



MINUTES OF A FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON TUESDAY, 1 MARCH 2011, COMMENCING AT 7.15PM

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
Mr J Roberts Executive Manager Finance & Administration

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

The Presiding Member welcomed Cr D Nardi to the meeting.

F4. APOLOGIES

Mayor Ferris.
Cr M Rico.

F5. PUBLIC QUESTION TIME

Nil.

F6 CONFIRMATION OF MINUTES

F6.1 Finance Committee Meeting – 10 November 2010

Cr de Jong - Cr Martin

That the Minutes of the Finance Committee held on 10 November 2010, and adopted at the Council Meeting held on 16 November 2010 be confirmed. CARRIED

F7. CORRESPONDENCE (LATE RELATING TO ITEMS IN AGENDA)

Nil.

F8. BUSINESS

F8.1 2010/2011 Budget Review

By John Roberts, Executive Manager Finance & Administration, on 25 January 2011

PURPOSE

The purpose of this report is to facilitate consideration of the 2010/11 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 December 2010 and projected estimates to 30 June 2011. Included is a detailed breakdown of each program showing projections to 30 June 2011. It is proposed that budget amendments be made where the material variances have been listed in the budget reallocation column

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 \$10,000 whichever the greater, at the 16 March 2010 Council meeting.

Summary

The review of the 2010/11 Budget has identified an estimated projected surplus of \$2,484 at 30 June 2011. As indicated in this report the main elements of this surplus are as follows:

Operating Revenue

Income of \$111,060 is 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 offset by a favourable variance in Grants Commission and Investment interest.

Operating Expenditure

Expenditure is \$286,415 over budget, due primarily to Town Planning salary, legal and consulting expenditure higher than budget; inclusion of a grant funded foreshore restoration project; and an increase in drainage maintenance works.

Capital Expenditure

A favourable expenditure variance on Capital Works projects of \$354,237 primarily due to a delay in commencing Town Hall repairs; an underspend in capital drainage projects due to planned capital being subsequently identified as a lower priority than various drainage maintenance works (funds transferred to drainage maintenance works); the decision to re-apply for grants to part fund the upgrade of the Leeuwin Boat Launch ramp in order to maximise the grant potential and the East Fremantle Soccer Club lighting project not proceeding in this financial year due to the Department of Sport and Recreation deferring a decision on the matter.

Surplus brought forward

The actual surplus brought forward from 2009/2010 is \$96,238 greater than estimated in the 2010/2011 adopted budget.

New Budget Requests

New budget item requests including in the Budget Review are as follows:

1. Works trailers. It has been necessary to purchase 2 new trailers for operational purposes at a cost of \$7,700. These will be partially funded by an underspend in the acquisition of pedestrian roller, \$2,500.
2. Preston Point Road. The original scope of works for the Preston Point Road project did not include road resurfacing, however the Operations Manager proposes the additional works be undertaken to complement the new kerbing and drainage works. The additional works will be partially funded from the Launch Ramp upgrade project which will now not be undertaken.
3. Foreshore Stabilisation Project. A grant received from the Swan River Trust of \$33,250 provides 50% of the project cost.



4. Installation of a PV cell at the Tricolore Community Centre. This is fully funded under Stage 3 of the RLCIP program
5. Installation of a canopy to complement the disabled access at the East Fremantle Bowling Club building. This is fully funded under Stage 3 of the RLCIP program

After allowing for the budget re-allocations and the new budget items, the surplus at 30 June 2010 is projected to be \$2,484. It is suggested this amount be included in the 2011/2012 Draft Budget calculations.

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 \$69,076 at 30th June 2011, due to:

1. Lower than expected rates raised on property improvements and associated fee income offset by:
2. Additional interest on invested funds as a result of increasing interest rates.

Governance

This program represents income for general administration

There is a projected income surplus of \$35,497 at 30th June 2011, due to:

1. Lotterywest Grant for conservation works to the Town Hall. Not previously brought to account, \$37,197.

Law, Order and Public Safety

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

There is no material projected income variance at 30th June 2011.

Health

This program represents income in relation to environmental health control.

There is no material projected income variance at 30th June 2011.

Education & Welfare

This program represents income for pre-school, HACC and the Glyde-In centre.

There is no material projected income variance at 30 June 2011.

Housing

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

There is a projected income deficit of \$9,360 at 30th June 2011.

This is due to periods when one of the Allen St properties were vacant during refurbishment.

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 surplus of \$9,530 at 30th June 2011, primarily due to:

1. Lower than budgeted Commercial Refuse Collection charges, offset by
2. Higher than anticipated Town Planning fees.

**Recreation and Culture**

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

There is a projected income deficit of \$242,008 at 30th June 2011, due primarily to:

1. Department of Infrastructure grant associated with the Launch Ramp being deferred to 2011/2012.
2. Swan River Trust grant of \$33,250 offset by mooring pen income less than budget \$38,300.

Transport

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

There is a projected income surplus of \$8,643 at 30th June 2011, due to:

1. An increase of \$8,000 in anticipated parking fee income.

Economic Services

This program represents building control.

There is a projected income surplus of \$3,050 at 30th June 2011, due to:

1. An decrease of \$3,000 in building fee and verge licence income, offset by
2. An increase in BCITF levies. (These are collected on behalf of BCITF and are not Council funds).

Other Property and Services

This program represents Unclassified Expenditure.

There is a projected income surplus of \$33,712 at 30th June 2011, due to:

1. An increase in recoverable works income.

Expenditure**General Purpose Funding**

This program represents costs associated with the levying of rates.

There is a projected expenditure deficit of \$3,148 at 30th June 2011, due to:

1. An increase in costs associated with levying rates.

Governance Expenses

This program represents expenditure for elected members and general administration

There is a projected expenditure surplus of \$16,083 at 30th June 2011, due to:

1. Reduction in General Administration costs allocated, due primarily to an underspend in employee costs.

Law, Order and Public Safety

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

There is a projected expenditure surplus of \$11,216 at 30th June 2011, due to:

1. Animal control. A saving in operating costs, \$8,383.
2. Ranger Services. A saving in operating costs, \$4,582.

Health

This program represents expenditure in relation to environmental health control.

There is a projected expenditure deficit of \$1,827 at 30th June 2011, due to:

1. Higher than anticipated maintenance costs for the Infant Health Clinic

Education and Welfare

This program represents expenditure for Pre-School and Kindergarten maintenance, the Home and Community Care program and the Glyde-In Centre. A deficit of \$5,016 is projected.

1. Maintenance costs for the Glyde-In Centre not previously budgeted for.

**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 deficit of \$77,880 at 30th June 2011, due to:

1. An overspend in waste and recycling collection costs. \$13,404
2. Overspends in the following town planning areas:
 - Salary costs \$48,000
 - Consultant & legal fees \$45,000
 - Strategic Urban Plan (Town Centre) \$9,000

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 deficit of \$55,801 at 30th June 2011, due to:

1. The inclusion of a foreshore restoration project, fully grant funded, \$33,250.

Transport

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

There is a projected expenditure deficit of \$156,643 at 30th June 2011 due to:

1. A transfer of \$119,726 from drainage capital projects to general maintenance for works at the following locations:
 - Osborne Road, at Ulrich Park.
 - The Fletcher and Fortescue Street intersection.
 - 59 Moss Street.
 - Jerrat Drive.

Economic Services

This program represents building control.

There is a projected expenditure deficit of \$7,741 at 30th June 2011, due to:

1. An increase in BCITF levies. (These are collected and paid on behalf of BCITF and are not Council funds).
2. Minor savings in general operating activities.

Other Property and Services

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

There is a projected expenditure deficit of \$8,930 at 30th June 2011, due to:

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

Capital Expenditure

There are a number of projects that will not be completed this financial year which has contributed to a projected surplus of \$354,237. However, it is important to note that most of the surplus relates to grant funded projects. Major projects not being undertaken are as follows:

- Leeuwin Boat Launch Ramp. Participation in this grant funded scheme has been deferred in order to seek a higher percentage grant allocation in the current funding round and the restoration of the car park component which was deleted.
- East Fremantle Soccer Club. DSR has not allocated grant funding to this project.

The remaining surplus is derived from savings on projects that will be completed by 30th June 2011.

**Detailed budget reallocations**

Attached is a detailed list of projected budget variances. It is intended to undertake budget reallocations as per the amounts shown in the attached report by 28 February 2011. The February Financial Activity Statement will show the revised budget against which budget variances will be calculated.

RECOMMENDATION

That Council:

1. maintain the materiality threshold for each program of activity at 10% or \$10,000, whichever the greater.
2. adopt this Budget Review report for 2010/11 financial year.
3. approve amendments to the Adopted 2010/11 Budget, in line with the financial projections to 30 June 2011 as detailed in the attached schedule.
4. approve the additional budget items as identified in this report.
5. incorporate the remaining surplus into the 2011/12 Budget deliberations.

Cr de Jong - Cr Martin

That Council:

1. **maintain the materiality threshold for each program of activity at 10% or \$10,000, whichever the greater, and report on those variances to the Elected Members budget forum on 29 March 2011.**
2. **adopt this Budget Review report for 2010/11 financial year.**
3. **approve amendments to the Adopted 2010/11 Budget, in line with the financial projections to 30 June 2011 as detailed in the attached schedule.**
4. **approve the additional budget items as identified in this report.**
5. **incorporate the remaining surplus into the 2011/12 Budget deliberations.**
6. **receive detailed reports on the status of strategic initiatives that are included in the Plan for the Future 2010 – 2012.**

CARRIED

F8.2**Financial Policy F8.1 – Ordering of Goods & Services**

By John Roberts, Executive Manager Finance & Administration on 25 January 2011

PURPOSE

To seek approval from Council to increase the purchasing authority level of Council Officers

Background

The original policy was adopted on 16 December 1997 and subsequently reviewed, without change, on 18 March 2008.

REPORT

As a consequence of rising costs combined with the existing purchasing authority levels, officers are increasingly being required to obtain counter signatures from officers with a higher authority level when their proposed purchases exceed their relatively low threshold. In order to improve efficiencies it is suggested to increase the current purchasing authority levels by the change in CPI between December 1997 and September 2010 (adjusted to the nearest thousand dollars with the exception of the Operations Manager and the Parks Supervisor). It is suggested to increase the Operations Manager level by an amount greater than the change in CPI due to the value of infrastructure purchases. The Parks Supervisor increase is to align the purchasing authority level with that of the Works Supervisor for operational purposes.

Statutory Requirements

Nil

Relevant Council Policies

Financial Policy F8.1

**Financial/Resource/Budget Implications**

Nil

Conclusion

The purchasing authority levels have not been increased since 1997 and for operational efficiencies it is requested the policy is amended to reflect 2010 pricing and operational requirements

RECOMMENDATION TO COUNCIL:

That Council Policy F 8.1 be amended to read as follows:

1. *Council purchase orders are to be signed only by Officers authorised by Council, namely the :*
 - *Chief Executive Officer;*
 - *Executive Manager Finance & Administration; Limit \$7,500 (\$5,000)*
 - *Manager Planning Services; Limit \$3,500 (\$2,500)*
 - *Principal Environmental Health Officer; Limit \$1,500 (\$1,000)*
 - *Principal Building Surveyor; Limit \$1,500 (\$1,000)*
 - *Works Supervisor; Limit \$3,500 (\$2,500)*
 - *Operations Manager; Limit \$10,000 (\$5,000)*
 - *Parks Supervisor; Limit \$3,500 (\$1,500)*
 - *Chief Clerk, Limit \$1,500 (\$1,000)*
 - *HACC Coordinator (HACC related purchases only); Limit \$1,500 (\$1,000)*

or those Officers acting in the positions from time to time;
2. *An official purchase order must be placed for all goods or services (including consultants' opinions, eg legal, engineering, town planning, etc) ordered and there are to be no exceptions;*
3. *When ordering by telephone a purchase order number must be quoted and the original of the order to be forwarded to the supplier endorsed "Confirmation of Telephone Order on "(date)";*
4. *All Officers are to ensure that when issuing a Council order for goods or services that a current account number (which will reflect the Budget estimate for those goods or services) be quoted on the Council order. This will ensure that:-*
 - 4.1 *expenditure is allocated to the correct Budget item (with the job number account being noted on the Council order); and*
 - 4.2 *that sufficient funds are identified against the job number account before expenditure is authorised;*
5. *In order that costs are adequately controlled before issuing a Council purchase order Officers must check against their current Budget estimates for the current financial year and monthly expenditure reports to ensure that there are sufficient funds to cover the cost of the goods or services being ordered;*
6. *All Council orders exceeding \$10,000 are to be referred to the Chief Executive Officer for approval;*
7. *Where possible, Council use environmentally friendly paper products including recycled paper, where the price of such product is within 5% of that presently used; and*
8. *This Policy be consistent with the Local Government Act 1995 (Sections 5.18; 5.42; 5.43; 5.44; 5.45; 5.46) and it be reviewed annually.*
9. *All purchases must also comply with Policy F8.4 – Purchasing Policy.*

Absolute Majority Resolution Required

**1 March 2011****MINUTES****Cr de Jong - Cr Martin****That Council Policy F 8.1 be amended to read as follows:**

1. ***Council purchase orders are to be signed only by Officers authorised by Council, namely the :***
 - ***Chief Executive Officer;***
 - ***Executive Manager Finance & Administration; Limit \$7,500 (\$5,000)***
 - ***Manager Planning Services; Limit \$3,500 (\$2,500)***
 - ***Principal Environmental Health Officer; Limit \$1,500 (\$1,000)***
 - ***Principal Building Surveyor; Limit \$1,500 (\$1,000)***
 - ***Works Supervisor; Limit \$3,500 (\$2,500)***
 - ***Operations Manager; Limit \$10,000 (\$5,000)***
 - ***Parks Supervisor; Limit \$3,500 (\$1,500)***
 - ***Chief Clerk, Limit \$1,500 (\$1,000)***
 - ***HACC Coordinator (HACC related purchases only); Limit \$1,500 (\$1,000)***

or those Officers acting in the positions from time to time;
2. ***An official purchase order must be placed for all goods or services (including consultants' opinions, eg legal, engineering, town planning, etc) ordered and there are to be no exceptions;***
3. ***When ordering by telephone a purchase order number must be quoted and the original of the order to be forwarded to the supplier endorsed "Confirmation of Telephone Order on "(date)";***
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 - 4.2 ***that sufficient funds are identified against the job number account before expenditure is authorised;***
5. ***In order that costs are adequately controlled before issuing a Council purchase order Officers must check against their current Budget estimates for the current financial year and monthly expenditure reports to ensure that there are sufficient funds to cover the cost of the goods or services being ordered;***
6. ***All Council orders exceeding \$10,000 are to be referred to the Chief Executive Officer for approval;***
7. ***Where possible, Council use environmentally friendly paper products including recycled paper, where the price of such product is within 5% of that presently used; and***
8. ***This Policy be consistent with the Local Government Act 1995 (Sections 5.18; 5.42; 5.43; 5.44; 5.45; 5.46) and it be reviewed annually.***
9. ***All purchases must also comply with Policy F8.4 – Purchasing Policy.***

CARRIED
ABSOLUTE MAJORITY



1 March 2011

MINUTES

F8.3 Community Banks & Ethical Investments

The Executive Manager Finance & Administration provided an update on an initial meeting with a representative from the Bendigo Bank regarding term deposits and ethical investments. A detailed report will be provided to Council following the receipt of further information from Bendigo Bank and a forthcoming meeting with Oakvale Capital.

F9. CLOSURE OF MEETING

There being no further business, the meeting closed at 8.25pm.

*I hereby certify that the Minutes of the meeting of the **Finance Committee** of the Town of East Fremantle, held on **1 March 2011**, Minute Book reference **F1. to F9.** were confirmed at the meeting of the Committee on*

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Presiding Member