



12 March 2008

AGENDA

MINUTES OF FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON WEDNESDAY 12 MARCH 2008 COMMENCING AT 6.50PM

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MINUTES OF A FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON WEDNESDAY 12 MARCH 2008, COMMENCING AT 6.50PM

F1. OPENING OF MEETING

The Presiding Member declared the meeting open.

F1.1 Present

Mayor A Ferris

Cr R Olson Presiding Member

Cr S Dobro

Cr B de Jong

Mr J Roberts Executive Manager Finance & Administration

F2. WELCOME TO GALLERY

There were no members of the public in the gallery.

F3. APOLOGIES

Cr Rico.

F4. PUBLIC QUESTION TIME

Nil.

F5. CONFIRMATION OF MINUTES

F5.1 Finance Committee – 14 November 2007

Cr de Jong – Mayor Ferris

That the Minutes of the Finance Committee held on 14 November 2007, and adopted at the Council Meeting held on 20 November 2007 be confirmed with the following correction to MB Ref F37.2 Monthly Financial Activity Statement for period ending 31 October 2007:

In the third paragraph on page 3, the words “19 July 2007” be inserted after the words “Council at its meeting of”. CARRIED

F6. CORRESPONDENCE (LATE RELATING TO ITEMS IN AGENDA)

Nil.

F7. REPORTS OF OFFICERS

F7.1 2007/08 Budget Review

By John Roberts, Executive Manager Finance & Administration, on 29 February 2008

PURPOSE

The purpose of this report is to facilitate consideration of the 2007/08 Budget review.

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)).

REPORT

This report, together with the financial information attached, form part of the budget review. A review has been carried out using actual figures as at 31 January 2008 and



projected estimates to 30 June 2008. Included is a detailed breakdown of each program showing projections to 30 June 2008. It is proposed that budget amendments be made where the material variances have been listed.

ATTACHMENT

In respect to material variances, Council is required to establish materiality levels either as a percentage and/or dollar value as per Financial Management Regulation 34(5). These materiality levels are to be used in the preparation of monthly Financial Activity Statements and undertaking the annual Budget review. Council adopted materiality levels of 10% or \$5,000 whichever the lesser, at the 12 April 2007 Council meeting. It is suggested that the material variance level be changed to 10% or \$10,000 whichever is the greater, in order to confine financial reporting to the more significant items.

Summary

The review of the 2007/08 Budget has identified a projected surplus of approximately \$893,181 at 30 June 2008. As indicated in this report the main elements of this surplus are as follows:

Operating Revenue

Income of \$187,846 under budget, primarily as a consequence of capital grants not being received due to delays in projects being undertaken and a reduction in fees and charges income.

Operating Expenditure

Expenditure savings of \$587,435, under budget, primarily derived from savings in maintenance works not being undertaken mainly due to staff and contractor resourcing issues and savings in general administration costs.

Capital Expenditure

Expenditure savings of \$503,592, under budget. There are projected savings on Capital Works projects of \$511,573, primarily due mainly to the deferment of the Preston Point Rd project to 2008/09, offset by a deficit of \$7,981 in Plant & Equipment purchases.

Proceeds on Disposal of Assets

\$10,000 less than anticipated due to lower than estimated trade-in values.

It is important to recognise that the projected surplus includes amounts that relate to projects that may be carried forward to 2008/09. These projects are:

Capital Projects including Preston Point Rd: Net CFWD amount: \$140,994

Operating Town Planning Projects: Net CFWD amount:\$109,579

Excluding these projects from the projected surplus leaves a free projected surplus of \$642,608. It is suggested of this \$250,000 should be allocated to the Civic Building Reserve to fund immediate building works in 2008/09 and \$50,000 to the Plant Reserve to fund future heavy plant acquisitions.

After allowing for above CFWD projects and Reserve allocations the projected surplus at 30 June 2008 is \$342,608.

Program Review

The following review, program by program, summarises the variances in Council's Operational and Capital Budgets.

Revenue

General Purpose Funding

This program represents Rates, Interest earned on investments and General Purpose grants received from the West Australian Grants Commission.



There is a projected income surplus of \$60,573 at 30th June 2008, due to:

1. Higher than expected rates raised on property improvements and associated fee income.
2. Additional interest on invested funds as a result of a larger pool of investment funds.

Governance

This program represents income for general administration

There is a projected income surplus of \$23,000 at 30th June 2008, due to:

1. An increase in Sundry Income of \$23,000. This comprises Insurance rebates, GST adjustment.

Law, Order and Public Safety

This program represents fire prevention, animal control, and Ranger Services.

There is a projected income surplus of \$12,300 at 30th June 2008, due to:

1. animal control. Higher than anticipated charges
2. public safety. Receipt of grant for Community Safety Plan.

Health

This program represents income in relation to environmental health control.

There is a projected income surplus of \$15,508 at 30th June 2008, due to:

1. Swimming Pool Inspection fees not originally included in the 2007/08 budget.

Housing

This program represents income in relation to the Allen Street units.

There is a projected income deficit of \$5,000 at 30th June 2008.

Community Amenities

This program represents income associated with the collection of household refuse and recycling; town planning, and community amenities.

There is a projected income deficit of \$16,888 at 30th June 2008, primarily due to:

1. A reduction of \$17,141 in Commercial Service charges and
2. A reduction of \$5,150 in town planning fees, offset by
3. Overcompaction charges \$5,000 not previously budgeted.

Recreation and Culture

This program represents swimming areas and rivers, general parks and reserves, and the East Fremantle Festival.

There is a projected income surplus of \$2,344 at 30th June 2008, due to:

1. An increase of \$3,000 in mooring pen fee income as a result of ensuring pens are let on an annual basis, offset by
2. A deficit of \$5,344 in Festival income

Transport

This program represents income associated with road and footpath works, parking facilities and the sale of road plant.

There is a projected income deficit of \$254,831 at 30th June 2008, due to:

1. Grants of \$405,799 will not be received. These grants are for the Preston Point Rd and Marmion St projects, offset by a
2. Receipt of George St works grants of \$145,968 not previously budgeted
3. An increase of \$5,000 in Special Event income due to the Left Bank Xmas and New Year functions.

Economic Services

This program represents building control.

There is a projected income deficit of \$9,450 at 30th June 2008, due to:

1. A reduction of \$16,450 in building fee and verge licence income. This is due to decreased activity in the volume of building licence applications.



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2. An increase in BCITF levies. (This is collected on behalf of BCITF and is not Council funds).

Other Property and Services

This program represents Unclassified Expenditure.

There is a projected income deficit of \$10,715 at 30th June 2008, due to:

1. An decrease in recoverable works income.

Expenditure**General Purpose Funding**

This program represents costs associated with the levying of rates.

There is a projected expenditure surplus of \$20,000 at 30th June 2008, due to:

1. An decrease in cost associated with levying rates.

Governance Expenses

This program represents expenditure for elected members and general administration

There is a projected expenditure surplus \$20,299 at 30th June 2008, due to:

1. Members of Council surplus of \$8,300, including savings in election expenses and member fees.
2. Governance: Saving in general administration costs of \$12,000.

Law, Order and Public Safety

This program represents fire prevention, animal control, and ranger services.

There is a projected expenditure surplus of \$6,000 at 30th June 2008, due to:

1. Animal control. A saving in dog impounding fees \$2,000.
2. Ranger Services. A saving in general operating costs.

Health

This program represents expenditure in relation to environmental health control.

There is a projected expenditure deficit of \$11,351 at 30th June 2008, due to:

1. Swimming pool inspection fees not previously budgeted \$15,008.
2. Savings of \$3,657 in conferences and equipment purchases.

Education and Welfare

This program represents expenditure for Pre-School and Kindergarten maintenance, the Home and Community Care program and the Glyde-In Centre.

1. Savings of \$2,000 in JP MacKenzie maintenance costs.

Community Amenities

This program represents the collection of household refuse and recycling; the contribution to the South Metropolitan Regional Council, town planning, regional development and community amenities.

There is a projected expenditure surplus of \$212,929 at 30th June 2008, due to:

1. Savings in waste and recycling collection costs. \$10,100
2. Uncompleted town planning projects. \$109,579.

Comment from Chief Executive Officer

The town planning projects referred to:

- TPS3 completion
- Municipal Inventory
- Design Guidelines

The Design Guidelines project was put on hold due to a contractual dispute.

Various reasons, including the need to clarify some legal issues and elected member debate on how best to proceed, delayed plans for the Municipal Inventory.

A lack of progress on TPS3 amendments is mainly due to planning resource issues.

3. Savings in Town Planning of \$93,250 in salaries, consultancies and legal fees.

**Recreation and Culture**

This program represents swimming areas and rivers, general parks and reserves, library and the East Fremantle Festival.

There is a projected expenditure surplus of \$169,333 at 30th June 2008, due to:

1. Savings of \$10,000 in mooring pen maintenance costs.
2. Savings of \$169,215 in Parks and Gardens maintenance primarily due to staff shortages and contractor resourcing issues.
3. Increased cost associated with providing Library services. \$12,192
4. Savings in the East Fremantle Festival \$2,310.

Transport

This program represents road and footpath maintenance, parking facilities and the purchase of road plant.

There is a projected expenditure surplus of \$170,517 at 30th June 2008, due to:

1. Savings in roads, footpath and street maintenance due to staff shortages and contractor resourcing issues.

Economic Services

This program represents building control.

There is a projected expenditure deficit of \$7,500 at 30th June 2008, due to:

1. An increase in BCITF levies. (This is collected and paid on behalf of BCITF and is not Council funds).

Other Property and Services

This program represents public works overheads, plant operation costs and unclassified expenditure.

There is a projected expenditure surplus \$5,208 at 30th June 2008, due to:

1. An decrease in recoverable works and general property maintenance expenses.

Capital Works

There are a number of projects that will not be completed this financial year which has contributed to a projected surplus of \$503,592. However, it is important to note that most of the surplus relates to grant funded projects. Major projects not being undertaken are as follows:

- Preston Point Road – it is recommended this project be carried forward to 2008/09. Total Project budget \$440,793. Municipal funds contribution of \$154,131.

Comment from Chief Executive Officer

The Preston Point Road project has not proceeded to date due to unanticipated technical difficulties, in particular involving issues associated with a large Telstra pit at the Preston Point Road/Pier Street intersection. In hindsight it was overly optimistic to have thought any expenditure could have occurred this year. It is recommended this project be held over to 2008/09.

- Marmion & Moss St Intersection – it is recommended this project be carried forward to 2008/09. Project budget \$49,706 and full consideration given to the issue of cost increases if the project cannot be carried out in house. Municipal funds contribution of \$16,569.

Comment from Chief Executive Officer

Council's original plan had been to carry out this project "in house" however due to staff shortages and a loss of relevant expertise via staff resignations this year, this plan is currently not considered viable. It is recommended this project be held over to 2008/09.

- Cycleway – Marmion St/Stirling Highway. Project budget \$35,000. Municipal funds contribution \$20,000.

Comment from Chief Executive Officer

Resource issues and issues with Main Roads have prevented this project from proceeding. It is recommended this project be held over to 2008/09.



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Additional expenditure is required to complete the following projects:

- Furniture & equipment – upgraded replacement server specification and backup hardware requires an additional \$17,000.
- Lee Park – Additional equipment will require a \$10,000 additional allocation.
- John Tonkin Park – Increase specification requires an additional funding of \$10,000.

The remaining surplus is derived from savings on projects that will be completed by 30th June 2008.

Detailed budget reallocations

The following is a detailed list of projected budget variances. It is intended to undertake a budget reallocation as per the following amounts by 31 March. The March Financial Activity Statement will show the revised budget against which budget variances will be calculated.

Operational Program***Revenue***

<u>General Purpose Funding</u>		60,574
Rates	24,255	
Rates – instalment fees	550	
Rates – instalment interest	3,890	
Pensioner deferred interest	700	
Interest on investments	30,000	
Grants Commission – General Purpose Grant	715	
Grants Commission – Formula Local Roads Grant	464	
<u>Governance</u>		23,000
Sundry Income	23,000	
<u>Law Order & Public Safety</u>		12,300
Charges – Fines & Penalties	2,500	
Charges – Impounding Fees	(1,400)	
Public Safety	11,200	
<u>Health</u>		15,508
Swimming Pool Inspection Fees	15,008	
Pest Control - Sundry income	500	
<u>Housing</u>		(5,000)
Charges - Rents	(5,000)	
<u>Community Amenities</u>		(16,888)
Domestic Service Charges	403	
Commercial Service Charges	(17,141)	
Over-compaction Charges	5,000	
Survey Clearance Fees	650	
Service Planning Fees	800	
Home Occupation Fees	(1,100)	
Development Applications	(5,500)	
<u>Recreation & Culture</u>		(2,344)
Mooring Pens Fees	3,000	
East Fremantle Festival	(5,344)	
<u>Transport</u>		(254,831)
Cycleway Grant	(15,000)	



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Roads to Recovery Grant – George St	135,301	
Roads to Recovery Grant – George St	10,667	
Education Grant	(40,000)	
Parking fees	(31,000)	
Special events	5,000	
Blackspot Grant – Preston Point Rd	(286,662)	
Blackspot Grant – Marmion St	(33,137)	
<u>Economic Services</u>		(9,450)
Building Control – Permit Fees	(19,000)	
BCITF commission	7,000	
Demolition fees	450	
Builders levy fee	1,000	
Sign/verge licence	1,100	
<u>Other Property & Services</u>		(10,715)
Recoverable works income	(16,715)	
Workers Compensation Recovered	6,000	
Sub-Total – Operational Revenue deficit		(187,846)
<i>Expenditure</i>		
<u>General Purpose Funding</u>		20,000
Direct Costs of levying rates	20,000	
<u>Governance</u>		20,299
Members of Council – Sitting Fees	4,000	
Members of Council – Election Expenses	7,500	
Members of Council – Mayoral Allowance	(12,000)	
Members Insurance	2,800	
Public Relations	5,500	
Members Telephone Expenses	500	
Equipment below threshold	(1,500)	
Insurance General	3,800	
Office Maintenance	3,000	
Printing & Stationery	6,000	
Telephone	2,000	
Advertising	4,000	
Equipment Maintenance	3,000	
Motor Vehicle expenses	(5,000)	
Training/Conferences	(1,000)	
Reimbursements	(2,300)	
<u>Law Order & Public Safety</u>		6,000
ESL on Council Property	(500)	
Dog Impounding	2,000	
Office expenses	2,000	
Motor Vehicle expenses	(500)	
Insurance	3,000	
<u>Health</u>		(11,351)
Telephone Expenses	850	
Training/Conferences	1,000	
Swimming Pool Inspection Fees	(15,000)	
Insecticides	1,800	



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<u>Education & Welfare</u>		2,000
JP MacKenzie	2,000	
 <u>Community Amenities</u>		212,929
Domestic Refuse Collection	(7,000)	
Over-compaction Charges	(5,000)	
Domestic/Commercial Recycling	(12,500)	
Tip Disposals	(15,000)	
SMRC Waste Composting	58,000	
Rubbish bin maintenance	(9,000)	
Purchase of compost bins	1,000	
Contribution Regional Waste Management	(400)	
TPS 3 Completion	10,000	
Municipal Inventory	50,000	
Design Guidelines	49,579	
Town Planning Salaries	36,000	
Town Planning Superannuation	7,000	
Advertising & insurance	8,350	
Consultants	10,000	
Control expenses – Legal fees	30,000	
Town Planning Refunds	(2,100)	
Sumpton Green Maintenance	4,000	
 <u>Recreation & Culture</u>		169,333
Mooring Pens maintenance	12,500	
Seabed Rental	(2,500)	
 Marjorie Green Park	1,493	
Australia Remembers Garden	1,000	
Foreshore/Bush Regeneration	30,823	
Raceway Park	17,467	
Riverside Road Cliff Management Plan	15,000	
Merv Cowan Park	9,955	
J Dolan Park	(1,474)	
W H Kitson Park	4,843	
Henry Jeffrey Oval	10,255	
Town Hall Reserve	10,696	
EF Lacrosse Reserve	9,740	
Wauhop Park	13,446	
EF Croquet Club	7,346	
Gourley Park	6,525	
E I Chapman Reserve	2,087	
I G Handcock Playground	4,627	
Stratford Street Park	1,221	
Ulrich Park	4,450	
Locke Park	8,172	
Surbiton Road Park	(1,079)	
Parks equipment maintenance	(3,335)	
Lee Park	2,866	
Glasson Park	4,176	
Stirling Bridge	1,253	
Pump & reticulation Overhaul	8,729	
Civic Gardens	(1,157)	
 Toy Library	4,750	
Library	(16,942)	
East Fremantle Festival	2,310	



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<u>Transport</u>		170,517
Road & Street maintenance	53,846	
Works equipment maintenance	(8,656)	
Footpath maintenance	3,009	
Street Lighting	2,948	
Verge maintenance	(42,171)	
Street Cleaning	50,655	
Pruning St Trees	37,960	
Street Tree Watering	31,113	
Carbon Neutral Tree Program	1,500	
Crossovers	38,268	
Street Name Plates	2,045	
Motor Vehicle expense	(2,000)	
Sundry	2,000	
<u>Economic Services</u>		(7,500)
Salary cost	4,000	
Training & Conference	1,000	
Control Expenses	(4,500)	
Builder Registration Levy	(1,000)	
BCITF payments	(7,000)	
<u>Other Property & Services</u>		5,208
Recoverable works expenditure	11,208	
Insurance Claims refunds	(1,000)	
General Building maintenance	(5,000)	
Sub-Total – Operational Costs Savings		587,435
Capital Program		
<u>Furniture & Equipment</u>		(17,000)
IT equipment	(17,000)	
<u>Infrastructure</u>		531,573
Cycleway – Marmion St/Stirling Highway	35,000	
Footpath – Hubble Street	17,800	
Footpath – Chauncy St	(6,850)	
Footpath – Habgood St	(370)	
Footpath – Pier St	5,200	
Preston Point Road	440,793	
Windsor Rd carpark	40,000	
<u>Land & Buildings</u>		(20,000)
Lee Park	(10,000)	
John Tonkin Park	(10,000)	
<u>Plant & Equipment</u>		9,019
Sedan for CEO	6,370	
Sedan for EMFA	(15)	
Sedan for BS	1,383	
Replacement mower	4,235	
Leading Hand vehicle	(2,922)	
Works Dual Cab Ute	(32)	



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Sub Total – Capital Cost Saving _____ 503,592



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Proceeds on Disposal of Assets		(10,000)
Sale of assets	(10,000)	
Overall Total Savings		893,181

RECOMMENDATION

That Council:

1. set the materiality threshold for each program of activity at 10% or \$10,000, whichever the greater.
2. adopt the Budget Review report for 2007/08 financial year.
3. amend the 2007/08 Budget in line with the financial projections to 30/06/2008 as detailed above.
4. transfer the sum of \$250,000 into the Civic Building Reserve, and \$50,000 to the Plant Reserve at 30 June 2008 to fund future works and acquisitions.
5. incorporate the remaining surplus into the 2008/09 Budget deliberations.

Mayor Ferris – Cr de Jong

That Council:

1. set the materiality threshold for each program of activity at 10% or \$10,000, whichever the greater.
2. adopt the Budget Review report for 2007/08 financial year.
3. amend the 2007/08 Budget in line with the financial projections to 30/06/2008 as detailed above.
4. transfer the sum of \$250,000 into the Civic Building Reserve, and \$50,000 to the Plant Reserve at 30 June 2008 to fund future works and acquisitions.
5. incorporate the remaining surplus into the 2008/09 Budget deliberations.

CARRIED**F7.2 2008/09-2016/17 Plan for the Future**

Discussion took place regarding the development of the Plan for the Future.

Mayor Ferris – Cr de Jong

That:

1. the Plan for the Future be updated from the adopted 2006 Plan using the 10 year Building Works Plan, the 10 year Roadworks Plan and the 15 year Footpath Plan (the latter two items prepared for the 2006 Plan).
2. this draft updated Plan for the Future be presented to a Finance Committee to be held in late April 2008 at a date yet to be agreed.
3. budget submission from elected members be incorporated in to the Plan for the Future.

CARRIED**F7.3 2008/09 Annual Budget Parameters**

Discussions took place regarding the formulation of a draft 2008/09 budget. Agreed parameters are:

- Rates & Salary costs 6% increase
- Fees & Charges (discretionary) and expenditure 4.5% increase.

A memo to be distributed to elected members reminding them of the 31 March deadline for budget submissions to the Executive Manager Finance & Administration.

Cr Olson requested, if possible, an historic comparison of fees and charges increases for the last five years.

F8. URGENT BUSINESS WITHOUT NOTICE BY PERMISSION OF THE MEETING

Nil.



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F9. CLOSURE OF MEETING

There being no further business, the meeting closed at 7.36pm.

*I hereby certify that the Minutes of the meeting of the **Finance Committee** of the Town of East Fremantle, held on **12 March 2008**, Minute Book reference **F1. to F9.** were confirmed at the meeting of the Committee on*

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Presiding Member