining of additional parklands and the Mackay Entertainment and

Convention Centre. Other cost increases such as electricity, fuel etc continue to have an impact.

2. Salary and wages pressures, due to the shortage of qualified personnel, competitive Mackay employment market and EBA impacts.
3. Continuing to bring Council facilities in line with regulatory standards applicable to a large Regional Council.
4. Increasing insurance costs which have risen by 18.9%.
5. Providing for the running of the Local Government elections at an estimated cost of \$465,000.

The proposed 2011/2012 budget reflects an increase in average residential rates of \$92.76 per year or \$1.78 per week. The effects of the recent land revaluations will result in individual ratepayers being impacted more or less than the average, significantly in some instances.

In accordance with Section 99(5) of *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council must calculate the total value of the change expressed as a percentage, in the rates and utility charges levied for the financial year compared with the rates and utility charges levied in the previous budget.

This figure is comprised of the following components:

Rates growth achieved and not budgeted for in 2010/2011	1.82%
Rates growth included in 2011/2012 budget	1.58%
<b>Actual 2011/2012 budgeted total value of change</b>	<b><u>3.68%</u></b>
<b>Total value of change</b>	<b><u>7.08%</u></b>

In simple terms, of the total value of the change, 3.4% is being provided by recognising new ratepayers whereas the actual impact on existing ratepayers is 3.68%.

#### Key Projects/Initiatives (excluding carryovers) for 2011/2012

- Total Roads, Drainage, Operating and Capital Costs (excluding depreciation) and Flood Damage. \$65 M

The significant road and drainage operating and capital budget will ensure that Council will make significant improvements into a number of critical road issues. This includes \$34.3 million towards new road and drainage projects, including \$2.4 million to continue the Road Shoulder Treatment initiatives and \$5.5 million on improving existing pavements throughout the Region. There is also \$5.2 million allocated for trunk drainage, \$1.9 million for bridges and \$12.4 million for trunk roads. \$600,000 has been allocated for boat ramps. \$1.7 million has been allocated to LATM - Traffic and Road Safety and \$3 million for General Works.

- Road Flood Damage \$118M

An additional \$118 million has been allocated for road flood damage restoration works. This cost is funded by State Government.

- Other Park Capital \$2.2M

Capital Projects are planned for various Council Parks including \$35,000 to be spent on various foreshore facilities, \$170,000 for local and regional park development, \$1,025,000 for Botanic Gardens, \$240,000 for public conveniences, \$137,000 for cemeteries, \$440,000 for play facilities and \$70,000 for streetscapes.

- Plant Replacement \$6.4M

Continued scheduled replacement of Council's extensive Plant Fleet to minimise whole of life costs.

- Bayersville Landfill \$9.6M

Remediation and implementation of gas system at former waste disposal site.

- Hogans Pocket \$1M

Future landfill cell 2 construction

There are also significant capital allocations for Water capital projects (\$22.7 million) and Waste Water (\$28.3 million). Significant projects are:-

- Dumbleton Pump Station \$4.3M
- Mirani Network Augmentation \$2.1M
- Sarina Water Recycling Facility \$3.4M
- Mirani Sewerage Treatment Plant \$2.5M
- Various Sewerage Pump Stations \$15.1M

#### Additional Loans

Loans of \$38.8 million are anticipated to be raised in the 2011/2012 financial year: \$3 million for Civil Projects, \$8.6 million will fund various Waste Services Projects, \$10.1 million for Water Projects and \$15.2 million for Waste Water Projects.

Loan borrowings for 2011/2012 are at the lowest level for three years and for the first time Mackay Regional Council will not be borrowing for roads capital. This is consistent with Council's Long Term Financial Forecast to ensure financial sustainability going into the future.

#### Financial Management Summary

As a result of changes in Legislation, Council is required for the first time to publish more information about its long term financial position and sustainability. Significant resources have been employed during the 2011/2012 budget process to focus beyond just one financial year. This is to ensure the impacts of today's decisions are considered over the longer term. Overall

Council's Long Term Financial Forecast and sustainability indicators highlight that, while there are significant challenges to manage, Mackay Regional Council is in a sound financial position.

To maintain this outlook Council continues to enhance its management practices to ensure the highest level of accountability. There has also been a further review and major enhancement of the monthly financial reporting to Council during the financial year. Council will continue to review and improve the Executive Financial Performance Report during the 2011/2012 financial year.

### **Consultation and Communication**

Council, Chief Executive Officer, Directors and Management Team.

### **Resource Implications**

This report sets Council's Budget for 2011/2012. Changes to this Budget will only occur in compliance with the adopted Budget Policy.

### **Conclusion**

This budget for Mackay Regional Council reflects the continuing commitment to invest heavily in essential infrastructure over the next few years to cater for the region's growth and to meet future planning forecasts. A substantial capital expenditure program amounting to \$119.8 million (excluding carryovers from 2010/2011) has been allocated in the 2011/2012 financial year across the region. It will be a major challenge for the organisation to achieve this program. As detailed within the report, even though there are significant operational cost impacts, Council has undertaken, and will continue to review, the cost of its services and the way services are delivered. Therefore the 2011/2012 budget has meant the average rate increase has been restricted to \$1.78 per week and indeed, as detailed in the Long Term Financial Forecast, there will be modest rate increases over the next ten years.

The level of Capital Works and increasing operating expenditure will result in Mackay Regional Council having a total budget of \$417.3 million (excluding depreciation) for the 2011/2012 financial year. When multi-year projects (which commenced in the 2010/2011 financial year) and 2010/2011 budgeted projects (not yet commenced) are factored into the 2011/2012 Budget, the total budget will increase significantly. It is anticipated that Council's total budget, with carryovers, will be close to \$500 million. This level of expenditure reflects the need to enhance community facilities, replace ageing infrastructure and facilitate ongoing strong growth. It also reflects a continuing major commitment to the regions roads. To achieve this significant budget will be a major challenge for the whole organisation in the current economic environment.

### **Officer's Recommendation**

THAT the attached 2011/2012 Budget and forward estimates for the next 9 financial years as outlined in the Statement of Original Budget be adopted.

AND THAT the attached Statement of Income and Expenditure, Statement of Financial Position, Statement of Cash Flow and Statement of Changes in Equity to the year ending 30 June 2021 are adopted.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Camilleri**

**Seconded Cr Perkins**

**CR DARRYL CAMILLERI, DEPUTY MAYOR'S SPEECH**

As the Mayor has indicated this budget has been framed after significant work in relation to controlling the operational costs of council. We acknowledge that this Council's average rates and charges are amongst the highest in the State, and it is important to not let the cost of living in Mackay become unmanageable.

For some, it is probably there now, but our previous long term strategy that had increases of near 10% annually would have driven un-affordability rife.

The feature of these budget documents is not in the 1 year budget, but in the 10 year long term plans which features annual increase for general rates of 5% and for water and waste water of 7%, still maintaining manageable borrowing levels.

For 2011/12, we have been able to manage a general rates increase of 3% and Water, Waste water and waste charges of 5%. These have been framed in an environment of continuing external cost pressures; salary pressures in a strong employment market, ongoing electricity charge increases, insurances costs increasing at 18%, a council election year (and cost of 465k); all surrounding by an increasing population with increased roads, parklands, and service requirements.

Indeed the budget sets very modest increases for salaries and wages in the coming years. To ensure the budget is kept in balance the CEO will have to minimise future increases in staff costs.

We understand that the biggest disaster facing our community is our roads. With the support of \$118m from disaster relief funding, a further \$34m from our general rates budget for capital, and a further \$31m for operational costs, we intend to invest \$183m into roads in 2011/12.

There are carry-overs from the current year, and it will be an enormous challenge to deliver, particularly against a backdrop of the rest of the State and our surrounding councils having similar problems and competing for resources in this area.

We will see some action on Connors Road in this year, although a large portion of the funds were allocated last year,

We will have a \$6.4m plant replacement program, but will continue matching lower acquisition and running cost vehicles to the tasks required as appropriate.

We will construct a compound for vehicles at the main council buildings, with a view to better pooling and rationalising the use of our vehicles.

We will commence the remediation work required for our Bayersville landfill, at a cost of \$9.6m, an investment in improving the environmental impacts of that now closed facility. A

further million dollars go toward the expansion of Hogans Pocket landfill. Both are near invisible costs to the average ratepayer, but present a huge cost in our management of waste.

With growth in population there is continued pressure on already aging infrastructure in Water & Waste Water and in total \$51m will be spent. Our outer areas are again supported with \$8m being spent on Mirani water augmentation work, Mirani sewerage plant, and on the early steps toward the new Sarina Water Recycling Facility (sewerage plant in old terms).

Major works also occur at Dumbleton to secure raw water via an improved pump station, and on improvements to a range of sewerage pump stations.

Last summer, we had many sewerage overflows after significant rain events. We know that such occurrences are not acceptable for the residents, so will continue our inflow and infiltration investigations with a budget allocation of \$1.7m to hopefully make major improvements in that area.

We will borrow a further \$38.8m, and most of those borrowings will go toward long term inter-generational assets that have a long term benefit to our residents. As the director points out in his report, this is the lowest level of borrowing we have had in the past 3 years.

**CARRIED**

## **6.11 SUPPORTING BUDGET SCHEDULES**

**Author** Executive Manager Governance

### **Officer's Recommendation**

THAT the attached Budget Supporting Schedules be received.

### **Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Camilleri**

**Seconded Cr Perkins**

**CARRIED**

## **6.12      REVENUE STATEMENT 2011/12**

**Author     Director Corporate Services**

### **Purpose**

To adopt Council's Revenue Statement and budget resolutions for the 2011/12 financial year.

### **Background/Discussion**

As per the Revenue Policy, the Revenue Statement must now conform to the provisions of the *Local Government Act 2009* and the *Local Government (Finance, Plans and Reporting) Regulation 2010*.

This has resulted in multiple changes to the required information and formatting being now included in the document attached. The content of the document has been reviewed by local government specialists from King and Company for conformity with the legislation who advise that the content meets the relevant requirements.

There is some doubt as to whether the new Act allows for a Special Rate or Charge to be adopted with differential charges and acting on legal advice the Revenue Statement has been amended to adopt a special rate for each of the City Centre Management subdivision and a special charge for each of the different Rural Fire Levy levels of charge.

The presented document reflects decisions taken in the rates briefing process with the major changes being:

1. Inclusion of a new Differential Rating Category – Category 15 – Other. This category will apply to properties that are not elsewhere categorized and will predominantly apply to land held by Non-Profit Community Organisations.
2. Category 11 has been amended to remove the reference to being located in the former Sarina Shire. This will allow properties that meet the descriptions for this category and located in the former Mackay and Mirani council areas to be included in this higher category. The only property identified as being affected is the Railways logistics area at Paget.
3. There has been wording changes to the Disaster Response Levy to maintain consistency with the Revenue Policy changes.
4. The document has been amended to include reference to the new Exceptional Circumstances Policy.

Legislative requirements:

The *Local Government Act 2009*, Section 104 and the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Section 106 require every local government to adopt a Revenue Statement for each financial year.

The Regulation, Section 106 states: -

- (1) A local government must prepare a Revenue Statement each financial year.
- (2) The Revenue Statement must be adopted—
  - (a) after 31 May in the year before the financial year; and
  - (b) before—
    - (i) 1 September in the financial year; or
    - (ii) a later day decided by the Minister.
- (3) The local government may, by resolution, amend the Revenue Statement at any time before the financial year ends.
- (4) However, the Revenue Statement cannot be amended to change the general rates decided at the budget meeting for the financial year.

The Revenue Statement is required, under the Regulation, Section 107 to state: -

- (a) if the local government levies differential general rates—
  - (i) the rating categories for rateable land in the local government area; and
  - (ii) a description of each rating category; and
- (b) if the local government levies special rates or charges for a joint government activity—a summary of the terms of the joint government activity; and
- (c) if the local government fixes a cost-recovery fee—the criteria used to decide the amount of the cost-recovery fee; and
- (d) if the local government conducts a business activity on a commercial basis—the fees the local government receives for the activity.

The Revenue Statement must include: -

- (a) an outline and explanation of the measures that the local government has adopted for raising revenue, including an outline and explanation of—
  - (i) the rates and charges to be levied in the financial year; and
  - (ii) the concessions for rates and charges to be granted in the financial year;
- (b) whether the local government has made a resolution limiting an increase of rates and charges.

The revenue measures adopted are determined at the budget meeting and are based on the Council's Revenue Policy.

### **Consultation and Communication**

Council, the Executive Team, Executive Manager Governance, Manager Financial Services and Revenue Services Co-ordinator.

### **Resource Implications**

The Revenue Statement and revenue resolutions set out the mechanisms by which Council will collect its revenue for the financial year, in particular its rates and charges and other fees including any concessions that it may grant.

### **Risk Management Implications**

Failure to meet the statutory obligations with regard to the Revenue Statement and revenue resolutions would place the revenue raising requirements of Council in severe jeopardy.

### **Conclusion**

The Revenue Statement and budget resolutions required to comply with the relevant legislation are submitted for Council consideration.

### **Officer's Recommendation**

THAT Council adopt the attached Revenue Statement for the 2011/2012 financial year prepared in accordance with Section 104 of the *Local Government Act 2009*, Section 106 of the *Local Government (Finance, Plans and Reporting) Regulation 2010* and more specifically:-

- (a) Pursuant to Section 15 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, the categories into which rateable land is categorised and the description by which the land is categorised in the local government area for the financial year beginning 1<sup>st</sup> July 2011 is as set out in section 3 of the Revenue Statement.
- (b) Pursuant to Section 14 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy a differential general rate on all parcels of rateable land in the Local Government area for the financial year beginning 1<sup>st</sup> July, 2011 as set out in section 2 of the Revenue Statement.
- (c) Pursuant to Section 11 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy a minimum differential general rate on all parcels of rateable land in the Local Government area for the financial year beginning 1<sup>st</sup> July, 2011 as set out in Section 4 of the Revenue Statement.
- (d) Pursuant to Section 28 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy the City Centre Management – Area (A) special rate to promote and advance the trading and economic development of the business being conducted in the City Centre as set out in Section 5 of the Revenue Statement.

- (e) Pursuant to Section 28 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy the City Centre Management – Area (B) special rate to promote and advance the trading and economic development of the business being conducted in the City Centre as set out in Section 6 of the Revenue Statement.
- (f) Pursuant to Section 28 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy the City Centre Management – Area (C) special rate to promote and advance the trading and economic development of the business being conducted in the City Centre as set out in Section 7 of the Revenue Statement.
- (g) Pursuant to Section 28 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy the Rural Fire Services - 1 special charge for the purpose of raising revenue for each Rural Fire Brigade as set out in Section 8 of the Revenue Statement.
- (h) Pursuant to Section 28 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy the Rural Fire Services - 2 special charge for the purpose of raising revenue for each Rural Fire Brigade as set out in Section 9 of the Revenue Statement.
- (i) Pursuant to Section 28 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy the Rural Fire Services - 3 special charge for the purpose of raising revenue for each Rural Fire Brigade as set out in Section 10 of the Revenue Statement.
- (j) Pursuant to Section 37 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy a separate charge on all rateable land in the Local Government area to defray part of the cost of promoting and supporting the preservation and enhancement of the natural environment, encouraging environmental awareness, supporting sustainable management and encouraging improved efficiency and use of energy as set out in Section 11 of the Revenue Statement.
- (k) Pursuant to Section 37 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy a separate charge on all rateable land in the Local Government area to defray part of the cost of upgrading existing street, kerb and drainage networks, providing traffic calming initiatives, improving walkways and cycle ways and road treatment programs as set out in Section 12 of the Revenue Statement.
- (l) Pursuant to Section 37 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy a separate charge on all rateable land in the Local Government area to fund the residual cost of providing waste facilities and services as set out in Section 13 of the Revenue Statement.
- (m) Pursuant to Section 37 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy a separate charge on all rateable land in the Local Government area to fund activities assisting in the response to natural disasters as set out in Section 14 of the Revenue Statement.

- (n) Pursuant to Section 33 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will levy Utility Charges as set out in section 15 of the Revenue Statement.
- (o) For the purposes of Section 38 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, all rates and charges shall be due and payable within 30 full days of the issue date of a notice to pay as set out in section 19 of the Revenue Statement except as amended for approved pensioners in section 18.01 of the Revenue Statement.
- (p) Pursuant to Section 67 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will charge interest on overdue rates at the rate of eleven percent per annum compounded monthly, to be calculated from the end of the financial half year in which they fall due as set out in section 21 of the Revenue Statement.
- (q) Pursuant to Section 64 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will allow a discount of ten percent on Differential General Rates and Utility Charges (excluding Metered Water Charges) in accordance with section 20 of the Revenue Statement, provided they, together with all arrears of rates and charges in respect of the land are paid on or before the due date as set out in section 19 of the Revenue Statement.
- (r) Pursuant to part 10 of Chapter 2 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council will allow rating concessions in the manner described in section 18 of the Revenue Statement and the following Council Policies - 008 - Revenue Policy, 014 - Remission for Non-Profit Organisations Policy, 015 – Conservation Strategy Policy, 016 – Rates Relief Policy.

### **Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Camilleri**

**Seconded Cr Steindl**

**CARRIED**

### **6.13 014 - REMISSION FOR NON-PROFIT COMMUNITY ORGANISATIONS POLICY**

**Author Director Corporate Services**

#### **Purpose**

To consider changes to the remission for Non-Profit Community Organisations Policy to adjust the revenue turnover threshold and other administrative changes to reflect matters raised in the budget discussions for the 2011/2012 financial year.

## **Background/Discussion**

One of the guidelines within the policy is:

- The organisation must not have an annual turnover (Revenue) in excess of \$773,000 (relating to activities carried out on the property subject to the application).

In order to maintain the effect of this provision it is necessary to index this value by a measure to reflect CPI. As a result it is proposed to increase this value by approximately 3% to \$796,000.

A second guideline is:

- Residential properties will be excluded from eligibility for a remission unless utilized for short-term accommodation for homeless and at risk persons.

As raised in the recent rates briefing, a number of residential properties utilised for accommodation for the aged have historically been granted the remission before this provision was included in the policy.

In order to recognise this, it is proposed to change the provision as follows:

- Residential properties will be excluded from eligibility for a remission unless utilized for short-term accommodation for homeless and at risk persons or for accommodation for the aged.

## **Consultation and Communication**

Council, the Executive Team, Executive Manager Governance, Manager Financial Services and Revenue Services Co-ordinator.

## **Resource Implications**

The changes will maintain the status quo for how the policy is applied and will have no impact on the resources of Council.

## **Risk Management Implications**

No specific Risk management issues have been identified with regards to this change.

## **Conclusion**

The Remission for Non-profit Community Organisations Policy should be amended as per the draft attached

## **Officer's Recommendation**

THAT Council Policy Number 014 – Remission for Non-Profit Community Organisations Policy as attached be amended to take effect from 1 July 2011.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Camilleri**

**Seconded Cr Walker**

**CARRIED**

**6.14      015 - CONSERVATION STRATEGY POLICY**

**Author      Director Corporate Services**

**Purpose**

To consider changes to the Conservation Strategy Policy to adjust the maximum rebates applicable to each level of the policy.

**Background/Discussion**

In recent times the maximum remissions available under this policy have been indexed to reflect increases in the level of general rating.

To continue with this it is proposed to index the maximum remissions be approximately 3% for the next financial year as follows:

Less than 10% of the assessment area	Maximum from \$360 to \$371 per annum.
10% to less than 20% of rate assessment area	Maximum from \$595 to \$613 per annum.
20% to less than 40% of rate assessment area	Maximum from \$895 to \$922 per annum.
40% or greater of assessment area	Maximum from \$1,190 to \$1,226 per annum.

**Consultation and Communication**

Council, the Executive Team, Executive Manager Governance, Manager Financial Services and Revenue Services Co-ordinator.

**Resource Implications**

The indexing currently affects only one property and will have minimal impact on financial resources.

**Risk Management Implications**

No specific Risk management issues have been identified with regards to this change.

**Conclusion**

The Remission for Conservation Strategy Policy should be amended as per the draft attached.

**Officer's Recommendation**

THAT Council Policy Number 015 – Conservation Strategy Policy as attached be amended to take effect from 1 July 2011.

**Council Resolution**

THAT the Officer's Recommendation be adopted.

**Moved Cr Walker**

**Seconded Cr Steindl**

**CARRIED**

**7. MEETING CLOSURE**

The meeting closed at 10.32 am

Confirmed on Wednesday 6 July 2011

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MAYOR