

Please note: These minutes are yet to be confirmed as a true record of proceedings

**CITY OF BUSSELTON**

**MINUTES FOR THE FINANCE COMMITTEE MEETING HELD ON 15 AUGUST 2019**

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## MINUTES

MINUTES OF FINANCE COMMITTEE HELD IN THE COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 15 AUGUST 2019 AT 9.30AM.

### 1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 9.40am.

### 2. ATTENDANCE

Presiding Member:

Cr Robert Reekie

Members:

Cr Coralie Tarbotton  
Cr John McCallum  
Cr Paul Carter  
Cr Grant Henley

Officers:

Mr Mike Archer, Chief Executive Officer  
Mr Tony Nottle, Director, Finance and Corporate Services  
Mr Jeffrey Corker, Manager, Financial Services  
Ms Pam Glossop, Club Development Officer, Community Services (left meeting at 9.50am)  
Ms Melissa Egan, Governance Officer

Apologies:

Nil

### 3. PUBLIC QUESTION TIME

Nil

### 4. DISCLOSURE OF INTERESTS

Nil

### 5. CONFIRMATION OF MINUTES

#### 5.1 Minutes of the Finance Committee Meeting held 25 July 2019

#### COMMITTEE DECISION

**F1908/037**

Moved Councillor G Henley, seconded Councillor J McCallum

That the Minutes of the Finance Committee Meeting held 25 July 2019 be confirmed as true and correct.

**CARRIED 5/0**

*The Presiding Member and Committee members agreed, for the benefit of the reporting officer, to consider Item 6.4 before the other items on the agenda.*

**6. REPORTS****6.4 BUSSELTON HOCKEY STADIUM CLUB INC. SELF SUPPORTING LOAN**

<b>STRATEGIC GOAL</b>	1. COMMUNITY: Welcoming, friendly, healthy
<b>STRATEGIC OBJECTIVE</b>	1.3 A community with access to a range of cultural and art, social and recreational facilities and experiences.
<b>SUBJECT INDEX</b>	Busselton Hockey Stadium Club Inc. Self Supporting Loan
<b>BUSINESS UNIT:</b>	Community Development
<b>REPORTING OFFICER:</b>	Club Development Officer - Pam Glossop
<b>AUTHORISING OFFICER:</b>	Director, Community and Commercial Services - Naomi Searle
<b>PRIMARY NATURE OF DECISION</b>	Executive: substantial direction setting, including adopting strategies, plans and policies (excluding local planning policies), tenders, setting and amending budgets, funding, donations and sponsorships, reviewing committee recommendations
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Attachment A Application Form for Busselton Hockey Stadium Inc. Lighting Upgrade

**COMMITTEE DECISION AND OFFICER RECOMMENDATION**

**F1908/038** Moved Councillor G Henley, seconded Councillor P Carter

**That the Council:**

1. **Subject to the assessment of the Club's Financial Statements, approve for the purposes of upgrading the lighting at the Busselton Hockey Stadium a self-supporting loan, to be internally funded, to the Club, for the amount of \$80,000 for a term of up to ten (10) years.**
2. **Authorises the CEO to enter into a Loan Repayment Agreement with the Busselton Hockey Stadium Club Inc. where:**
  - a) **The Club acknowledges it is responsible for reimbursement to the City of Busselton of full costs associated with the loan,**
  - b) **The Loan repayment calculations are on the basis of the prevailing Western Australian Treasury Corporation lending rate Including Government Guarantee Fee at the time of actual funding of the loan.**
3. **Authorises the CEO to enter into a Deed of Amendment providing that default in respect of the Loan Repayment Agreement could result in termination of the Lease.**

**CARRIED 5/0**

**EXECUTIVE SUMMARY**

The Busselton Hockey Stadium Club Inc. (the Club) has applied to the City of Busselton for a self-supporting loan for \$80,000 for a term of 10 years, as part of the Club's contribution toward the Busselton Hockey Stadium lighting upgrade project.

**BACKGROUND**

The existing lighting at the Busselton Hockey stadium are halogen lights and considered obsolete and are very expensive and difficult to replace, if they are able to be sourced at all. They are also expensive to run and do not meet competition standard.

In February/March 2019 through the City's Club Development program, the Club was engaged to undertake a comprehensive strategic planning process. This was funded through a grant from the Department of Local Government, Sport and Cultural Industries Regional Every Club Funding. As an outcome, a key strategy was to upgrade the lighting at the stadium:

<i>Goal:</i>	<i>To develop and maintain quality facilities which allow hockey to grow</i>
<i>Strategy:</i>	<i>Upgrade of current light to meet state and national level lighting criteria</i>
<i>Outcome:</i>	<i>Community Bids application and Community Sports and Facility Fund (CSRFF) applications completed. Asset management plan completed.</i>
<i>When:</i>	<i>March 2020</i>
<i>Priority:</i>	<i>High</i>

The Club is systematically upgrading the Stadium. Stage 1 was to upgrade the score board with funding support through the City's Community Bids Program. Stage 2 was to replace the existing turf which was self-funded from the Club's own reserves and Stage 3 is to upgrade the lighting from halogen to LED to a lux of 500.

The Club actively seeks to attract hockey events to Busselton with the Australian Women's Masters being held in 2018 and the Australian Men's Masters scheduled for October 2019. The Club also hosted a Classic League game this season and is seeking to have this game as a regular fixture. The South West League competition (men's and women's) is played on a regular basis in Busselton.

#### **OFFICER COMMENT**

City Officers have been working closely with the Club over a long period of time to carefully plan for the future. The Club has a strategic plan which clearly articulates its strategies to grow the sport and this plan forms a part of the Club's Board meetings.

The lighting upgrade is considered to be of a high priority with the current lighting not meeting Australian Standards as well as being a financial drain on the Club due to the high running and replacement costs.

The lighting upgrade from halogen to LED 500 lux will allow the Club to schedule more night games from junior level through to National level. This will, in turn, increase the opportunity for participation on the artificial turf.

The Club has the option of upgrading lighting to LED 350 lux but this would not allow for any Classic League or State/National games to be played. Whilst this meets the standards for the South West Leagues Competition the preferred option would be to upgrade to LED 500 lux.

The quote for the works includes new cross arms which will take the load for extra globes. Four of the poles have been tested for integrity and considered to be safe with some minor maintenance to be undertaken. The Club has advised that the power supply for the lighting upgrade will not need to be upgraded.

#### **Statutory Environment**

The City's adopted 2019/20 budget has been compiled in accordance with Section 6.2 of the *Local Government Act 1995* and Part 3 of the *Local Government (Financial Management) Regulations 1996*. The budget includes an amount of up to \$150,000 to be provided to Community Groups during the year in the form of self-supporting Loans.

#### **Relevant Plans and Policies**

Council Policy 048 – Loans is applicable in offering the Club a Self-supporting Loan.

### **Financial Implications**

The Club has been allocated \$59,000 through the City's Community Bids 2019 program and has applied to the Department of Local Government, Sport and Cultural Industries (DLGSC) for a grant of \$84,950 through the CSRFF.

The project cost breakdown is:

CSRFF:	\$84,950 (application to be considered by Council at its meeting on 14 August 2019)
Community Bids:	\$59,000 (endorsed by Council at its meeting on 31 July 2019)
Self-Supporting Loan:	\$80,000
Applicant cash:	\$30,901
<b>Total project:</b>	<b>\$254,851</b>

The 2019/2020 Municipal Budget includes provision for funding of self-supporting loans to the Community to a maximum of \$150,000. Accordingly, assuming this cap has not been met at the time this loan is to be drawn (if approved); then a formal advertising period and budget amendment would not be required.

The loan would be granted on the basis of the prevailing Western Australian Treasury Corporation (WATC) lending rate including Government Guarantee Fee at the time of actual Funding of the loan. The WATC have advised that the current borrowing rate for 5 years is 2.13% and 10 years is 2.40% (both inclusive of a 0.7% Government Guarantee Fee), noting that this rate is subject to change up until and including the day the loan is drawn down.

All interest and principal repayments would be formally agreed to prior to release of any funding.

### **Stakeholder Consultation**

The City Officers have been consulting with the Club throughout this process.

### **Risk Assessment**

The Club has provided its financial statements for 2017/18 and 2018/19. Whilst the cash contribution will leave little in their reserves, the Club is confident that it can meet its financial obligations as it has forecast a profit of \$25,000 from the Australian Men's Masters in October 2019 and will allow for the loan repayments in future budgets.

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place.

### **Options**

Should Council not approve the request from the Club, they may consider the following options:

1. Install LED lighting to 350 lux which will decrease the cost of the lighting upgrade by approximately \$70,000
2. Seek other funding or loan options
3. Not proceed with the upgrade

Officers can assist with the drafting of a suitable alternative motion if required.

**CONCLUSION**

The lighting upgrade is conditional on funding being approved through the City's Community Bids program (endorsed by Council on 31 July 2019), CSRFF and a self-supporting loan.

The Club is applying to upgrade field lighting from halogen to 500 lux. Should funding not be secured, the Club may consider upgrading to 350 lux.

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Should the request be approved, action will be taken immediately to implement the recommendations of the Council.

9.50am            At this time, Pam Glossop, Club Development Officer left the meeting.

*The Presiding Member and Committee members agreed to consider Item 6.1 through to 6.3 at this time.*

## 6.1 FINANCIAL ACTIVITY STATEMENTS - PERIOD ENDING 30 JUNE 2019

<b>STRATEGIC GOAL</b>	6. LEADERSHIP Visionary, collaborative, accountable
<b>STRATEGIC OBJECTIVE</b>	6.1 Governance systems, process and practices are responsible, ethical and transparent.
<b>SUBJECT INDEX</b>	Budget Planning and Reporting
<b>BUSINESS UNIT:</b>	Finance and Corporate Services
<b>REPORTING OFFICER:</b>	Acting Manager Financial Services - Jeffrey Corker
<b>AUTHORISING OFFICER:</b>	Director Finance and Corporate Services - Tony Nottle
<b>PRIMARY NATURE OF DECISION</b>	Executive: substantial direction setting, including adopting strategies, plans and policies (excluding local planning policies), tenders, setting and amending budgets, funding, donations and sponsorships, reviewing committee recommendations
<b>VOTING REQUIREMENT:</b>	Absolute Majority
<b>ATTACHMENTS:</b>	Attachment A Statement of Financial Activity - Period ended 30 June 2019 Attachment B Investment Report for Month Ending 30 June 2019

### OFFICER RECOMMENDATION

That the Council receives the statutory financial activity statement reports for the period ending 30 June 2019, pursuant to Regulation 34(4) of the *Local Government (Financial Management) Regulations*.

### COMMITTEE DECISION

**F1908/039** Moved Councillor P Carter, seconded Councillor C Tarbotton

That the Council receives the statutory financial activity statement reports for the period ending 30 June 2019, pursuant to Regulation 34(4) of the *Local Government (Financial Management) Regulations*, noting C6099 "Non-Operating Grants, Subsidies and Contributions should read "Airport Development Capital Grants".

**CARRIED 5/0**

### **EXECUTIVE SUMMARY**

Pursuant to Section 6.4 of the *Local Government Act 1995* ('the Act') and Regulation 34(4) of the *Local Government (Financial Management) Regulations 1996* ('the Regulations'), a local government is to prepare, on a monthly basis, a statement of financial activity that reports on the City's financial performance in relation to its adopted / amended budget.

This report has been compiled to fulfil the statutory reporting requirements of the Act and associated Regulations, whilst also providing the Council with an overview of the City's financial performance on a year to date basis for the period ending 30 June 2019.

### **BACKGROUND**

The Regulations detail the form and manner in which financial activity statements are to be presented to the Council on a monthly basis; and are to include the following:

- Annual budget estimates
- Budget estimates to the end of the month in which the statement relates
- Actual amounts of revenue and expenditure to the end of the month in which the statement relates

- Material variances between budget estimates and actual revenue/ expenditure/ (including an explanation of any material variances)
- The net current assets at the end of the month to which the statement relates (including an explanation of the composition of the net current position)

Additionally, and pursuant to Regulation 34(5) of the Regulations, a local government is required to adopt a material variance reporting threshold in each financial year. At its meeting of 25 July 2018, the Council adopted (C1807/138) the following material variance reporting threshold for the 2018/19 financial year:

*“That pursuant to Regulation 34(5) of the Local Government (Financial Management) Regulations 1996, the Council adopts a material variance reporting threshold with respect to financial activity statement reporting for the 2018/19 financial year as follows:*

- *Variances equal to or greater than 10% of the year to date budget amount as detailed in the Income Statement by Nature and Type/ Statement of Financial Activity report, however variances due to timing differences and/or seasonal adjustments are to be reported on a quarterly basis; and*
- *Reporting of variances only applies for amounts greater than \$25,000.”*

#### **OFFICER COMMENT**

In order to fulfil statutory reporting requirements, and to provide the Council with a synopsis of the City’s overall financial performance on a full year basis, the following financial reports are attached here to:

#### **Statement of Financial Activity**

This report provides details of the City’s operating revenues and expenditures on a year to date basis, by nature and type (i.e. description). The report has been further extrapolated to include details of non-cash adjustments and capital revenues and expenditures, to identify the City’s net current position; which reconciles with that reflected in the associated Net Current Position report.

#### **Net Current Position**

This report provides details of the composition of the net current asset position on a full year basis, and reconciles with the net current position as per the Statement of Financial Activity.

#### **Capital Acquisition Report**

This report provides full year budget performance (by line item) in respect of the following capital expenditure activities:

- Land and Buildings
- Plant and Equipment
- Furniture and Equipment
- Infrastructure

#### **Reserve Movements Report**

This report provides summary details of transfers to and from reserve funds, and also associated interest earnings on reserve funds, on a full year basis.

Additional reports and/or charts are also provided as required to further supplement the information comprised within the statutory financial reports.



**COMMENTS ON FINANCIAL ACTIVITY TO 30 JUNE 2019**

The Statement of Financial Activity for the period ending 30 June 2019 shows an overall Net Current Position "Surplus" of \$1.75M. The following summarises the major variances in accordance with Council's adopted material variance reporting threshold that collectively make up the above difference:

Description	2018/2019 Actual	2018/2019 Amended Budget YTD	2018/2019 Amended Budget	2018/19 YTD Bud Variance	2018/19 YTD Bud Variance
	\$	\$	\$	%	\$
<b>Revenue from Ordinary Activities</b>					
Operating Grants, Subsidies and Contributions	6,079,293	5,423,780	5,423,780	12.09%	655,513
Other Revenue	1,127,337	362,981	362,981	210.58%	764,356
Profit on Asset Disposal	118,089	82,137	82,137	43.77%	35,952
<b>Expenses from Ordinary Activities</b>					
Materials & Contracts	(17,584,838)	(20,225,500)	(20,225,500)	13.06%	2,640,662
Depreciation	(22,051,156)	(19,070,922)	(19,070,922)	-15.63%	(2,980,234)
Asset Adjustments as per Changes to Regulations (OAG)	(1,185,285)	0	0	0	(1,185,285)
Other Expenditure	(3,005,087)	(4,862,439)	(4,862,439)	38.20%	1,857,352
Allocations	2,006,883	1,723,162	1,723,162	-16.47%	283,721
Loss on Asset Disposals	(54,624)	(34,577)	(34,577)	-57.98%	(20,047)
<b>Non-Operating Grants, Subsidies and Contributions</b>					
	14,465,113	32,471,094	32,471,094	-55.45%	(18,005,981)
<b>Capital Revenue &amp; (Expenditure)</b>					
Land & Buildings	(1,393,002)	(17,986,501)	(17,986,501)	92.26%	16,593,499
Plant & Equipment	(3,760,218)	(6,900,100)	(6,900,100)	45.50%	3,139,882
Furniture & Equipment	(437,479)	(890,640)	(890,640)	50.88%	453,161
Infrastructure	(23,006,581)	(37,666,531)	(37,666,531)	38.92%	14,659,950
Proceeds from Sale of Assets	926,173	1,045,950	1,045,950	-11.45%	(119,777)
Proceeds from New Loans	2,730,000	3,150,000	3,150,000	-13.33%	(420,000)
Advances to Com. Groups	0	(150,000)	(150,000)	100.00%	150,000
Transfer to Restricted Assets	(2,176,742)	(551,000)	(551,000)	-295.05%	(1,625,742)
Transfer from Restricted Assets	10,223,753	14,530,252	14,530,252	-29.64%	(4,306,499)
Transfer from Reserves	12,684,394	27,096,994	27,096,994	-53.19%	(14,412,600)

**Revenue from Ordinary Activities**

YTD actual income from ordinary activities is \$1.59M more than expected when compared to budget with the following items meeting the material variance reporting threshold being:

1. Operating Grants, Subsidies and Contributions are \$655k (net) better than amended budget. This variance reflects the advance payment of the grants commission grant of \$1.233M, lower than anticipated reimbursement income of -\$235k, lower than anticipated grants income -\$229k, and anticipated contribution relating to the Airport of -\$111k was also not realised.
2. Other Revenue is \$764K better than amended budget. This variance is due to better than expected returns on the sale of scrap metal by \$254k. IT lease buybacks reflect additional income of \$544k which is offset by additional expenses in the IT leasing account 3381. There are numerous other variances however they are all below the reporting threshold.

3. Profit on asset disposal is \$36k better than amended budget. This line item is an accounting book entry to recognise profit on asset disposal and as a consequence will not affect the City's "cash" position.

### **Expenses from Ordinary Activities**

Expenditure from ordinary activities, excluding depreciation, allocations and asset adjustments as per amended regulations (i.e. remove assets less than \$5k from assets register and place in portable and attractive register), is \$5.3M less than expected when compared to amended budget with the following items meeting the material variance reporting threshold:

#### **1. Materials and Contracts**

The main items affected are listed below:

Cost Code	Cost Code Description / GL Activity	Variance YTD \$
<b><u>Finance and Corporate Services</u></b>		
10250	Information & Communication Technology Services	(376,378)
10300	Records	31,304
10251	Business Systems	64,128
10500	Legal and Compliance Services	64,149
<b><u>Community and Commercial Services</u></b>		
B1361	YCAB (Youth Precinct Foreshore)	33,258
10590	Naturaliste Community Centre	39,700
11151	Airport Operations	42,248
10600	Busselton Jetty Tourist Park	55,341
10380	Busselton Library	67,003
<b><u>Planning and Development Services</u></b>		
10850	Implement Management Plans Other	38,263
10830	Environmental Management Administration	42,967
10925	Preventative Services - CLAG	48,271
10820	Strategic Planning	55,716
11170	Meelup Regional Park	59,834
<b><u>Engineering and Works Services</u></b>		
Various (96 Accounts)	Building Maintenance	133,748
B1401	Old Butter Factory (Carried forward to 2019/20)	783,549
Various (279 Accounts)	Road Maintenance	(105,565)
Various (174 Accounts)	Reserve Maintenance	84,535
5280	Fleet Maintenance	147,454
G0031	Dunsborough Waste Facility	(62,514)
G0010	Domestic Recycling Collections	(51,540)
G0024	Other Recycling	(41,500)
D9999	Urban Stormwater Drainage	(40,937)
C8500	Cycle ways Maintenance Busselton	(36,294)
G0030	Busselton Transfer Station	(35,424)
G0034	External Waste Disposal	37,768
F9999	Footpaths Maintenance	39,154

G0042	BTS External Restoration Works	44,734
G0033	Green Waste	53,791
G0032	Rubbish Sites Development	100,000
10591	Geographe Leisure Centre	(36,649)
12600	Street & Drain Cleaning	(29,718)
Cost Code	Cost Code Description / GL Activity	Variance YTD \$
<b><u>Engineering and Works Services</u></b>		
11108	Rural Intersection (Lighting) Compliance	28,827
11162	Busselton Jetty - Underwater Observatory	38,916
11300	Sanitation Waste Services Administration	41,925
11106	Street Lighting Installations	59,882
11101	Engineering Services Administration	89,749
11301	Regional Waste Management Administration	120,000
11160	Busselton Jetty	669,610

## 2. Depreciation

There is an overall variance in depreciation of \$2.98M, however it should be noted that this is a non-cash item and does not impact on the City's surplus position. The variance can be attributed to the final adjustments made at year end for donated assets, Airport infrastructure additions and Fair Valuation of infrastructure assets being completed post budget adoption and the increase in valuation was unable to be included in the 2018/2019 budget.

## 3. Asset Adjustments as per Changes to Regulations

Amendments to Regulation 17A now excludes assets in a local Government annual financial report if valued under \$5000. Regulation 17 (5) states "An asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000".

A full review has now been conducted and in consultation with the Office of Auditor General and the City auditors an accepted methodology has been now endorsed in order to ensure that the City's financial reports do not breach the requirement of the amended Regulations. It was determined that all assets equal to or below the \$5k threshold will be removed from the asset register and placed in the City's portable and attractive asset register in order to assist in stock takes and the security of City's property. The exception to this, is where an asset falls below the \$5K threshold, but forms a part of "parent" asset (i.e. an asset that is made of many individual components that are all required in order to function as a unit) then these assets will remain within the asset register and be capitalised accordingly.

The end result of this process initiated a one off expensing of assets in accordance with Regulations to the amount of \$1,185,285.

#### 4. Other Expenditure

There is a variance in other costs of \$1.85M less than amended budget. The main items affected are listed below:

Cost Code	Cost Code Description / GL Activity	Variance YTD
<b><u>Executive Services</u></b>		
10001	Executive Services	50,429
<b><u>Finance and Corporate Services</u></b>		
10000	Members of Council	47,507
10700	Public Relations	51,320
10618	Winderlup Court Aged Housing	56,690
<b><u>Community and Commercial Services</u></b>		
10540	Recreation Administration	43,095
10530	Community Services Administration	157,126
Cost Code	Cost Code Description / GL Activity	Variance YTD
<b><u>Community and Commercial Services (Continued)</u></b>		
11156	Airport Development Operations	1,500,000
<b><u>Planning and Development Services</u></b>		
10942	Bushfire Risk Management Planning - DFES	(39,283)
10805	Planning Administration	49,810
<b><u>Engineering and Works Services</u></b>		
G0042	BTS External Restoration Works	(234,437)
11160	Busselton Jetty	25,000
B1223	Micro Brewery - Public Ablution	120,000

With regard to the \$1.5M variance associated with the Airport marketing incentive, this expense will not be incurred this year. This however does not constitute a "saving" as this cost is reserve backed, hence if expenditure is not incurred, then it follows that the transfer from reserve will also not be processed.

#### 5. Allocations

In addition to administration based allocations which clear each month, this category also includes plant and overhead related allocations. Due to the nature of these line items, the activity reflects as a net offset against operating expenditure, in recognition of those expenses that are of a capital nature (and need to be recognised accordingly). It should be noted that performance in the category has no direct impact on the closing position.

#### 6. Loss on Sale of Assets

Loss on asset disposal is \$20k higher than YTD budget. This line item is an accounting book entry to recognise loss on asset disposal and as a consequence will not affect the City's "cash" position.

#### 7. Non-Operating Grants, Subsidies and Contributions

Non-Operating Grants, Subsidies and Contributions are less than budget by \$18M with the main items impacting on the above result being the timing of the receipt of funding which is also offset with less than anticipated capital expenditure at this time.

Cost Code	Cost Code Description	Variance YTD
<b>Finance and Corporate Services</b>		
10239	Contributions - Public Art (Percent for Art)	(1,215,970)
10240	Contributions - Contribution to Works	(159,731)
10250	IT Capital Grants (Federal)	140,044
<b>Community and Commercial Services</b>		
C6099	Airport Development Capital Grants (Federal)	(12,055,090)
10900	Donated Assets	37,000
C6092	Airport Construction Stage 2, Airfield	477,978

Cost Code	Cost Code Description	Variance YTD
<b>Planning and Development Services</b>		
B1015	Hithergreen District Bushfire Brigade – Donated Asset	(465,200)
B1013	Dunsborough Bushfire Brigade – Donated Asset	(178,300)
B1024	Willyabrup Bushfire Brigade – Donated Asset	(178,300)
B1026	Yallingup Rural Bushfire Brigade – Donated Asset	(127,548)
B1029	Busselton Branch SES – Donated Asset	(97,200)
B9109	Hithergreen Building Renovations	(68,886)
<b>Engineering and Works Services</b>		
D2000	Donated Assets Drainage	(1,293,099)
V0002	Eastern Link - Busselton Traffic Study	(1,250,000)
F1003	Donated Assets Footpaths & Cycleway	(621,400)
B9407	Busselton Senior Citizens Capital Contribution	(500,000)
C3168	Busselton Foreshore Jetty Precinct Grant	(308,221)
S0051	Causeway Road / Rosemary Drive Roundabout Grant	(300,000)
A0022	Yallingup Beach Road Bridge – 3347 Grant	(222,000)
S0064	Peel Terrace (Stanley Pl/Cammilleri St Intersection Upgrade)	(200,000)
C1512	Port Geographe Boat Ramp Renewal Works Grant	(165,000)
B9600	Old Vasse Lighthouse Contribution	(100,000)
C3112	Busselton Foreshore - Exercise Equipment	(100,000)
S0069	Peel Terrace (Brown Street Intersection Upgrades)	(100,000)
C3113	Busselton Tennis Club - Infrastructure	(80,000)
C0049	Port Geographe Marina Car Parking	(51,010)
S0068	Georgiana Molloy Bus Bay Facilities	74,500
W0030	Donated Roads	114,825
W0026	Yoongarillup Road	120,000
C3020	Donated Assets Parks, Gardens & Reserves	879,062

## 8. Capital Expenditure

As at 30 June 2019, there is a variance of -55% or -\$34.8M in total capital expenditure with YTD actual at -\$28.6M against YTD budget of -\$63.4M.

The airport development makes up for \$16.1M (main variance relates to the Airport terminal \$12.9M), Busselton Tennis Club infrastructure \$1.12M, Plant and Equipment \$3.1M, Council roads initiative projects \$0.85M, Eastern link Busselton traffic study \$2.7M, Dunsborough land purchase for parking \$1.3M, Main roads projects \$1.3M, parks, gardens and reserves \$569K, sanitation

infrastructure \$1.36M, beach restoration \$965K, Busselton Senior Citizens \$741K, Dunsborough cycleway CBD to Our Lady of the Cape School -\$108K (i.e. over YTD budget), furniture and equipment \$453K, Busselton jetty tourist park upgrade \$152K, beach front infrastructure \$85K, Geographe Leisure Centre pool relining \$50K, energy efficiency initiatives (various buildings) \$77K, boat ramp construction \$466K, major projects Lou Weston oval \$684K, Busselton foreshore infrastructure \$775K, Busselton foreshore buildings \$218K, bridge construction \$222k, and depot wash down facility upgrade \$110k.

These items of under expenditure also assists in explaining the above current YTD shortfall in Non-Operating Grants.

The attachments to this report include detailed listings of the following capital expenditure (project) items, to assist in reviewing specific variances.

### **9. Proceeds from Loans/ Advances to Community Groups**

As at 30 June 2019, there is a variance of \$420K which relates to the budgeted drawdown of loans that has now occurred, however to a lesser extent than anticipated. The two main loans raised that varied from the budget are:

- Busselton Tennis Club loan budgeted to drawdown \$1.5M, however actual drawdown was \$1.25M (variance \$250k); and
- Air Freight Hub Stage 1 loan budgeted to drawdown \$1.5M, however actual draw down was \$1.48M (variance \$20k).

With regard to the self-supporting loan for community groups, as this transaction did not occur, it follows that the contra entry “advances to community groups” will also not be required. The transactions associated with self-supporting loans is ordinarily cost neutral to the City, therefore this transaction will have no effect on the City’s net current position.

### **10. Transfer to Restricted Assets**

There is a variance for transfer to restricted assets of \$1.625M more than amended budget. The reason for this is as follows:

- Transfer to deposits and bonds of \$1.3M as opposed to a budget of \$0. These funds do not have a budget allocation as they are not able to be reliably measured;
- Transfer unspent grant funds to restricted assets of \$468K to be utilized in 2019/20 for the purpose it was received;
- Transfer to contributions to works has fallen short of anticipated budget by -\$150K,
- Transfer to restricted grants (interest) has fallen short of budget by -\$200k.

### **11. Transfer from Restricted Assets**

There is a variance for transfer from restricted assets of \$4.3M less than the amended budget. The reason for this is as follows:

- Transfer for unspent loans relating to Busselton Tennis Club is under budget by \$788K.
- Transfer for unspent grant relating to Busselton Margaret River Airport Development is under budget by \$5M;
- Transfer from restricted deposits and bonds of -\$2.1M as opposed to a budget of \$0. These funds do not have a budget allocation as they are not able to be reliably measured.

### **12. Transfer from Reserves**

There is a variance for transfer from reserves of \$14.4M less than amended budget. At year end a full analysis is completed in order to determine the authorised final expenditure that can be recouped whilst also taking into account the purpose of the reserve. Traditionally the City has made any transfers possible during the year (once acquisitions/ works are completed) with the bulk of the transfers being made in June. The final result reflects the amount that can be transferred from reserves based on actual expenditure incurred.

**Investment Report**

Pursuant to the Council's Investment Policy, a report is to be provided to the Council on a monthly basis, detailing the investment portfolio in terms of performance and counterparty percentage exposure of total portfolio. The report is also to provide details of investment income earned against budget, whilst confirming compliance of the portfolio with legislative and policy limits.

As at 30th June 2019 the value of the City's invested funds totalled \$70.45M, down from \$71.95M as at 31<sup>st</sup> May. The decrease is due to the withdrawal of funds from Term Deposits as required to meet expenditure.

During the month of June, seven term deposits held with four different institutions totalling \$18.5M matured. Six, totalling \$13.5M; were renewed for a further 151 days at 2.14% (on average). One, totalling \$4.0M; was closed to provide readily available cash for the coming months until rates are levied in August 2019.

The balance of the 11am account (an intermediary account which offers immediate access to the funds compared to the term deposits and a higher rate of return compared to the cheque account) increased by \$2.5M with funds from closed term deposits temporarily held there.

The balance of the Airport Development ANZ account remained steady.

The RBA decreased official rates by 0.25% in June and again by the same amount in July. Term deposit renewal rates had been pricing in a number of drops for some months and returns are noticeably lower. The drop will also decrease the return on cash accounts including the 11am account. Financial markets are predicting possible further falls. The Interest return on Council's investments will fall accordingly.

**Chief Executive Officer – Corporate Credit Card**

Details of monthly (May to June) transactions made on the Chief Executive Officer's corporate credit card are provided below to ensure there is appropriate oversight and awareness of credit card transactions made.

<b>Date</b>	<b>Amount</b>	<b>Payee</b>	<b>Description</b>
27-Jun-19	\$100.00	City Of Busselton	Councillor Tickets NAIDOC Ball
27-Jun-19	\$200.00	City Of Busselton	Councillor Tickets NAIDOC Ball
27-Jun-19	\$454.00	SW Precision Print	Foreshore A1 Plan Prints Colour
20-Jun-19	\$345.09	MIE Software Pty Ltd	IPWEA Conference Dinner Tickets
20-Jun-19	\$24.40	The Goose	Meeting At Foreshore Refreshments
19-Jun-19	\$96.89	Dan Murphy's	Beverages For Council Civic Reception
18-Jun-19	\$805.10	Qantas	Flights - IPWEA Awards
18-Jun-19	\$805.10	Qantas	* Flights - IPWEA Awards
11-Jun-19	\$191.27	Quest Kings Park	LG WALGA CEO Breakfast
30-May-19	\$540.00	Qantas	* Qantas Membership

*\*Funds debited against CEO Annual Professional Development Allowance as per employment Contract Agreement*

*+ Allocated against CEO Hospitality Expenses Allowance*

**Statutory Environment**

Section 6.4 of the Act and Regulation 34 of the Regulations detail the form and manner in which a local government is to prepare financial activity statements.

**Relevant Plans and Policies**

There are no relevant plans or policies to consider in relation to this matter

**Financial Implications**

Any financial implications are detailed within the context of this report.

**Stakeholder Consultation**

No external stakeholder consultation was required or undertaken in relation to this matter

**Risk Assessment**

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place.

No risks of a medium or greater level have been identified.

**Options**

The Statements of Financial Activity are presented in accordance with Section 6.4 of the Act and Regulation 34 of the Regulations and are to be received. Council may wish to make additional resolutions as a result of having received these reports.

Officers can assist with the drafting of a suitable alternative motion if required.

**CONCLUSION**

As at 30 June 2019, the City recorded an unaudited net current position of \$1,751,076 as presented in the statement of financial position. This amount can be broken into two components:

- Unspent funds in 2018/19 that relate to jobs that will be carried forward to 2019/20. This component is for a value of \$1,263,448; and
- The remaining amount relates to the final surplus achieved in 2018/19, being \$487,628 (as compared to \$300k predicted at the budget review). The surplus will be utilised as per Council indication with \$295k funding two days employee costs in 2019/20 budget due to a 27 pay period year, and the remaining \$192,627 being transferred to the "New Infrastructure Development Reserve".

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Not Applicable.



6.2 FINANCIAL ACTIVITY STATEMENTS - PERIOD ENDING 31 JULY 2019

<b>STRATEGIC GOAL</b>	6. LEADERSHIP Visionary, collaborative, accountable
<b>STRATEGIC OBJECTIVE</b>	6.1 Governance systems, process and practices are responsible, ethical and transparent.
<b>SUBJECT INDEX</b>	Budget Planing and Reporting
<b>BUSINESS UNIT:</b>	Finance and Corporate Services
<b>REPORTING OFFICER:</b>	Acting Manager Financial Services - Jeffrey Corker
<b>AUTHORISING OFFICER:</b>	Director Finance and Corporate Services - Tony Nottle
<b>PRIMARY NATURE OF DECISION</b>	Executive: substantial direction setting, including adopting strategies, plans and policies (excluding local planning policies), tenders, setting and amending budgets, funding, donations and sponsorships, reviewing committee recommendations
<b>VOTING REQUIREMENT:</b>	Absolute Majority
<b>ATTACHMENTS:</b>	Attachment A Statement of Financial Activity - Period ended 31 July 2019 Attachment B Investment Report - Period Ended 31 July 2019

**COMMITTEE DECISION AND OFFICER RECOMMENDATION**

**F1908/040** Moved Councillor J McCallum, seconded Councillor C Tarbotton

**That the Council receives the statutory financial activity statement reports for the period ending 31 July 2019, pursuant to Regulation 34(4) of the *Local Government (Financial Management) Regulations*.**

**CARRIED 5/0**

**EXECUTIVE SUMMARY**

Pursuant to Section 6.4 of *the Local Government Act 1995* ('the Act') and Regulation 34(4) of the *Local Government (Financial Management) Regulations 1996* ('the Regulations'), a local government is to prepare, on a monthly basis, a statement of financial activity that reports on the City's financial performance in relation to its adopted / amended budget.

This report has been compiled to fulfil the statutory reporting requirements of the Act and associated Regulations, whilst also providing the Council with an overview of the City's financial performance on a year to date basis for the period ending 31 July 2019.

**BACKGROUND**

The Regulations detail the form and manner in which financial activity statements are to be presented to the Council on a monthly basis; and are to include the following:

- Annual budget estimates
- Budget estimates to the end of the month in which the statement relates
- Actual amounts of revenue and expenditure to the end of the month in which the statement relates
- Material variances between budget estimates and actual revenue/ expenditure/ (including an explanation of any material variances)
- The net current assets at the end of the month to which the statement relates (including an explanation of the composition of the net current position)

Additionally, and pursuant to Regulation 34(5) of the Regulations, a local government is required to adopt a material variance reporting threshold in each financial year. At its meeting of 31 July 2019, the Council adopted (C1907/131) the following material variance reporting threshold for the 2019/20 financial year:

*“That pursuant to Regulation 34(5) of the Local Government (Financial Management) Regulations, the Council adopts a material variance reporting threshold with respect to financial activity statement reporting for the 2019/20 financial year as follows:*

- *Variiances equal to or greater than 10% of the year to date budget amount as detailed in the Income Statement by Nature and Type/ Statement of Financial Activity report, however variiances due to timing differences and/or seasonal adjustments are to be reported on a quarterly basis; and*
- *Reporting of variiances only applies for amounts greater than \$25,000.”*

#### **OFFICER COMMENT**

In order to fulfil statutory reporting requirements, and to provide the Council with a synopsis of the City’s overall financial performance on a full year basis, the following financial reports are attached here to:

##### Statement of Financial Activity

This report provides details of the City’s operating revenues and expenditures on a year to date basis, by nature and type (i.e. description). The report has been further extrapolated to include details of non-cash adjustments and capital revenues and expenditures, to identify the City’s net current position; which reconciles with that reflected in the associated Net Current Position report.

##### Net Current Position

This report provides details of the composition of the net current asset position on a full year basis, and reconciles with the net current position as per the Statement of Financial Activity.

##### Capital Acquisition Report

This report provides full year budget performance (by line item) in respect of the following capital expenditure activities:

- Land and Buildings
- Plant and Equipment
- Furniture and Equipment
- Infrastructure

##### Reserve Movements Report

This report provides summary details of transfers to and from reserve funds, and also associated interest earnings on reserve funds, on a full year basis.

Additional reports and/or charts are also provided as required to further supplement the information comprised within the statutory financial reports.

#### **COMMENTS ON FINANCIAL ACTIVITY TO 31 JULY 2019**

The officer notes the earlier nature of the attached statement of Financial Activity and given this there is only two major variiances to report. The first major variance relates to the transfer from reserves being higher than the budgeted amount. This is due to early transfer of \$3.5M from the waste reserve in order to fund operations in the short term in order avoid Municipal overdraft interest being drawn. This transfer will be reversed in early August. The second variance relates to the transfer to reserves being lower than budgeted amount, this is a timing variance due to cash flow issues and will be actioned and reconciled in August. With regard to other minor differences, at this early stage it is believed that they are due to timing variiances.

A more comprehensive analysis of the monthly Financial Activity Statement will occur in the coming reporting months.

### **Investment Report**

Pursuant to the Council's Investment Policy, a report is to be provided to the Council on a monthly basis, detailing the investment portfolio in terms of performance and counterparty percentage exposure of total portfolio. The report is also to provide details of investment income earned against budget, whilst confirming compliance of the portfolio with legislative and policy limits.

As at 31st July 2019 the value of the City's invested funds totalled \$63.97M, down from \$70.45M as at 30th June. The decrease is due to the withdrawal of funds from Term Deposits and the 11am account as required to meet expenditure.

During the month of July five term deposits held with three different institutions totalling \$16.0M matured. Five, totalling \$13.5M; were renewed for a further 137 days at 1.96% (on average). One, totalling \$2.5M; was closed to provide readily available cash for the coming months until rates are levied.

The balance of the 11am account (an intermediary account which offers immediate access to the funds compared to the term deposits and a higher rate of return compared to the cheque account) decreased by \$4.0M with the funds required to provide readily available cash for the coming months until rates are levied.

The balance of the Airport Development ANZ and WATC cash accounts remained steady. The Airport Development term deposit held at the WATC was rolled for a further 31 days at 1.22%.

The RBA decreased official rates by 0.25% in July following a similar drop in June. They remained steady in August, although a further drop in the coming months remains a possibility. Term deposit renewal rates had been pricing in a number of drops for some months and returns are generally noticeably lower. Returns on all account are dropping accordingly

### **Chief Executive Officer – Corporate Credit Card**

Details of monthly (June to July) transactions made on the Chief Executive Officer's corporate credit card are provided below to ensure there is appropriate oversight and awareness of credit card transactions made.

<b>Date</b>	<b>Amount</b>	<b>Payee</b>	<b>Description</b>
01-Jul-19	\$ 314.00	Equinox Café	Hotel Plans Media Launch
03-Jul-19	\$ 205.00	The Good Egg Café	COG Meeting Catering

*\*Funds debited against CEO Annual Professional Development Allowance as per employment Contract Agreement*

*+ Allocated against CEO Hospitality Expenses Allowance*

### **Statutory Environment**

Section 6.4 of the Act and Regulation 34 of the Regulations detail the form and manner in which a local government is to prepare financial activity statements.

### **Relevant Plans and Policies**

There are no relevant plans or policies to consider in relation to this matter

### **Financial Implications**

Any financial implications are detailed within the context of this report.

**Stakeholder Consultation**

No external stakeholder consultation was required or undertaken in relation to this matter

**Risk Assessment**

An assessment of the potential implications of implementing the officer recommendation has been undertaken using the City's risk management framework, with risks assessed taking into account any controls already in place.

No risks of a medium or greater level have been identified.

**Options**

The Statements of Financial Activity are presented in accordance with Section 6.4 of the Act and Regulation 34 of the Regulations and are to be received. Council may wish to make additional resolutions as a result of having received these reports.

Officers can assist with the drafting of a suitable alternative motion if required.

**CONCLUSION**

As at 31 July 2019, the City's financial performance is considered satisfactory.

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Not Applicable.

6.3 LIST OF PAYMENTS MADE - JULY 2019

<b>STRATEGIC GOAL</b>	6. LEADERSHIP Visionary, collaborative, accountable
<b>STRATEGIC OBJECTIVE</b>	6.1 Governance systems, process and practices are responsible, ethical and transparent.
<b>SUBJECT INDEX</b>	Financial Operations
<b>BUSINESS UNIT:</b>	Finance and Corporate Services
<b>REPORTING OFFICER:</b>	Acting Manager Financial Services - Jeffrey Corker
<b>AUTHORISING OFFICER:</b>	Director Finance and Corporate Services - Tony Nottle
<b>PRIMARY NATURE OF DECISION</b>	Noting: the item does not require a decision of Council and is simply for information purposes and noting
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Attachment A List of Payments Made - July 2019

**COMMITTEE DECISION AND OFFICER RECOMMENDATION**

**F1908/041** Moved Councillor J McCallum, seconded Councillor P Carter

**That the Committee notes payment of voucher numbers M117230 – M117294, EF066099 – EF066566, T007459, and DD003844 – DD003878 together totaling \$8,066,817.41.**

**CARRIED 5/0**

Question on Notice: Clarification to be provided to the Committee in regards to the payments numbered 66222, 66224, 66234 and 66265 in respect to the use of local suppliers.

**EXECUTIVE SUMMARY**

This report provides details of payments made from the City's bank accounts for the month of July 2019, for noting by the Committee and recording in the Committee Minutes.

**BACKGROUND**

The *Local Government (Financial Management) Regulations 1996* (Regulations) require that when the Council has delegated authority to the Chief Executive Officer to make payments from the City's bank accounts, that a list of payments made is prepared each month for presentation to, and noting by, Committee.

**OFFICER COMMENT**

In accordance with regular custom, the list of payments made for the month of July 2019 is presented for information.

**Statutory Environment**

Section 6.10 of the *Local Government Act 1995* (the Act) and more specifically, Regulation 13 of the Regulations refer to the requirement for a listing of payments made each month to be presented to the Council.

**Relevant Plans and Policies**

There are no relevant plans or policies to consider in relation to this matter

**Financial Implications**

There are no financial implications associated with the officer recommendation.

**Stakeholder Consultation**

No external stakeholder consultation was required or undertaken in relation to this matter

**Risk Assessment**

No risks of a medium or greater level have been identified.

**Options**

Not Applicable

**CONCLUSION**

The list of payments made for the month of July 2019 is presented for information.

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Not Applicable.

**7. GENERAL DISCUSSION ITEMS**

Councillor Carter requested a report of employee costs and numbers over the last 10 years, including the increase of employees in respect to the workplace plan.

**8. NEXT MEETING DATE**

Thursday, 19 September 2019

**9. CLOSURE**

The meeting closed at 10.25am.

THESE MINUTES CONSISTING OF PAGES 1 TO 23 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON THURSDAY, 19 SEPTEMBER 2019.

DATE: \_\_\_\_\_ PRESIDING MEMBER: \_\_\_\_\_