ITEM 7.1 BUDGET 2010/2011

File No: FIN/9

Attachment(s):
1. **Business Plan 2010/2011**
2. **Operation Statement by Nature & Type**
   Operation Statement by Program
   Charts Revenue and Expenditure
3. **Schedule of Capital Expenditure**
   Schedule of Disposal of Assets
4. **Schedule of Fees – Non Members**
5. **Supplementary Financial Statements**
   Loan Schedules
6. **New Initiatives**
7. **Statement of Financial Activity**
8. **Cashflow Statement**
9. **Retained Surplus Schedule**

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SUMMARY

The purpose of this report is to present to Council the draft Budget Papers for 2010/2011 for discussion, suggestion and comments with the view to finalisation by end June 2010.

BACKGROUND

Council at its meeting held on 22 April 2010, resolved, inter alia, at Item 8.1.1, as follows:

That Council:

(i) Note the information in this Item in relation to a review of the MRC member fee model

(ii) Adopt a single fee model as the basis for determining the fee for the acceptance of waste from member Councils for the 2010/2011 budget

(iii) Authorise the CEO to present a report to the Council Budget Workshop scheduled for 13 May 2010, on the characteristics of the 'Single Fee' model

Supporting documentation provided as Attachments were as follows:

- ***Attachment One***
  - *Workshop 31 March 2010 - Agenda*
- ***Attachment Two***
  - *Workshop 31 March 2010 – Deloitte Touché Tohmatsu Presentation*
- ***Attachment Three***
  - *Single Fee Option Presentation by City of Joondalup*
- ***Attachment Four***
  - *Letter – City of Stirling*

The Council, at its meeting held on 22 April 2010 at Item 8.2.5 resolved:

That Council:

(i) note the methodology used for the Budget Planning and Strategic Budget for 2010/2011

(ii) note the new initiatives

(iii) note Members' Single Gate Fee of $113 - $119 (ex GST) for financial year 2010/2011 for budget planning purposes

(iv) Approve the Schedule of Fees and Charges relating to commercial and casual uses at Attachment One in respect of financial year 2010/11

Supporting documentation provided as Attachments were as follows:

- ***Attachment One***
  - *Schedule of Proposed Fees and Charges 2010/2011*
- ***Attachment Two***
  - *2010/2011 Members Fees – Additional Budgetary Information*
- ***Attachment Three***
  - *New Initiatives*

BUDGET WORKSHOP – 13 MAY 2010

Based on the feedback and comments received from the Councillors and Officers at the initial Budget Workshop held on 13 May 2010 as well as the further feedback from the member Councils' Officers at the Inaugural Strategic Projects Committee meeting on 14 May 2010, the key areas where there were expectations for change were identified as follows:

- Reduction of Operational Expenditure to maintain an accepted level of service
- Consideration of level of Surplus required for 2010/11 in the context of managing the business of the Regional Council
- Additional information on the Surpluses retained in the business
- Investigation into the option of creating 'Restricted Reserves' requirements in the context of MRC business

These were addressed in the papers for the Budget Workshop held on 3 June 2010.

Operational Expenditure

In line with the above, the Administration reviewed the Operational and Capital Expenditure of MRC and reduced the Operating Expenditure by approx. $1.1m from $44.5m to $43.4m. The reduction in expenditure is summarised below.

Tamala Park	
Employee Cost	55,000
Consultants	108,000
Communication & Publication	160,000
Office Expense	5,000
Plant & Equipment & Operating Hire	76,000
Borrowing Expenses	10,000
Administration Expenses	12,000

Landfill Expenses	120,000
DEP Levy	268,000
	814,000
RRF	
Environmental Monitoring	50,000
Compost Disposal	50,000
Reduction in Residual Cost (drop in Members' Fee)	170,000
	270,000
Total Reduction	**$1,084,000**

This suite of adjustments reflects a lower level of activity to that described in the papers for Budget Workshop (13 May 2010).

Level of Surplus – 2010/11

The Administration also reviewed the level of surplus for the year in the context of MRC business and recommended that the following Other Revenue be contra off against expenditure for the purpose of calculation of Members' Fee.

- Sale of Recyclable Income $340,000

Members' Surpluses

In addition to the above, the Administration also recommended that the Members' Surplus of $1.9m (refer comments under Surpluses below) be utilised to soften the impact of introduction of the Single Fee.

The combination of the impact of the reduction of operating expenditure, other revenue contras and utilisation of Member Surpluses brought forward produced an estimated reduction in Members Fees of $4.50/tonne.

BUDGET WORKSHOP – 3 JUNE 2010

The second Budget Workshop was held on 3 June 2010 and summarised below are the changes agreed at the workshop.

Surplus

Workshop attendees agreed that $1m from estimated surplus of $2.5m to be used as 'fees offset' for members.

Deletions from Draft Budget

Workshop attendees agreed following deletions from draft Budget:

- Disability Access Plan ($10k)
- Review of Business Systems ($15k)
- Marketing/Education 0.5 FTE and Casuals ($55.5k)
- RRF Open Day ($30k)
- RRF DVD deleted ($6k) - Brochure retained at $2k
- RRF Advertising ($72k)

Reductions in Budget

Workshop attendees agreed following reductions to draft Budget:

- Consultancy
  - Financial Advice (reduced to $40k)
  - Technical Support (reduced to $15k)
  - Architectural Support (reduced to $15k)
  - Relief for Finance Staff (reduced to $15k)

Rework

Workshop attendees agreed 'CEO rework' as follows:

- Corporate Communications Strategy (to max $60k) – Revised to $95,000. This is compensated by Waste Education Program being lower than $300,000 – which was the amount suggested at the 3 June Budget Workshop
- Waste Education (to reduce estimate from $404,000) – Revised to $278,000
- Capital (Buildings) – Revised to $107,500 with $212,500 deferred to 2011/12

The amendments relating to the above have been reflected in the attached Budget Papers.

Further questions were raised in relation to PAG and RRF Specialist Consultants and these were provided in the Workshop Notes for 3 June 2010 circulated to Councillors and Member Council Officers on 16 June 2010.

STRATEGIC REFERENCE DOCUMENTS

The business of MRC is managed in line with:

- 20 year Strategic Plan (approved by Council on 23/10/2008)
- 20 Year Strategic Financial Plan (approved by Council on 03/07/2008)

The Strategic Financial Plan is prepared on the basis that Mindarie Regional Council remains a self-funded viable organisation going forward and be able to fund its Capital Expenditure Program in the future, meets its ongoing operational commitments, loans commitments and has adequate cashflow to manage the business. One of the objectives is to retire all MRC debts by 2016/17 (i.e. minimise Gate Fees) and have sufficient cash to fund future capital expenditure.

Some of the key assumptions in the preparation of the Strategic Financial Plan are:

- Operational surpluses will be retained for the funding of capital and unforeseen operational requirements and on-going cashflow requirements of the Regional Council
- Gate fees for Member Councils (Members) will be based on MRC recovering its full cost (i.e. based on a Cost Recovery Model)
- Gate fees for 'Casuals' (including Commercial Customers) will be at a premium to those of Member Councils (i.e. at Commercial Rates)
- MRC will source its funds for its capital expenditure from its operational surpluses and new loans

These key documents are used during the Budget F10/11 process are as follows:

- Strategic Plan 2009-2029
  - used for derivation of Annual Business Plan FY 2010/2011.
- Strategic Financial Plan
  - the budget for 2010/2011 is developed within the parameters of the Strategic Financial Plan and takes into account the current economic conditions, demand of business, environmental and other relevant factors.

SURPLUSES

The Operational Surpluses in the Strategic Financial Plan are defined into two areas.

Members Surplus

Member Fees, as mentioned above, are at cost and based on a Cost Recovery Model. Variations do arise between Actual and Budget Costs and these surpluses (or deficits) are accounted for under 'Members Surplus' (deficits).

The annual Members' surpluses, in line with policy on 'Approach for Recovery of Member Gate Fees Undercharge' (approved in December 2006), will be finalised based on the audited financial statements for the respective years and are available for offset for future year's calculation of Gate Fees for Members.

The balance at 30 June 2009 is $1.9m and the schedule is attached at Attachment 9.

MRC administration recommends that this surplus be utilised over 3 years commencing 2010/11 to lower the Gate Fees for Member Councils for the next 3 years. This equates to the use of approximately $633,000 per year.

Non Members Surpluses

These are surpluses arising from the Commercial/Casual Tippers and in conjunction with the Income arising from Other Revenue in relation to mainly Gas Power Generation, Interest Receivable and Sale of Recyclables Materials are retained in the business, in line with the Strategic Financial Plan, to fund the Capital and unforeseen Operational Requirements as well as on-going cashflow requirements of the organisation.

Balances at 30 June 2009

The surpluses to 30 June 2009 are $22,315,108 and these are summarised below.

	Members	**Non-Members / Other Income**	**Total**
Financial Previous Years to 30/06/2009	1,945,856	21,925,469	22,315,105
FY 2009/2010 (estimated)			4,200,000
Projected Balance at 30 June 2010			26,515,105

(a)

Less:			
Proposed transfer to Reserve for RRF Operational Requirements	-	5,000,000	5,000,000
BALANCE			$21,515,105

(a) The estimated surplus for 2009/2010 takes into account the $1m 2009/2010 operational expenditure carried forward to 2010/2011.

These Surpluses have not been transferred to Restricted Reserves so far and are not cash backed. Administration is proposing that the following Cash Back Reserves be created (refer under Reserves below).

(a) Reserves for Capital Expenditure (Landfill and Other Capital Assets)
(b) Site Monitoring Reserve
(c) Reserve for Rehabilitation
(d) Reserve for RRF Operational Requirements

Reserves under (a), (b) & (c) above are proposed to be considered in conjunction with the review of the Strategic Financial Plan later this year and Reserve for RRF Operational Requirements is planned to be created as part of the budget process for 2010/2011.

The estimated surplus of $26.5m at 30 June 2010 is represented as follows.

Cash/Investments	$12.3m
Net Assets (excluding Cash)	$14.2m
	$26.5m

For financial year 2010/2011 approximately $1.9m will be utilised for the funding of the total capital expenditure (refer attachment 7 Statement of Financial Activity).

The proposed use of the balance of cash at 30 June 2010 ($12.3m) is as follows:

- Transfer to RRF Reserve ($5m)
- Transfer to Reserve for Carried Forward Expenditure ($1m)
- Carried forward of Capital expenditure from 2009/2010
- Contingency for unforeseen significant expenditure
- Use for Working Capital
- Fees offset – 2010/2011 ($0.8m)

The estimated balance of cash at 30 June 2011 is $9.8m (refer Attachment 8).

RESERVES

MRC has not created 'Restricted' Reserves (or Cash Back Reserves) in the past in the context of Local Government (Financial Management) Regulation 1966 Section 27(g), with the exception of Site Monitoring Reserve to cover post closure cost for Site Monitoring. The balance on this account is $137,999 and is cash backed.

The Strategic Financial Plan sets out the Plan for the business for the next 20 years in terms of the Income, Operating Expenditure, non-members' surpluses (including other Revenue), capital expenditure, cashflows and funding for the next 20 years which is reflective of how the business is managed.

MRC is operated on a 'Commercial' basis in view of the fact that it is a 'Fee' (Gate Fee) for service and it also has approximately 20% Commercial Customers in the Landfill Business Unit. The Strategic Financial Plan is quite 'similar' to one for a typical Commercial Organisation.

However, taking into account the feedback from the Budget Workshop on 13 May 2010 and the Strategic Projects Committee meeting on 14 May 2010, the administration has investigated the possibilities in relation to 'Restricted' Reserves in the context of MRC business.

The following 'Restricted' Cash Back Reserves would be consistent with the way the business is currently managed.

(a) Reserve for Capital Expenditure (Landfill and Other Capital Assets)
(b) Site Monitoring Reserve (currently in existence)
(c) Reserve for Rehabilitation
(d) Reserve for RRF Operational Requirements
(e) Reserve for Carried Forward Expenditure

The administration is of the view that it would be more appropriate for the Restricted Reserves (a) to (c) to be created in conjunction with the review of the Strategic Financial Plan which is scheduled later this year.

The only two 'Restricted' cash backed Reserves which would be beneficial to create at this stage would be the Reserve for RRF Operational Requirements and Reserve for Carried Forward Expenditure. The creation of a Reserve for RRF Operation Requirement would remove the need to arrange an overdraft facility of $5million to meet any unexpected payments which may arise under the terms of the Resource Recovery Facility Agreement (RRFA). Under the Resource Recovery Facility Agreement, MRC is required to pay the first $5m of any claims, determined in favour of BioVision, promptly within 20 days of determination, as required by the Financing Parties.

This 'Restricted Cash' can be placed under Fixed Deposit (current rates are around 6-7% per annum) and provide on-going certainty to the availability of funds should an event arise under the RRFA. There would be a savings on Overdraft facility charges (which is high under current economic climate) whilst at the same time earning a return of 6-7% per annum.

The Administration recommendation is to transfer $5million from the Accumulated Surplus to the Reserve for RRF Operational Requirements and $1m to Reserve for Carried Forward Expenditure with corresponding equivalent cash from the existing Cash Funds ($12.3million projected at 30 June 2010 and $9.8m at 30 June 2011) to the 'Restricted' Cash Back Reserves. The creation of the other 'Restricted' Reserves is recommended for further investigation and consideration in line with the review of the Strategic Financial Plan later this year.

DETAIL

The methodology and assumptions used to develop the detailed Budget 2010/2011 have been as follows:

- The Twenty Year Strategic Plan commencing 2009/2010 remains the primary source of reference with regards to business activities
- The Twenty Year Strategic Financial Plan commencing 2008/2009 and approved at the July 2008 Ordinary Council Meeting remains the primary source of reference from a financial and budgetary perspective

- The Non-Members Gate Fees, prepared with reference to the Strategic Financial Plan, Strategic Plan and Business Plan, were approved at 22 April 2010 Ordinary Council Meeting. Estimated Members Fees were presented for Member Councils Budget Planning and noted by Council
- The detailed budget for 2010/2011 has been developed within the parameters of the Strategic Plan, Business Plan, Strategic Financial Plan and taking into account the current economic conditions, demand of business, environmental factors, latest events associated with RRF, new initiatives and other relevant factors to enable the Council to provide the level of service consistent with the Business Plan

The Budget structure and documentation is enclosed in Attachments Two to Six.

- **Attachment Two**
  - Operation Statement by Nature and Type
  - Operation Statement by Program
  - Charts Revenue and Expenditure
- **Attachment Three**
  - Schedule of Capital Expenditure
  - Schedule of Disposal of Assets
- **Attachment Four**
  - Schedule of Fees Non Members
- **Attachment Five**
  - Supplementary Information – Loan Schedule
- **Attachment Six**
  - New Initiatives
- **Attachment Seven**
  - Statement of Financial Activity
- **Attachment Eight**
  - Cashflow Statement
- **Attachment Nine**
  - Retained Surplus Schedule

The preparation of the draft Budget has been in line with the guidelines provided in the terms of best appropriate practice regarding Budget preparations.

Business Concept – 2010/2011

The proposed business concept for 2010/2011 is described in the Business Plan for 2010/2011 at Attachment One and following discussion at the Councillors' Budget Workshop on 13 May 2010 amendments has been made to reflect the comments received.

Budget 2010/2011

The Draft Budget is designed to resource the proposed Business Plan.

Assumptions

Major assumptions associated with the Basis of Planning are as follows:

- that the volume of waste for disposal at Tamala Park will be similar to 2009/2010 and in line with the Strategic Financial Plan projections as revised by further updates as part of Budget Planning Process 2010/2011. The Members' tonnage estimates are based on the estimates provided by Member Councils and casual usage is based on the 2009/2010 usage level and trend
- that the diversion of waste from landfill, measured in tonnes, in relation to RRF facility, is assumed at 70% and the normal diversion of waste to recycling would be in line with previous years' trend
- that the Resource Recovery Facility (RRF) would be fully operational in 2010/2011
- that fees and charges for non-members will be consistent with fees approved by Council at its meeting on 22 April 2009. Members' Gate Fee to be approved in conjunction with the approval of the Budget for 2010/2011 in June 2010.
- that the Council will use the revised financial precepts details endorsed at the April 2004 Ordinary Council Meeting as detailed below effective from 1 July 2004. The financial precepts will be reviewed in consultation with the Member Councils in 2010/2011
- DEP Levy is assumed to remain at $28/tonne. The State Budget was handed down on 20 May 2010 and did not reflect any increase in fees for 2010/11.

Financial Precepts (with effect 1 July 2004)

Precepts

a) *a cost of equity (or "notional interest:") will be calculated for funds contributed by Member Councils and retained surpluses, for the purpose of determining the actual cost of tipping*

b) *additional funds for working capital requirements to be raised either through retention of surplus or external borrowing. Mindarie Regional Council will determine timing of repayment of funds contributed, including retained surpluses*

c) *operational surpluses are distributed to Member Councils in ownership percentages subject to the retention of funds for future requirements*

Associated Business Rules Become

a) *in setting members' prices, cost of tipping includes interest to the extent that it relates to funds required for current operations. Interest on funds held for future requirements is not included in cost of tipping*

b) *interest on Members' equity will be set at a rate of return that an investor would regard as appropriate for a business of this nature*

c) *operational surpluses will be calculated in accordance with generally accepted Accounting Principles*

d) *to the extent that Member-tipping fees differ from actual costs, an adjustment will be made to the distributable surplus at individual Member Council level*

e) the distribution of operational surpluses will be calculated as follows:

- *operational surplus before member tipping fee adjustment*	*X*
- *adjustment to member Council tipping charge according to tonnes tipped, where tipping fees differ from actual cost*	*X/(X)*
- *operational surplus available for distribution according to equity ownership percentages*	*X*
- *LESS: retention of funds for future requirements*	*(X)*
- *adjustment to member Council tipping charges according to tonnes tipped, where tipping fees differ from actual cost*	*X/(X)*
- *amount distributed/(reimbursed)*	*X/(X)*

f) lease fee to be set on a commercial basis

These precepts have assumed that 'Notional Interest', for the purpose of the preparation of this Budget, is zero which is consistent with the concept of Cost Recovery Models universally. This is consistent with the Strategic Financial Plan approved by Council at its July 2008 Ordinary Council Meeting.

OPERATING

Overall Summary

The Council has a projected total revenue of $44.1m for 2010/2011 and total expenditure of $42.9m resulting in a surplus of $1.2m approximately.

The surplus of $1.2m is mainly attributable to the casual/commercial users.

Revenue

The projected revenue of $44.1m for 2010/2011 represents an increase of $5.0m (13%) over last year's adopted budget. The increases are analysed below:

	$'m	**Increase/(Decrease) over last years adopted budget $'m**
• Members' User Fees	36.9	5.0
• Casual Tipping Fees	5.0	(0.3)
• Others	2.2	0.3
	44.1	**5.00**

The increase in fees is mainly due to the following factors:

- increase in projected contractor's fees, in relation to RRF, in line with Resource Recovery Facility Agreement
- full year impact of the DEP Levy ($2.7m increase over 2009/2010)
- new initiatives ($0.2m)

The projected revenue for 2010/2011 is based on, estimated waste tonnages provided by the Member Councils, and is summarised below.

Processable Waste (Tonnage)	
City of Perth	14,428
City of Stirling	18,100
City of Wanneroo	50,800
Town of Cambridge	8,800
Town of Vincent	13,901
Town of Victoria Park	14,124
City of Joondalup	52,000
	172,153
Non Processable Waste (Tonnage)	
City of Perth	45
City of Stirling	96,750
City of Wanneroo	37,185
Town of Cambridge	2,500
Town of Vincent	489
Town of Victoria Park	1,200
City of Joondalup	11,500
RRF Residue	30,000
	179,669
Casual / Commercial	40,000

City of Stirling (COS) has advised that on the One Fee Model, they are expecting a lower level of activities at the Balcatta Transfer Station. Based on their best estimates COS has advised that they are expecting the 96,750 (including bales) non-processable tonnes to reduce to 40,000 tonnes in 2010/2011. The recommended approach to deal with estimates for COS waste is as follows:

- utilise the initial estimate (96,750 tonnes) for planning purposes
- monitor ACTUAL tonnage
- adjust fees, utilising the previously approved mechanisms, if required

The waste tonnages for casuals were scaled back in 2010/2011, from the previous years to 40,000 tonnes following the increase in fees and the trend of actual tonnages for 2008/2009.

Expenditure Projections

The total expenditure for 2010/2011 is budgeted at $42.9m.

This is an increase of $5.3m (14.9%) (excluding $1m carried forward) over last year's adopted budget and is basically in line with increase in revenue.

The bulk of the increase is due to the following:

		$
DEP Levy	(Note (1) follows)	2.82m
RRF Increase	(Note (2) follows)	2.01m
Landfill Expenses	(Note (3) follows)	0.42m
New Initiatives	(Note (4) follows)	0.21m
Employee Costs	(Note (5) follows)	0.39m
Communications and Public Consultations	(Reduction)	(0.29m)
Consultants and Contract Labour	(Reduction)	(0.15m)
Others		(0.10m)
		$5.31m

Notes - Budget Item Explanation

1. *Landfill Levy* **$2.8m**

State Government increased the Landfill Levy from $7/t to $8/t on 1st July and then to $28/t effective 1 January 2010 without any formal consultation with the Industry.

2. *Resource Recovery Facility* *(excluding interest expense)* **$2m**

The RRF is now fully operational and the increase of $2m is mainly related to the following areas:

- ***BioVision Gate Fee*** 1.9m
  Increase is relating to RRFA CPI increases, and change in the residue disposal rate at Tamala Park due to the MRC single fee structure as well as full year impact of DEP levy increase of $21/t introduced in January 2010
- Others 0.1m

$2.0m

3. *Landfill Expense* **$0.4m**

Increase mainly due to the Limestone Cover.

4. *New Initiatives* **$0.2m**

	Presented 3 June workshop	Transferred to Proposed Operational Expenditure	Deferred to 2011/12	Deleted /Amalgamated / Changed	Revised Proposed New Initiatives 2010/11
CEO					
Consultancy					
- Review of Disability Access & Inclusion Plan	10,000			(10,000)	0
- Business Information System Review	15,000			(15,000)	0
	25,000			**(25,000)**	**0**
Research and Planning					
- Millipedes Control	10,000				10,000
	10,000				**10,000**
	$35,000			**($25,000)**	**$10,000**
OPERATIONS					
Salaries					
- Technical Officer	70,700				70,700
- Recycling CSO (.5 FTE to Full Time)	40,400				40,400
	111,100				**111,100**
Superannuation					
- Technical Officer	10,600				10,600
- Recycling CSO (.5 FTE to Full Time)	3,300				3,300
	13,900				**13,900**
Workers Compensation					
- Technical Officer	2,800				2,800
- Recycling CSO (.5 FTE to Full Time)	1,100				1,100
	3,900				**3,900**
Annual Leave					
- Technical Officer	5,700				5,700
- Recycling CSO (.5 FTE to Full Time)	1,800				1,800
	7,500				**7,500**

	Presented 3 June workshop	Transferred to Proposed Operational Expenditure	Deferred to 2011/12	Deleted /Amalgamated / Changed	Revised Proposed New Initiatives 2010/11
Long Service Leave					
- Technical Officer	1,700				1,700
- Recycling CSO (.5 FTE to Full Time)	600				600
	2,300				**2,300**
Total Employee Costs	**138,700**				**138,700**
	$138,700				**$138,700**
PROJECTS					
Contract Labour External					
- RRF Stage 2 Development	20,000				20,000
- Landfill Gas Tendering	15,000				15,000
	35,000				**35,000**
Zero Waste Plan					
- MRC Contributions	**20,000**				**20,000**
	$55,000				**$55,000**
MARKETING					
Salaries					
- Admin Officer (0.5 FTE to Full Time)	26,500			(26,500)	0
- Additional Casuals	20,000			(20,000)	0
Superannuation					
- Admin Officer (0.5 FTE to Full Time)	4,200			(4,200)	0
Workers Compensation					
- Admin Officer (0.5 FTE to Full Time)	900			(900)	0
Annual Leave					
- Admin Officer (0.5 FTE to Full Time)	3,200			(3,200)	0
Long Service Leave					
- Admin Officer (0.5 FTE to Full Time)	700			(700)	0
	55,500			**(55,500)**	**0**
Corporate Communication Strategy					
- Brand Council	5,000			(5,000)	0
	5,000			**(5,000)**	**0**
Waste Management Education					
- Shopping Centre Program	10,000			(5,000)	5,000
- Toxic Taxi	5,000			(5,000)	0
	15,000			**(10,000)**	**5,000**
Project and SWMP Support					
- RRF Open Day	15,000			(15,000)	0
	15,000			**(15,000)**	**0**
	$90,500			**($85,500)**	**$5,000**
Grand Total	**$319,200**			**($110,500)**	**$208,700**

5. ***Employee costs***

EBA/Increments	$0.29m
Associated Superannuation and Annual Leave/Benefits and other Employee Cost	$0.10m
	$0.39m

Position	Current FTE	Comment
Chief Executive Officer (CEO)	1	
Chief Financial Officer (CFO)	1	
Administration Manager	1	
Senior Finance Officer	2	
Human Resources & Payroll Officer	1	
Finance Officer – Reporting	.5	Permanent Part-Time
Accounts Receivable & Sales Officer	1	
Finance Officer – Accounts Payable, Budget & IT	1	
Waste Minimisation Officer	1	To implement Strategic Waste Minimisation Plan.
Manager Projects & RRF	0.6	Utilise contract professional.
Manager Marketing & Education	0.5	Utilise contract professional.
Sustainability & Waste Education Coordinator	1	
Waste Education Officer	1	
Administration Officer (Marketing & Education)	0.5	
Admin Officer (Reception)	1	
Governance Officer	1	
Records Officer	1	
Operations Manager	1	
Deputy Operations Manager / Mechanic	1	Covers for Operations Manager when not available. Taken over plant maintenance previously contracted out.
Foreman	1	
Environmental Officer	0.6	Utilise contract professional
Plant Operators	5	Highly skilled plant operators
Recycling Attendants	8	Provide security and service relating to hazardous household waste facility operating at the recycling facility. Operation of bin truck from this group.
Recycling Attendant	0.5	Upgrade of a part-time position to a full-time
Transfer Station Attendants /truck drivers	4	Multi-skilling – rotating through tasks plus maintain safety standards at transfer station. Operation of water truck from this group.
Grounds Maintenance Officer	1	Ensure compliance with licence
Welder	1	Assist with workshop and maintenance program
Risk Management Officer	1	Provides support to Operations Manager in relation to safety, compliance, minor projects and household hazardous waste issues
Technical Officer	1	Proposed Position

Weighbridge Officer	1	Operates weighbridge and monitors quality of waste entering the site
Total	**42.2**	

The 'make-up' of the 8 Recycling Attendants is as follows:

	FTE
Permanent Full Time	6.0
Full Time Equivalent of the 7 permanent part-timers	2.5
Total	8.5

The 7 permanent part-timers are utilised to cover the weekend and on-going operational requirements as required.

Additional Information - Expenditure

- Marketing and Education $415,000

  The Budget estimates associated with Marketing and Education projects are for activities derived from the Marketing Plan approved by Council in October 2009. The performance measures associated with these tasks are a continuation of the following:

  - Integrated measures via Two-Yearly Stakeholders Survey
  - Task – related measures for discrete projects or activities

  It is proposed to review and revise the Marketing Plan following review of the current MRC Strategic Plan, later in 2010.

  Projects for budget approval have been selected on the basis of probability to directly impact that behaviour to reduce overall waste, and waste to landfill.

  The details are as follows:

CORPORATE COMMUNICATIONS STRATEGY	
MRC Website	20,000
Annual Report	10,000
Waste Conference	10,000
MRC Newsletter	35,000
Bryant Media	20,000
	$95,000
WASTE EDUCATION	
HHW Collection days program and promotion	42,000
Continued Support for WESSG	2,500
Tour Programs, including giveaways	20,000
Bus Sponsorship	7,500
Mobile Display Promotion and Support	5,000
Contaminants Education / Flouros Collections	10,000
Waste Free Events Support	14,000
Earth Carers Outreach Support	60,000
Advertising	37,000
Interactive Resource for Events	10,000
School Program	30,000
Education Centre Display Updates	5,000
Battery Program	30,000

Shopping Centre Program	5,000
	$278,000
PROJECTS SUPPORT	
RRF Visitors Centre	30,000
DVD and brochures for RRF	2,000
CEAG Support	10,000
	$42,000

The Marketing and Education Program has been reduced from $719,300 to $415,000 in line with discussion at 3 June 2010 Budget Workshop.

- Consultants and Labour Cost (Tamala Park) $737,900

Tamala Park $472,900
RRF $265,000

The budget for Consultants and Contractors has been reduced from $822,900 to $742,900 in line with discussion at 3 June 2010 Budget Workshop.

Budget 2009/2010 also makes provision for the use of consultants for the execution of designated functions associated with the business. These functions are in addition to, albeit complementary to those functions performed by employees and contracted personnel.

Designated functions are as follows:

Consultancy	
- Tamala Park	
HR Support	20,000
Financial & Business Advice and Modelling	40,000
Environmental Support / Audit	25,000
Technical Support and Advice	15,000
Strategic Plan Review	10,000
Strategic Financial Plan Review	10,000
Architectural & Engineer Support Project	15,000
	$135,000
-RRF	
Specialist Project Consultants	*50,000*
Financial	*10,000*
Insurance	*15,000*
Legal Support	*100,000*
	$175,000
Contract Labour	
- Tamala Park	
Admin Staff – Relief	7,200
Finance Staff – Relief	15,000
Operator Relieve/Labour Hire	17,000
Mechanic Relief	16,800
Environmental Officer	99,500
Welder Relief	12,400
New Land Purchase	
- Project Management	15,000
Zero Waste Plan	
- Project Management	20,000

RRF Stage 2 Development	
- Project Management	20,000
Marketing and Education Manager	100,000
Landfill Gas Tendering	15,000
	$337,900
*-**RRF***	
Project/Contract Management	*90,000*
	$90,000

The Budget estimates associated with 'Contract Labour' make provision for the ongoing appointment of external personnel to the positions of Project Manager, Marketing/Education Manager and Environmental Officer.

An exercise is in progress for the potential 'internalisation' of these positions via recruitment. One outcome from this exercise is the potential reduction in these estimates via this recruitment.

- Research and Planning Cost $350,000

Municipal Waste Advisory Council Standard Contribution	40,000
Regional Plan Development	5,000
Strategic Plan Implementation	5,000
WMAA-A-CAP Project (In Kind/Cash Contributions)	10,000
FORC	20,000
Landfill Gas Migration Investigation	80,000
Ground Water Remediation	30,000
Technical Investigations – Son of Tamala Park	150,000
Millipedes Control	10,000
	$350,000

2009/2010

The expenditure in relation to the following projects needs to be carried forward as it has been delayed.

- Upgrade of Navision Financial and Payroll System - $0.05m
  - Due to the delay of the initial planning and preparatory work, the project will now be carried out in 2010/11.
- Environmental Monitoring - $0.05m
  - The assessment of air quality in the RRF Receival Hall has taken longer than anticipated. The carryover of funds is to cover costs associated with the ongoing air quality investigation.
- Contractors Fees - $0.90m
  - This is to cover the anticipated additional tonnes that BioVision will process next year to catch up on the reduced processing capacity from this year as a result of the recent composter damage.

$1.00m

TOTAL CAPITAL EXPENDITURE

2010/2011

Proposals for Capital Expenditure within the context of Budget 2010/2011 are detailed on Attachment Two. The key items are as follows:

- Landfill 2 Capping –
  - To cap the northern portion of the completed landfill $3.40m
- Landfill Compactor - $1.00m
  - This relates to the replacement of existing compactor.
- Building - $0.11m
  - This relates to a number of small extensions in relation to Recycling Lunch Room and Administration Accommodation Improvements.

2009/2010

The following projects are currently in progress and the unexpended budget allocated in 2009/2010 for these items need to be carried forward to 2010/2011 and incorporated as part of the Capital Budget for 2010/2011.

- Landfill Excavation - $8.9m

  The excavation is completed and the base lining will be completed by June 2010. Further incremental lining will be done in 'clay' and this would be carried over next four to five years. The carried forward amount of $8.9m is relating to the incremental 'clay' lining and will be increased at an annual rate of $2m.
- Purchase for Land - $12.0m

  This relates to cost of purchase of land for the new landfill site beyond Tamala Park.
- Resource Recovery Facility - $0.11m

  The weighbridge office and education building has been completed and minor works relating to communication infrastructure to be carried out in July/August 2010.
- Workshop Extension – $0.35m

  Delays gaining approvals delay construction start date until mid June.
- Ground Maintenance Shed - $0.01m

  Construction delayed because the sub surface storm water drains will be located beneath the ground maintenance shed.
- Tarpomatic System - $0.24m

  MRC is waiting for DEC approval before purchasing tarpomatic System. DEC approval expected mid June.

$21.61m

Construction of Fees – FY 2010/2011

Council, at its meeting on 22 April 2010, resolved as follows:

That Council:

(i) note the information in this Item in relation to a review of the MRC member fee model

(ii) adopt a single fee model as the basis for determining the fee for the acceptance of waste from member Councils for the 2010/2011 budget

(iii) authorise the CEO to present a report to the Council Budget Workshop scheduled for 13 May 2010, on the characteristics of the 'Single Fee' model

Council further resolved at its meeting on 22 April 2010 as follows:

That Council:

(i) note the methodology used for the Budget Planning and Strategic Budget for 2010/2011

(ii) note the new initiatives

(iii) note Members' Single Gate Fee of $113 - $119 (ex GST) for financial year 2010/2011 for budget planning purposes

(iv) approve the Schedule of Fees and Charges relating to commercial and casual users, at Attachment One in respect of financial year 2010/2011

City of Stirling action, in Supreme Court to seek an interlocutory injunction against the introduction of a single fee model was unsuccessful. Budget planning has continued on the basis of the Single Fee Model.

The rules relating to setting of fees for local governments are detailed in Local Government Act 1995 (as amended) as follows:

6.16. Imposition of fees and charges

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

**Absolute majority required.*

(2) A fee or charge may be imposed for the following –

(a) providing the use of, or allowing admission to, any property or facility wholly or partly owned, controlled, managed or maintained by the local government;

(b) supplying a service or carrying out work at the request of a person;

(c) subject to section 5.94, providing information from local government records;

(d) receiving an application for approval, granting an approval, making an inspection and issuing a licence, permit, authorisation or certificate;

(e) supplying goods;

(f) such other service as may be prescribed.

(3) Fees and charges are to be imposed when adopting the annual budget but may be –

*(a) Imposed * during a financial year; and*

*(b) Amended * from time to time during a financial year.*

** Absolute majority required.*

6.17. Setting the level of fees and charges

(1) In determining the amount of a fee or charge for a service or for goods a local government is required to take into consideration the following factors –

(a) the cost to the local government of providing the service or goods;

(b) the importance of the services or goods to the community; and

(c) the price at which the service or goods could be provided by an alternative provider.

(2) A higher fee or charge or additional fee or charge may be imposed for an expedited service or supply of goods if it is requested that the service or goods be provided urgently.

(3) The basis for determining a fee or charge is not to be limited to the cost of providing the service or goods other than a service –

(a) under section 6.96;

(b) under section 6.16(2)(d); or

(c) prescribed under section 6.16(2)(f), where the regulation prescribing the service also specifies that such a limit is to apply to the fee or charge for the service.

(4) Regulations may –

(a) prohibit the imposition of a fee or charge in prescribed circumstances; or

(b) limit the amount of a fee or charge in prescribed circumstances.

The deductions from consideration of these rules is that, provided Council complies with these rules then any fee model i.e. multi fee, single fee, can be adopted.

In this regard, the following factual information should be noted in this decision – making process:

- The Council has previously adopted a set of financial precepts, or rules, which state, among other things, that members shall only pay the cost for processing of received waste (Compliance: 6.17(1)(a) above, with respect to “cost”)
- The Council has as part of its Constitution, a purpose described, inter alia, as follows:

  ‘The orderly and efficient treatment and/or disposal of waste ...’
  (Constitution, para 5.1(a) refers)
- This purpose reflects consideration of 6.17(a)(a) above – service provided.
- The Council is a body which is providing waste processing services i.e. RRF, in addition to waste disposal services via landfill – an initiative which will in factual terms, reduce the municipal waste to landfill and increase the life of the landfill at Tamala Park. These initiatives are consistent with a demonstration of consideration of 6.17(b) above – importance of the services to the community.

- In terms of a comparative analysis of alternative providers, vide 6.17(1)(c) above, the following table describes the comparison.

PROVIDER	**LOCATION**	**SERVICES**	**Fees 2009/10**	**Projected 2010/11**
SMRC	Canning Vale	RRF	$155/t	$178/t
WMRC		RRF	$134/t	Not available
Armadale Council	Armadale	Landfill	$91/t	$100/t
		Including Recyclables	$145/t	Not available

Member Fee – 2010/2011

Members' fees is calculated as follows:

- The Tonnage to be delivered to MRC by respective Member Councils are confirmed at commencement of Budget Process
- Establishment of Cost
  - Share of Landfill Facility Cost based on Budgeted Cost for Landfill Facility/Administration and tonnes tipped at the landfill $\$x_1$
  - Cost of RRF Facility (Contractors & Associated Cost plus MRC Cost – details are at Attachment 2) $\$x_2$
- The Members' Fee per Tonne is then derived by dividing $\$(X_1 + X_2)$ by the number of Processable Tonnes projected for 2010/2011.

For 2010/2011 the Members Fee, under the Single Fee Model, is projected at $105/tonne.

Any variations arising from the following:

- Variation of Tonnes delivered
- Variation in cost
- Additional cost relating to unforeseen circumstances

Will be calculated and will be dealt with as follows:

- Variation up to $500,000 will treated as unders/overs and dealt with in the subsequent years based on Audited Financial Statements
- Variation greater than $500,000 will be highlighted during the mid-year review and an adjustment in the Members' Fee will be made with immediate effect
- The above treatment of unders/overs are in line with the Policy of Unders/Overs previously approved by Council.

Funding Plan

The proposed funding plan for 2010/2011 budgeted expenditure is as follows:

- operating expenditure is to be covered by income primarily from the Gate fees, gas power generation income, and sale of recyclables resulting in an estimated surplus of $1.2m approximately. This surplus needs to be retained to meet the loan repayments and capital expenditure and on-going cashflow requirements of the Council in line with the Strategic Financial Plan
- remaining infrastructure costs in relation to the Resource Recovery Facility is to be funded from the existing loan facilities
- purchase of land will be funded by a dedicated loan which will be approved prior to the purchase
- the remaining ongoing Capital Expenditure is to be funded from the surplus of $1.2m projected for the year (as noted above) and retained surplus brought forward

The 20 year Strategic Financial Plan was approved at the July 2008 Ordinary Council Meeting. One of the fundamental assumptions of the Strategic Financial Plan is that the annual surpluses will be retained by Mindarie Regional Council to fund the ongoing Capital Expenditure requirements of the organisation with the view to establishing Mindarie Regional Council as a self-funding and viable organisation going forward.

In line with this plan, the surpluses to date and future years will be retained by the Mindarie Regional Council as approved by the Council at its August 2005 Ordinary Council Meeting.

Overdraft

Mindarie Regional Council currently has an overdraft facility of $1m that is reviewable every six (6) months (September and March). It is recommended that this facility be retained.

Loans

The loans repayment schedule is in line with the Strategic Financial Plan and at this stage all loans are expected to be repaid by 2016/2017 utilising funds obtained from annual surpluses.

Other Matters

- Members Withdrawal

  The process for withdrawal of any Member Councils from MRC is contained in the current Constitution

- Members Conferences

  Currently a total amount is provided by MRC to cover the expenses relating to Member Conferences. Suggestion has been made to allocate a specific amount to each Councillor for attendance at Conferences at their discretion. This will be discussed at the Budget Workshop

- RRF Gate Fee

  As per the RRFA, the Waste Diversion Target is able to be changed to take into consideration the Perth waste stream composition (organic fraction). It has previously been agreed with BioVision that the Waste Diversion Target will be assessed in the first year of operations. Following the extended Un-Availability as a result of the composter cracks, the MRC is proposing that this assessment be

finalised over the first two years of operation, with an interim adjustment at the end of year one.

The issue of whether there is a corresponding RRF gate fee increase is a matter of discussion with BioVision.

If the Waste Diversion Target is adjusted to the extent requested by BioVision (71.4% to 55.5%) and the MRC is required to adjust the gate fee, the impact has been calculated as $7.41/tonne which will equate to $1.7m for 2010/2011. Based on this, the retrospective catch-up payment for the 2009/2010 financial year has been calculated as $0.75m. This impact of the variation has not been taken into account for the calculation of 2010/2011 Members' Gate Fees as this has not been approved by the Council. Administration recommends that this cost be offset as follows:

• 2009/2010	- $0.75m		Funded from 2009/2010 Surplus
• 2010/2011	- $1.7m	50%	Funded from Retained Surplus
		50%	Funded by increase in gate fee for consideration in context of mid-year Review (Feb 2011)

STATUTORY ENVIRONMENT

Budget approval is planned prior to end August 2010, in accordance with provision of the Local Government Act 1995 is required.

POLICY IMPLICATIONS

Not applicable

FINANCIAL IMPLICATIONS

As detailed

STRATEGIC IMPLICATIONS

The draft Budget 2010-/2011 is consistent with the Council's twenty year Strategic Plan, Strategic Financial Plan (2008/09 – 2027/28) and Annual Business Plan for 2010/2011.

COMMENT

The Budget formulation process has been conducted in accordance with the plan previously approved by Council on 10 December 2009. The draft Budget for 2010/2011 has been finalised and is now tabled for Council's consideration. The Budget is consistent with the information contained in the respective year in the twenty year Strategic Plan and Strategic Financial Plan (2008/09 – 2027/28) and the associated Business plan for 2010/2011 and takes into account the current economic conditions, demand of business, environmental factors, latest events associated with RRF, new initiatives and other relevant factors to enable the Council to provide the level of service consistent with the Business Plan.

MRC OFFICER RECOMMENDATION

That Council:

(i) approve the Members Fee of $105/tonne under the Single Fee Model

(ii) note the possible impact of the Single Fee Model on Non-Processable tonnages from City of Stirling and likelihood of an adjustment in Members Gate Fee for 2010/2011

(iii) adopt the draft Budget for the Mindarie Regional Council for Financial Year 2010/2011

(iv) endorse the on-going strategy of deferred payment of operational surplus, as approved by Council at its August 2005 meeting, for the FY 2005/2006 and future years to meet its on-going capital requirements

(v) approve the use of an on-going overdraft facility of $1 million to manage cashflow 'short falls' during FY 2010/2011 and future years

(vi) approve the capital budget allocation of $21.61m in respect of the Landfill Excavation, Purchase of Land, RRF Infrastructure, Tarpomatic System, Workshop Extension and Ground Maintenance Shed to be carried forward from 2009/2010 to 2010/2011

(vii) approve the operational budget allocation of $1m in respect RRF Contractors Fees, Environmental Monitoring and upgrade of Financial Systems to be carried forward from 2009/2010 to 2010/2011

(viii) note that the loan of $6.6m approved in 2008/2009 to fund the Phase 3 landfill excavation will not be drawn in 2010/2011 due to phasing of the Lining project over 4/5 years commencing 2010/2011 but may be required in future years

(ix) approve the following transfers to the respective cash backed Reserves:

- **Transfer $5m to Reserve for RRF Operational Requirements**
- **Transfer $1m to Reserve for Carried Forward Expenditure in respect of $1m operational expenditure carried forward to 2010/2011**

Mindarie Regional Council

NOTES TO AND FORMING PART OF THE BUDGET

For the year ending 30 June 2011

	Proposed Budget 2010/2011
BUILDING	
Building	
Recycling Centre Lunch Room Extension	17,500
Patio and Office Renovation	92,000
brought forward items:	
Workshop Extension	350,000
Ground Maintenance Shed	10,000
TOTAL BUILDINGS	**469,500**
LAND	
Land	
brought forward items:	
Land Purchase (New Landfill Site)	12,000,000
TOTAL LAND	**12,000,000**
TOTAL LAND AND BUILDINGS	**12,469,500**
INFRASTRUCTURE	
Operations	
Boom Gates	19,500
	19,500
Landfill Phase 3 Development	
Pumps and Compressor Station	85,000
Design, Superintendence	50,000
Clay Lining	2,000,000
Project Management	15,000
	2,150,000
Landfill Stage 2 Capping	
Design, Superintendence	150,000
Cap Construction	3,000,000
Revegetation	200,000
Project Management	20,000
	3,370,000
Resource Recovery Facility	
Site Infrastructure additional Costs	25,000
brought forward items:	
Site Infrastructure	110,000
	135,000
TOTAL INFRASTRUCTURE	**5,674,500**

ATTACHMENT TWO

TO ITEM 7.1

SPECIAL COUNCIL MEETING

24 JUNE 2010

OPERATION STATEMENT BY NATURE & TYPE
OPERATING STATEMENT BY PROGRAM
CHARTS REVENUE AND EXPENDITURE

MRC BUDGET 2010/11
SCM 24 JUNE 2010
BUDGET PRESENTATION