



Finance Committee

26 February 2013

MINUTES



MINUTES OF FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON TUESDAY, 26 FEBRUARY 2013 COMMENCING AT 7.05PM

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**MINUTES OF A FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON TUESDAY, 26 FEBRUARY 2013, COMMENCING AT 7.05PM****F1. OPENING OF MEETING**

The Presiding Member declared the meeting open.

F1.1 Present

Cr R Olson	Presiding Member
Cr B de Jong	
Cr S Martin	
Cr M Rico	
Mr L Mainwaring	Executive Manager Finance & Administration
Mr K Dyer	Operations Manager

F2. ACKNOWLEDGEMENT OF COUNTRY

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

F3. WELCOME TO GALLERY

There were no members of the public present.

F4. APOLOGIES

Mayor Ferris

F5. PUBLIC QUESTION TIME

Nil.

F6. CONFIRMATION OF MINUTES**F6.1 Finance Committee Meeting – 12 March 2012**

Cr De Jong – Cr Rico

That the Minutes of the Finance Committee held on 12 March 2012 and adopted at the Council Meeting held on 20 March 2012 be confirmed. CARRIED

F7. CORRESPONDENCE (LATE RELATING TO ITEMS IN AGENDA)

Nil.

F8. BUSINESS**F8.1 2012/2013 Half Year Budget Review**

By Les Mainwaring Executive Manager Finance & Administration, on 21 February 2013

PURPOSE

Half yearly review of the Town's operations including forward estimates and budget recommendations to 30 June 2013.

BACKGROUND

Local Governments are required to conduct a budget review between 1 January and 31 March each financial year in accordance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 (as amended). The results of the budget review are to be submitted to Council within 30 days of the review [FM Regulation 33A (2) and (3).] A copy of the review and Council's recommended solutions are to be forwarded to the Department of Local Government within 30 days of the Council meeting (Financial Regulation 33A(4)).



The Department of Local Government advises that a schedule of all prior budget amendments should be included in the financial review of the original budget for the period July – December 2012.

At the Ordinary Council Meeting 11 December 2012, when considering the carried forward surplus from the results of the Annual Financial Report 2011-2012, Council carried three (3) amendments to the original budget.

This half yearly report provides commentary on operations by statutory program in addition to information already provided in regular monthly financial activity reporting, with the intent of specifically analysing forecast variations and providing recommendations for budgetary revisions.

REPORT

The following are the key organisational indicators taken from the December Monthly Financial Activity Report YTD Actuals against the Original Budget as at 31 December 2012. This is a slightly different view compared to our monthly year to date budget view taken in the regular monthly Financial Activity Reports, it also allows a comparative performance to last year.

Budget Year elapsed 50%

Total Operating Expenditure 49% (Last Year 53%)

Operating expenditure is favourable by 1% to the half yearly original budget, and further positive signs are that it is 4% lower than last year's comparison.

Total Operating Revenue 81% (Last Year 79%)

Operating revenue at 81% is influenced by the early collection of rates and rubbish services, however comparative positive signs are the income is 2% higher than the same time last year.

Total Capital Expenditure 41% (Last Year 16%)

The progress of capital programs shows a marked improvement in comparison to the same time last year, mainly where infrastructure has been 63% completed and Furniture and Equipment 54% completed.

Total Sale of Asset Revenue 30% (Last Year 61%)

Sale of asset revenue of 30% indicates the progress of the planned plant replacement program where two of the five items of plant have been replaced in the first half.

Methodology

This review is in two sections;

- Operating Budget by Program – budget amendments recommended
- Capital Budgets by Asset Classification – budget amendments recommended

The review methodology compares the original budget position to forecast actual values and recommends budget amendments where appropriate based on forecasts to the 30th June 2013. The threshold of reporting on material exceptions is guided by the materiality threshold in financial reporting at each program level, of either the greater of 10% or \$10,000 as set at the Ordinary Council Meeting 21 August 2012.

Variations to non-cash items such as depreciation, profit or loss on sale of assets and secondary allocation items are excluded as they have no cash impact on Council's forecast cash position.

Any budget revisions from this report will be considered for inclusion and reported as amendments in the next available Monthly Financial Activity Report.

Executive Summary



The net result of all half yearly review material forecast estimates is a forecast deficit movement of \$153,600. Added to the current forecast surplus of \$75,719, the net effect of this budget review will be a projected end of year forecast deficit of \$77,881.

The projected deficit position represents 1% of budgeted operating revenue, therefore it is not considered to be significant in the context of the proportion of our business and the fact that budget reviews tend to take a conservative position of more readily identifying negative outcomes.

Prior Budget Amendments
OCM 11 December 2012

\$44,000 E11673 Glasson Park Project – CapEx Infrastructure Assets
\$ 6,000 E11259 Raceway Park BBQ – CapEx Infrastructure Assets
\$65,000 E11246 East Fremantle Oval Master Plan – OpExp Community Amenities

Operating Budgets by Program

Budget amendments are recommended for:

General Purpose Funding

Income

\$75,000 I03188 reduction in Interest on Muni Investments due to three concurrent factors. A greater fall in interest rates than anticipated, the movement of a large quantity of cash into Trust and the fact that capital program expenditure has accelerated in the first half compared to the preceding year.

The budget review outcome for General Purpose Funding is unfavourable by \$75,000.

Governance

Expenditure

\$22,000 E04201 savings on administration salary from staff turnover and casual leave without pay.

\$20,000 E04239 savings from lesser use of accounting contractors in the first half.

\$10,000 E04266 savings from lower use of public relations consultants in the first half.

The budget review outcome for Governance is favourable by \$52,000.

Community Amenities

Income

\$20,000 I10088 reduction in development application revenue from lower than estimated larger development applications.

Expenditure

\$17,000 E10215 increase in estimate of planning consultant expenditure for the completion of the George Street Parking and Access Plan. The project is within the original contract price of 2011/12 however the carrying over of the uncompleted work to 2012/13 was not captured correctly in the budget.

\$12,000 E10216 savings in the TPS Scheme 3 project estimate for the final consultants claim and subsequent consultation and response.

\$10,000 E10217 savings in legal expenses for planning not used, provision of \$10,000 available for the remainder of the year.

\$10,000 E10237 savings on infill density project already covered within TPS 3 review.



\$55,000 E10238 savings from municipal inventory project timing, \$10,000 available for progress to June.

\$10,000 E10239 savings on strategic urban plan already covered by TPS 3 review.

\$106,000 E10203 increase in estimated costs of diverted waste during SMRC shut down.

\$22,000 E10222 increase in estimated costs of SMRC Material Recovery Fees increased from \$44t to \$98t in the second half because of fall in revenue from recycle markets, especial waste paper in the second quarter of 2012 \$138t down to \$75t.

The budget review outcome for Community Amenities is unfavourable by \$68,000.

Recreation and Culture

Expenditure

\$17,000 E11249 increase in library shared services with City of Fremantle mainly due to a shift toward East Fremantle in proportionate membership where total membership fell from 12,977 to 11,608, with the fall of 1369 members shared 1275 Fremantle and 94 East Fremantle. East Fremantle's membership proportion increased from 15.5% to 16.5% based on a total library budget of \$1,436,000.

\$34,000 E11246 increase in East Fremantle Oval master plan project with the addition of an asset condition report and further design and consultation. The total revised budget will be \$200,000.

\$17,500 E11263 increase in East Fremantle Festival expenditure where the original estimate did not include the expenditure from the annual grant.

The budget review outcome for Recreation and Culture is unfavourable by \$68,500.

Transport

Income

\$15,000 I12181 reduction in parking fee income during the closure of the boat ramp in November is estimated to be a permanent difference.

\$30,000 I12095 additional Main Roads grant from 2011/2012 Petra Street works not received until the current year.

Expenditure

\$32,000 E12215 increase in road and street maintenance mainly due to contractor removal of waste not adequately allowed for in the original budget.

\$21,000 E12231 savings in footpath and cycleway maintenance due to a lower than estimated contractor requirement.

\$30,000 E12263 increase in drainage maintenance due to contractors not adequately allowed for in the original budget.

The budget review outcome for Transport is unfavourable by \$26,000.

Economic Services

Income

\$14,000 I13181 reduction in building permit income due to lower revenue volumes from smaller developments

Expenditure

\$79,900 E13201 savings in permanent building surveyor salaries from outsourcing to contractors.

\$11,200 E13202 savings from permanent building surveyor on costs from outsourcing to contractors.



\$40,200 E13205 additional cost estimate of using contract building surveyor services.

The budget review outcome for Transport is favourable by \$36,900.

Other Property and Services

Expenditure

\$23,000 E14204 increase in engineering consultant services not included in estimates originally covering consulting engineers for the Town Hall, but extending to heritage conservation work on the Plympton steps and asset management pick up activities for Roman II.

\$18,000 E14303 savings on plant operations parts and repairs mainly due to an upgraded fleet that requires lower servicing and repair intervention.

The budget review outcome for Other Property and Services is unfavourable by \$5,000

Capital Budgets by Asset Classification

All capital activities are funded from Reserves, therefore any variations to capital projects are recommended to be funded to and from Reserves, as the case may be, in preference to impacting the projected carried forward operating position.

Budget amendments are recommended for:

Land and Buildings

Capital Income

\$10,500 000350 additional transfers from Building Reserve which has an estimated current balance of \$627,000.

Capital Expenditure

\$10,500 E07401 increased cost of works required for Sumpton Green restumping, replacement of battens, retiling and replacement of handrails compared to original indicative estimate.

The budget review outcome for Land and Buildings is neutral at \$0.

Infrastructure Assets

Capital Income

\$155,000 I11184 additional DOT grant for the Leeuwin launching ramp project submitted to account for additional requirements of the Swan River Trust approval.

\$18,400 000341 additional transfer from Strategic Plan & Infrastructure Reserve which has an estimated current balance of \$198,000.

Capital Expenditure

\$201,500 E10604 additional costs of Leeuwin launching ramp project as a result of additional requirements to comply with the Swan River Trust approval for lighting, landscaping, drainage and drainage swales.

\$31,400 E11640 savings on completion of the installation of playground equipment at John Tonkin Park.

\$18,700 E11662 savings on completion of the East Fremantle Tennis Club courts project.

\$22,000 E11673 additional completion costs of the Glasson Park upgrade for materials and contractors

The budget review outcome for Infrastructure Assets is neutral at \$0.



Statutory Requirements

Local Government (Financial Management) Regulations 1996

33A. Review of budget

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must —
 - (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
 - (b) consider the local government's financial position as at the date of the review; and
 - (c) review the outcomes for the end of that financial year that are forecast in the budget.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review. **Absolute majority required.*
- (4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

Relevant Council Policies

The budget is based on the principles of the Strategic Plan and Plan for the Future.

Strategic Plan Implications

The budget review has been developed on existing strategic planning documents.

Financial/Resource/Budget Implications

The net result of all half yearly review material forecast estimates is a forecast deficit movement of \$153,600. Added to the current forecast surplus of \$75,719, the net effect of this budget review will be a projected end of year forecast deficit of \$77,881.

Conclusion

The projected deficit position represents 1% of budgeted operating revenue, therefore it is not considered to be significant in the context of the proportion of our business and the fact that budget reviews tend to take a conservative position of more readily identifying negative outcomes.

Given the projected deficit, finance staff will closely monitor results and trends during the remainder of the financial year with the intent of maintaining a balanced budget result.

Voting Requirements

Absolute Majority

RECOMMENDATION

That the Finance Committee recommends that Council:

1. Receives the Half Yearly Budget Review report for the period ended 31 December 2012.
2. Notes the budget amendments already adopted by Council during the period 1 July 2012 to 31 December 2012 leaving a closing surplus of \$75,719.
\$44,000 E11673 Glasson Park Project – CapEx Infrastructure Assets



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- \$ 6,000 E11259 Raceway Park BBQ – CapEx Infrastructure Assets
\$65,000 E11246 East Fremantle Oval Master Plan – OpExp Community Amenities
3. Adopts the budget review recommendations with the following variations for the period 1 July 2012 to 31 December 2012 and amend the budget accordingly:
- \$75,000 I03188 reduction in Interest on Muni Investments
 - \$22,000 E04201 savings on administration salary
 - \$20,000 E04239 savings from lesser use of accounting contractors
 - \$10,000 E04266 savings from lower use of public relations consultants
 - \$20,000 I10088 reduction in development application revenue
 - \$17,000 E10215 increase in estimate of planning consultant expenditure
 - \$12,000 E10216 savings in the TPS Scheme 3 project
 - \$10,000 E10217 savings in legal expenses for planning
 - \$10,000 E10237 savings on infill density project
 - \$55,000 E10238 savings from municipal inventory project timing
 - \$10,000 E10239 savings on strategic urban plan
 - \$106,000 E10203 increase in estimated costs of diverted waste
 - \$22,000 E10222 increase in estimated costs of SMRC Material Recovery Fees
 - \$17,000 E11249 increase in library shared services with City of Fremantle
 - \$34,000 E11246 increase in East Fremantle Oval master plan project
 - \$17,500 E11263 increase in East Fremantle Festival expenditure
 - \$15,000 I12181 reduction in parking fee income
 - \$30,000 I12095 additional Main Roads grant from 2011/2012
 - \$32,000 E12215 increase in road and street maintenance
 - \$21,000 E12231 savings in footpath and cycleway maintenance
 - \$30,000 E12263 increase in drainage maintenance
 - \$14,000 I13181 reduction in building permit income
 - \$79,900 E13201 savings in permanent building surveyor salaries
 - \$11,200 E13202 savings from permanent building surveyor on costs
 - \$40,200 E13205 additional cost estimate of using contract building surveyor services
 - \$23,000 E14204 increase in engineering consultant services
 - \$18,000 E14303 savings on plant operations parts and repairs
 - \$10,500 000350 additional transfers from Building Reserve
 - \$10,500 E07401 increased cost of works required for Sumpton Green
 - \$155,000 I11184 additional DOT grant for the Leeuwin launching ramp project
 - \$18,400 000341 additional transfer from Strategic Plan & Infrastructure Reserve
 - \$201,500 E10604 additional costs of Leeuwin launching ramp
 - \$31,400 E11640 savings on completion of the installation of playground equipment at John Tonkin Park.
 - \$18,700 E11662 savings on completion of the East Fremantle Tennis Club courts project.
 - \$22,000 E11673 additional completion costs of the Glasson Park upgrade
 - \$153,600 decrease in closing funds

Absolute Majority Resolution Required

**Cr de Jong – Cr Rico
That Council:**

1. **Receives the Half Yearly Budget Review report for the period ended 31 December 2012.**
2. **Notes the budget amendments already adopted by Council during the period 1 July 2012 to 31 December 2012 leaving a closing surplus of \$75,719.**
\$44,000 E11673 Glasson Park Project – CapEx Infrastructure Assets
\$ 6,000 E11259 Raceway Park BBQ – CapEx Infrastructure Assets
\$65,000 E11246 East Fremantle Oval Master Plan – OpExp Community Amenities
3. **Adopts the budget review recommendations with the following variations for the period 1 July 2012 to 31 December 2012 and amend the budget accordingly:**
\$75,000 I03188 reduction in Interest on Muni Investments



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\$22,000 E04201	savings on administration salary
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\$10,000 E04266	savings from lower use of public relations consultants
\$20,000 I10088	reduction in development application revenue
\$17,000 E10215	increase in estimate of planning consultant expenditure
\$12,000 E10216	savings in the TPS Scheme 3 project
\$10,000 E10217	savings in legal expenses for planning
\$10,000 E10237	savings on infill density project
\$55,000 E10238	savings from municipal inventory project timing
\$10,000 E10239	savings on strategic urban plan
\$106,000 E10203	increase in estimated costs of diverted waste
\$22,000 E10222	increase in estimated costs of SMRC Material Recovery Fees
\$17,000 E11249	increase in library shared services with City of Fremantle
\$34,000 E11246	increase in East Fremantle Oval master plan project
\$17,500 E11263	increase in East Fremantle Festival expenditure
\$15,000 I12181	reduction in parking fee income
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\$201,500 E10604	additional costs of Leeuwin launching ramp
\$31,400 E11640	savings on completion of the installation of playground equipment at John Tonkin Park.
\$18,700 E11662	savings on completion of the East Fremantle Tennis Club courts project.
\$22,000 E11673	additional completion costs of the Glasson Park upgrade
\$153,600	decrease in closing funds

CARRIED
ABSOLUTE MAJORITY REQUIRED

F8.2 Council Meeting – 18 February 2013

- (i) **Reference to Public Relations under the “Members of Council” heading**
The Executive Manager Finance & Administration advised the Committee that the “Public Relations” account had been moved to the correct Sub-Program “Administration”.
- (ii) **Budget variance of \$11,000 for the George Street Parking and Access Management Plan**
The Executive Manager Finance & Administration explained to the Committee that this project had spanned over two financial years, with the balance of the funding for the project not sufficiently provided for in the 2012/2013 budget.

F9. URGENT BUSINESS WITHOUT NOTICE BY PERMISSION OF THE MEETING



- F9.1** ***Unauthorised Over Expenditure***
Cr Martin – Cr de Jong
That a report be provided to Council addressing recommended governance mechanisms to prevent unauthorised over expenditure. CARRIED
- F9.2** ***Lighting Tower East Fremantle Oval***
Cr Olson – Cr Martin
That a report be provided to Council regarding the status of costs and reimbursement of the light tower expenditure by the East Fremantle Football Club. CARRIED
- F9.3** ***Ongoing Status Report***
Cr Olson – Cr Martin
That a report be provided to Council recommending a template of continually updated report recommendations with status progress and costs associated to date. CARRIED
- F9.4** ***Art Acquisition Policy***
Cr de Jong – Cr Martin
That a report be provided to the next Council Meeting regarding a Council Policy for art acquisition from the Arts and Sculptures Reserve. CARRIED
- F10.** **CLOSURE OF MEETING**
There being no further business, the meeting closed at 8.06pm.

*I hereby certify that the Minutes of the meeting of the **Finance Committee** of the Town of East Fremantle, held on **26 February 2013**, Minute Book reference **F1. to F10.** were confirmed at the meeting of the Committee on*

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Presiding Member