

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 21 FEBRUARY 2019

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MINUTES

MINUTES OF FINANCE COMMITTEE HELD IN THE COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 21 FEBRUARY 2019 AT 11.00AM.

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 11.06am.

2. ATTENDANCE

Presiding Member:

Cr Grant Henley

Members:

Cr Coralie Tarbotton
Cr John McCallum
Cr Robert Reekie
Cr Paul Carter (remote)

Officers:

Mr Tony Nottle, Director, Finance and Corporate Services
Mr Oliver Darby, Director, Engineering and Works Services
Mr Kim Dolzadelli, Manager, Finance Services
Mr Daniell Abrahamse, Manager, Engineering and Technical Services
Mr Vitor Martins, Manager, Waste and Fleet Services
Ms Pam Glossop, Club Development Officer
Mrs Emma Heys, Governance Coordinator

Apologies:

Cr Rob Bennett
Miss Kate Dudley, Administration Officer, Governance

3. PUBLIC QUESTION TIME

Nil

4. DISCLOSURE OF INTERESTS

Nil

5. CONFIRMATION OF MINUTES

5.1 Minutes of the Finance Committee Meeting held 17 January 2019

COMMITTEE DECISION

F1902/008

Moved Councillor J McCallum, seconded Councillor C Tarbotton

That the Minutes of the Finance Committee Meeting held 17 January 2019 be confirmed as a true and correct record.

CARRIED 5/0

6. REPORTS

CONFIDENTIAL REPORT

6.4 AMENDMENTS TO KERBSIDE RECYCLING CONTRACT

SUBJECT INDEX:	Waste Management
STRATEGIC OBJECTIVE:	Development is managed sustainably and our environment valued.
BUSINESS UNIT:	Waste and Fleet Services
ACTIVITY UNIT:	Waste Management
REPORTING OFFICER:	Manager, Waste and Fleet Services – Vitor Martin
AUTHORISING OFFICER:	Director Engineering and Works Services - Oliver Darby
VOTING REQUIREMENT:	
ATTACHMENTS:	

This item is confidential in accordance with Section 5.23(2) (c) of the Local Government Act 1995, as it contains information relating to a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting, and Section 5.23(e)(iii) - a matter that if disclosed, would reveal information about the business, professional, commercial or financial affairs of a person, where the information is held by, or is about, a person other than the local government.

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

F1902/009 Moved Councillor J McCallum, seconded Councillor P Carter

That the Council:

1. Approves variation of the kerbside recycling contract between the City and Cleanaway Pty Ltd as recommended under the Officer Comment section of this report, including the monthly charges presented in Table 2 under the Officer Comment section of this report.
2. The proposed contract variation shall include a provision allowing the City, at its absolute discretion, to seek a review of the additional fixed processing charges should commodity prices recover due to more favourable market conditions, in which case Cleanaway would make available to the City the relevant financial and commercial information and negotiate in good faith a corresponding contract price adjustment.
3. Authorises the Chief Executive Officer to negotiate and agree on such further variations as are necessary or appropriate to give effect to Resolutions 1 & 2 above.
4. Authorises the Chief Executive Officer to vary the contract with Cleanaway Pty Ltd in accordance with Resolutions 1, 2 & 3 above.

CARRIED 5/0

Note: The Committee then considered Item 6.3 second, for the convenience of staff in attendance.

6.3 BUDGET AMENDMENT REQUEST / REVIEW

SUBJECT INDEX:	Budget Planning and Reporting
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Finance and Corporate Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Absolute Majority
ATTACHMENTS:	

PRÉCIS

This report seeks recommendation of the Finance Committee to Council for the approval of budget amendments as detailed in this report. Adoption of the Officers recommendation will result in no change to the City's current amended budgeted surplus position of \$0.

BACKGROUND

Council adopted its 2018/2019 municipal budget on Wednesday, 25 July 2018 with a balanced budget position.

Since this time Council has been advised of certain funding changes that have positively impacted the original budget and Council is now being asked to consider budget amendments for the following key areas/projects:

1. Waste Fleet – Bin Cleaning
2. Busselton Foreshore Redevelopment and Tourism Accommodation Precinct
3. Recognition of Income – Stronger Communities Program
4. Aged Housing Refurbishments
5. Port Geographe Finger Jetty Replacement

STATUTORY ENVIRONMENT

Section 6.8 of the *Local Government Act 1995* refers to expenditure from the municipal fund that is not included in the annual budget. In the context of this report, where no budget allocation exists, expenditure is not to be incurred until such time as it is authorised in advance, by an absolute majority decision of the Council.

RELEVANT PLANS AND POLICIES

There are multiple plans and policies that support the proposed budget amendments.

FINANCIAL IMPLICATIONS

Budget amendments being sought will result in no change to Council's budget surplus position of \$0.

LONG TERM FINANCIAL PLAN IMPLICATIONS

There are no Long Term Financial Plan implications in relation to this item.

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – ‘Leadership’ and more specifically Community Objective 6.1 - ‘Governance systems, process and practices are responsible, ethical and transparent’.

RISK ASSESSMENT

There is a risk to the City, as there is with all projects undertaken, that the final cost could exceed budget. If this looks to be the case Council will be notified so a suitable offset / project scope back can be identified.

CONSULTATION

No external consultation was considered necessary in relation to the budget amendments.

OFFICER COMMENT

The Officer recommends the following requested budget amendments to the Finance Committee for consideration and recommendation to Council.

1. “Waste Fleet – Bin Cleaning”

The City has procured public bin cleaning services and engaged various contractors over the past 5 years.

Despite the contract being awarded to three separate bin cleaning business over that time, none of them has delivered the services to an acceptable standard. Issues included low reliability of the service provided by contractors, poor quality in terms of bin cleanliness and difficult coordination with the City’s rubbish collection services (e.g. bins left out of enclosures for longer times than necessary).

When investigating the options for bin cleaning in this current 2018-19 year, and as part of the ongoing review of waste management and resource recovery services, the City has looked at the possibility of buying a bin cleaning system (comprised of a ute-mounted bin cleaning machine) and engaging its own existing staff to do the cleaning, as a possible alternative to contracting the services out.

Cape to Cape Bin Cleaning, one of the contractors previously engaged for the job, are now going out of business and have proposed to sell their second hand bin ute-mounted cleaning machine at a \$18,000 (Ex GST) price, which compares to a \$32,000 (Ex GST) for a new machine.

City officers have trialled the machine in question over a one month period and are satisfied that it meets the requirements for the job and allows to achieve a high standard of cleanliness with good labour productivity.

As a result of that trial we forecast an annual net saving of approximately \$12,000 per annum, comparing the observed contractor performance over the last few years with the achieved performance of our own staff during the trial.

Also as importantly, bringing the service in-house is expected to allow full coordination between the bin cleaning and the rubbish collection operations, and for a consistent bin program to be developed and effectively implemented.

In addition to purchasing the bin cleaning machine for \$18,000, in house bin cleaning services will require a utility to be setup with the ute-mounted bin cleaning machine.

The Finance Committee meeting held on 17/1/2019 has expressed support for this proposal.

A budget amendment is now necessary to allow for the City to purchase the bin cleaning machine and to retain one of the operations services utilities (that would otherwise be traded in as part of the regular fleet replacement program).

Planned Expenditure Item

Officers propose that the 2018/2019 adopted budget be amended to reflect the following funding changes, shown in Table 1.

Table 1:

<i>Cost Code</i>	<i>Description</i>	<i>Current Budget</i>	<i>Change</i>	<i>Proposed Amended Budget</i>
Expenditure				
528-11402-7723-0000	Community Amenities (Waste disposal)	1,927,000	20,000	1,947,000
Income				
528-11402-1770-0000	Proceeds from Sale of Asset	-55,000	20,000	-35,000
528-11402-1771-000	Profit on Sale of Assets	55,000	-20,000	35,000
Equity Transfer				
Reserve	Reduction in Transfer to Waste Management Facility and Plant Reserve	1,579,702	-20,000	1,559,702
	Net Total	3,506,702	0	3,506,702

PROPOSED OUTCOME

The proposed outcome is to purchase a second-hand ute-mounted bin cleaning machine for the direct provision of public bin cleaning services with particular emphasis in high profile areas (CBD and foreshore).

2. “Busselton Foreshore Redevelopment and Tourism Accommodation Precinct”

The City was previously successful in securing \$4,500,000 in funding for the Busselton Foreshore Redevelopment Tourism Accommodation Precinct Project, with the Financial Assistance Agreement signed 13 June 2016.

The City wrote to the Department of Primary Industries and Regional Development on 8 January 2018, (copy attached), requesting that the accumulated interest on the grant funds be attributed to further works within the project area. The request was for the City of Busselton to be allowed to utilise the accumulated interest towards a Toddler Play Space which is located centrally within the project area.

On the 21 March 2018 the Department of Primary Industries and Regional Development responded to the City of Busselton's request stating in part the following (copy attached):

"In light of significant pressures on the State Budget, the Department is unable to support the requested expenditure of interest on the playground facility.

Rather, as discussed when you met with the Minister for Regional Development on 3 February 2018, an alternate use for the interest is supported which would see funding provided to Busselton Jetty Incorporated's (BJI) proposal to construct a safe swimming area at Busselton Jetty.

The Minister for Regional Development has advised of her support for the provision of financial assistance subject to BJI being successful in their application for Building Better Regions funding. As such, and in order to help facilitate delivery, it is requested that the City of Busselton grant \$50,000 of the interest accrued on the Busselton Foreshore Redevelopment project to BJI."

The response from the Department further stated:

"The remaining interest earned on the Busselton Foreshore Redevelopment project will need to be returned to the State to assist with budget repair"

Further to the above, City officers have spoken with the Department and it is evident that should the City of Busselton not agree to facilitating granting \$50,000 of the interest accrued on the Busselton Foreshore Redevelopment project to BJI, all interest will be required to be returned to the State Government.

The Finance Committee and Council previously considered the above request with the following Council Resolution being the outcome:

COUNCIL DECISION AND OFFICER RECOMMENDATION

C1806/119 Moved Councillor J McCallum, seconded Councillor P Carter

ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED

That Council endorse the requested Budget amendments as per the following table, resulting in no change to an amended budgeted surplus position of \$0.

Table 1:

<i>Cost Code</i>	<i>Description</i>	<i>Current Budget</i>	<i>Change</i>	<i>Proposed Amended Budget</i>
Revenue				
Equity Transfer	Restricted Asset – Interest On Government Grants	(80,000)	(22,888)	(102,888)
Expenditure				
B9600	Old Busselton Lighthouse	80,000	(80,000)	0
Grant/Donations	Busselton Jetty Incorporated	0	50,000	50,000
Reimbursement	State of Western Australia – Balance of accumulated Interest Busselton Foreshore Redevelopment Tourism Accommodation Precinct Project	0	52,888	52,888
	Net Total	0	0	0

CARRIED 9/0

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Planned Expenditure Items

As the Final Financial Assistance Agreement Variation has now been completed and a formal Agreement has been signed with Busselton Jetty Incorporated Officers seek to amend the 2018/2019 Budget to give effect to the above previous Council Resolution with the amendments shown in Table 2.

Table 2:

<i>Cost Code</i>	<i>Description</i>	Current Budget	Change	Proposed Amended Budget
Income				
Equity Transfer	Restricted Assets – Interest on Government Grants	-80,000	-22,888	-102,888
Expenditure				
B9600	Old Lighthouse	80,000	-80,000	0
Grant/Donation	Busselton Jetty Incorporated	0	50,000	50,000
Reimbursement	State of Western Australia Balance of accumulated Interest on Busselton Foreshore Redevelopment Tourism Accommodation Precinct Project	0	52,888	52,888
Net Total		0	0	0

3. “Recognition of Income – Stronger Communities Program”

The City has been successful in securing a grant for \$13,685 from the Department of Infrastructure, Regional Development and Cities to install a female demountable change room at Bovell Oval.

This project has been developed in partnership with the Busselton and Districts Football Club to provide females with a change room for training and games.

The City has allocated \$35k in this year’s budget and the club was successful in obtaining \$35k from Community Bids. This takes the total budget to \$83,685. The community bids funding will need to be transferred internally to the appropriate budget.

Planned Expenditure Items

The 2018/19 budget has an allocation of \$35,000 for a women’s demountable change room at Bovell. To increase the size of the demountable the City secured an additional \$13,685 in federal grant funding and a community bid of \$35,000.

The amendments shown in Table 3 are being sought.

Table 3:

<i>Cost Code</i>	<i>Description</i>	Current Budget	Change	Proposed Amended Budget
Revenue				
332 B9604 1221 0000	Federal Grants Other	0	(13,685)	(13,685)
Expenditure				
330 10530 3640 0000	Community Bids	237,930	(35,000)	202,930
332 B9604 3280 0000	Demountable Bovell	35,000	48,685	83,685
Net Total		272,930	0	272,930

4. "Aged Housing Refurbishments"

The City maintain a community housing portfolio for low income tenants over the age of 55 comprising of two complexes. One of the unit complexes is located in West Street and Adelaide Terrace (Winderlup Villas) and the other is Harris Road. Both unit complexes are in Busselton. The units were built in the late 80s and 90s and each time a unit is vacated it requires a varying degree of refurbishment. Depending on when last tenant vacated and the type of works carried out historically, the cost can only be estimated, as can the number of units vacating during a single financial year.

As a result of a higher than expected number of vacated units at Winderlup Villas this financial year to date, the budget for capital expenditure has either been spent or is committed (or about to be) for the one of the two refurbishments at Winderlup and will suffer a deficit to fully refurbish the second unit.

In addition, as it is quite likely that before the end of the financial year another unit, either in Winderlup or Harris Road will vacate, the budget amendment request includes a contingency to cover the likely future refurbishment costs.

The income currently derived for units in this location is in the region of \$450-\$500 per fortnight. The refurbishments are carried out to a high standard to ensure compliance, longevity and best value for money.

The additional expenditure can be replenished from the Joint Venture Aged Housing Reserve which currently has a Budget closing position of \$1,071,875 as at 30 June 2019. This reserve is set aside for this purpose.

The following is a list of the refurbishments carried out over the last three years. This gives an indication of the fluctuating nature of the works and an indication of the frequency.

- Unit 16/6 Marine Tce, Busselton – Kitchen May 2016 - \$5,697
- Unit 18/6 Marine Tce, Busselton – July 2016 \$11,346.70
- Unit 1/5 Adelaide St, Busselton – Bathroom May 2017 \$8,987.94
- Unit 26/6 Marine Tce, Busselton – Mar 2018 - \$25,036.12
- Unit 2/21 West St, Busselton – Bathroom June 2018 - \$7,877.50
- Unit 17/6 Marine Tce, Busselton – Sept 2018 - \$19,553.98
- Unit 10/21 West St, Busselton – Dec 2018 - \$16,911.97

Units 3 and 7/21 West St, Busselton are the recently vacated units for which refurbishments are in progress. This budget amendment request includes a contingency for the refurbishment of at least one more unit before the end of the financial year.

Planned Expenditure Items

Officers propose that the 2018/2019 adopted budget be amended to reflect the changes shown in Table 4.

Table 4:

Cost Code	Description	Current Budget	Change	Proposed Amended Budget
Equity Transfer				
Reserve	Transfer From Joint Venture Aged Housing Reserve	-121,500	-35,000	-156,500
Expenditure				
339-B9300-3280-0000	Capital – Winderlup Villas	60,000	35,000	95,000
	Net Total	-61,500	0	-61,500

5. “Port Geographe Finger Jetty Replacement”

Port Geographe is a level six (6) boat harbour and launching facility; the only regional boat-launching facility between Augusta and Bunbury. The facility currently includes a six (6) lane boat ramp and three (3) finger jetties. These finger jetties are in need of renewal.

The existing finger jetties are 0.62m wide, barely half the minimum width for finger jetties of 1.2m specified in the Department of Transport’s Guidelines for the design of boat launching facilities. An inspection of the jetties undertaken in 2010 found ‘rapid onset of rust’ in the intertidal zone. It was also reported that a number of existing chafers are damaged badly, wooden kerbs have rot and the steel ladders require replacement.

The proposed renewal will not alter the existing ramp dimensions and layout. Allowance to increase jetty widths is made by removing the gap between the inner kerb edge and jetty chafer, as is commonly done with floating jetties. This is done with the knowledge that launching ramps are 4.2m wide, above the minimum of 4m stipulated by Australian Standard - AS3962, with double kerbs between adjacent ramps.

The recommended project scope includes demolition of all three (3) existing jetty including cutting of six (18) existing piles, installation of nine (9) new piles and floating jetty and widening of the jetty approach. Six (6) new piles will be installed, and positioned along the edges such that the minimum width reduces to 1.4m, and three (3) piles at the ends. The potential exists to refurbish and reuse the last pile of each jetties, this will however only be determined once the existing piles are being removed, to establish overall conditions and remaining useful life of these piles.

The City received grant funding from the Department of Transport, Recreational Boating Facility Scheme program to the value of \$165,000 to fund the renewal of one of the jetties. This amount was further augmented by the City to the value of \$55,000 for a total budget allocation for the project of \$220,000 as reflected in the 2018/2019 FY Budget.

Tenders were called for the replacement of these jetties as per RFT17/18 - PORT GEOGRAPHE FINGER JETTY REPLACEMENT. The tender was drawn up in a manner that the City can opt to award separable portions 1-3. For the purposes of this award, City Officers will opt to award separable portion 1 -3, subject to the Council endorsing this budget amendment.

The City received very competitive tender rates with the lowest tendered being for the Contract is a lump sum value of \$179,356.07 to replace one (1) finger jetty. The price to replace two (2) finger jetties will be \$325,351.91 after a \$33,651.21 discount, and the price to replace all three (3) finger jetties will be \$470,809.68 after a \$67,302.42 discount.

The second lowest submission received for Separable Portion 1 was \$112,820.03 more expensive than the lowest price received. The price submitted to replace one (1) finger jetty was \$292,176.10. The price to replace two (2) finger jetties was \$460,445.16 after a 16% (\$87,703.85) discount.

The price to replace all three (3) finger jetties was \$578, 967.91 after a 28% (\$225,154.18) discount. Therefore, a difference of \$108,158.23 or 23% more than the lowest tender price received.

City officers have briefed the Finance Committee at its meeting held on Thursday 17 January 2019, to suggest that consideration be given to a budget amendment that will allow for the replacement of all three (3) the finger jetties based on capital funding being reallocated within the existing 2018/19 Capital Budget.

Planned Expenditure Items

The 2018/19 budget has an allocation of \$220,000 for the replacement of one (1) finger jetty at the Port Geographe Boat Ramp. To increase the number of finger jetties to be replaced an additional \$250,810 will be required.

Officers propose that the 2018/2019 adopted budget be amended to reflect the changes shown in Table 5.

Table 5:

<i>Cost Code</i>	<i>Description</i>	<i>Current Budget</i>	<i>Change</i>	<i>Proposed Amended Budget</i>
Equity Transfer				
Reserves	Transfer From New Infrastructure Development Reserve	-1,470,740	-250,810	-1,721,550
Expenditure				
510.C1512.3280.0000		220,000	250,810	470,810
	Net Total	-1,250,740	0	-1,250,740

CONCLUSION

Council's approval is sought to amend the budget as per the details contained in this report. Upon approval the proposed works will be planned, organised and completed.

OPTIONS

The Council could decide not to go ahead with any or all of the proposed budget amendment requests.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Should the Officer Recommendation be endorsed, the associated budget amendment will be processed within a month of being approved.

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION**F1902/010**

Moved Councillor C Tarbotton , seconded Councillor P Carter

ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED

That Council endorse the requested budget amendments outlined in tables 1 to 5 below, resulting in no change to an amended budgeted surplus position of \$0.

Table 1:

<i>Cost Code</i>	<i>Description</i>	<i>Current Budget</i>	<i>Change</i>	<i>Proposed Amended Budget</i>
Expenditure				
528-11402-7723-0000	Community Amenities (Waste disposal)	1,927,000	20,000	1,947,000
Income				
528-11402-1770-0000	Proceeds from Sale of Asset	-55,000	20,000	-35,000
528-11402-1771-000	Profit on Sale of Assets	55,000	-20,000	35,000
Equity Transfer				
Reserve	Reduction in Transfer to Waste Management Facility and Plant Reserve	1,579,702	-20,000	1,559,702
	Net Total	3,506,702	0	3,506,702

Table 2:

<i>Cost Code</i>	<i>Description</i>	<i>Current Budget</i>	<i>Change</i>	<i>Proposed Amended Budget</i>
Income				
Equity Transfer	Restricted Assets – Interest on Government Grants	-80,000	-22,888	-102,888
Expenditure				
B9600	Old Lighthouse	80,000	-80,000	0
Grant/Donation	Busselton Jetty Incorporated	0	50,000	50,000
Reimbursement	State of Western Australia Balance of accumulated Interest on Busselton Foreshore Redevelopment Tourism Accommodation Precinct Project	0	52,888	52,888
	Net Total	0	0	0

Table 3:

<i>Cost Code</i>	<i>Description</i>	<i>Current Budget</i>	<i>Change</i>	<i>Proposed Amended Budget</i>
Revenue				
332 B9604 1221 0000	Federal Grants Other	0	(13,685)	(13,685)
Expenditure				
330 10530 3640 0000	Community Bids	237,930	(35,000)	202,930
332 B9604 3280 0000	Demountable Bovell	35,000	48,685	83,685
Net Total		272,930	0	272,930

Table 4:

<i>Cost Code</i>	<i>Description</i>	<i>Current Budget</i>	<i>Change</i>	<i>Proposed Amended Budget</i>
Equity Transfer				
Reserve	Transfer From Joint Venture Aged Housing Reserve	-121,500	-35,000	-156,500
Expenditure				
339-B9300-3280-0000	Capital – Winderlup Villas	60,000	35,000	95,000
Net Total		-61,500	0	-61,500

Table 5:



<i>Cost Code</i>	<i>Description</i>	<i>Current Budget</i>	<i>Change</i>	<i>Proposed Amended Budget</i>
Equity Transfer				
Reserves	Transfer From New Infrastructure Development Reserve	-1,470,740	-250,810	-1,721,550
Expenditure				
510.C1512.3280.0000		220,000	250,810	470,810
Net Total		-1,250,740	0	-1,250,740

CARRIED 5/0

Note:

Officers are to investigate the use of the Port Geo Reserve (Municipal Fund) to potentially fund items in Table 5.

6.1 FINANCIAL ACTIVITY STATEMENTS - PERIOD ENDING 31 JANUARY 2019

SUBJECT INDEX:	Budget Planning and Reporting
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	
ATTACHMENTS:	Attachment A Statement of Financial Activity - Period Ending 31 January 2019 
	Attachment B Investment Report - Period Ending 31 January 2019 

PRÉCIS

Pursuant to Section 6.4 of the Local Government Act ('the Act') and Regulation 34(4) of the Local Government (Financial Management) Regulations ('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 January 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, 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."

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 plans or policies directly relevant to this matter.

FINANCIAL IMPLICATIONS

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

LONG-TERM FINANCIAL PLAN IMPLICATIONS

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

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – ‘Leadership’ and more specifically Community Objective 6.1 - ‘Governance systems, process and practices are responsible, ethical and transparent’.

RISK ASSESSMENT

Risk assessments have been previously completed in relation to a number of ‘higher level’ financial matters, including timely and accurate financial reporting to enable the Council to make fully informed financial decisions. The completion of the monthly Financial Activity Statement report is a control that assists in addressing this risk.

CONSULTATION

Consultation is not applicable in relation to this matter.

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 January 2019

The Statement of Financial Activity for the period ending 31 January 2019 shows a better than expected Net Current Position "Surplus" of \$18.8M being \$9.8M higher than year to date budget (YTD budget) of \$9M.

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
	\$	\$	\$	%	\$
Revenue from Ordinary Activities					
Operating Grants and Subsidies	2,469,786	2,103,095	4,166,540	17.44%	366,691
Other Revenue	705,564	216,241	362,981	226.29%	489,323
Expenses from Ordinary Activities					
Materials & Contracts	(9,265,579)	(10,834,439)	(18,952,210)	14.48%	1,568,860
Utilities (Gas, Electricity, Water etc.)	(1,275,713)	(1,498,277)	(2,569,240)	14.85%	222,564
Depreciation on non-current assets	(13,017,739)	(11,277,448)	(19,070,922)	-15.43%	-1,740,291
Insurance Expenses	(713,890)	(583,050)	(698,808)	-22.44%	-130,840
Other Expenditure	(1,795,000)	(2,729,313)	(4,795,009)	34.23%	934,313
Non-Operating Grants, Subsidies and Contributions					
	2,368,043	10,068,122	32,443,772	-76.48%	(7,700,079)
Adjustments for Non-cash Revenue & Expenditure					
Depreciation	13,017,739	11,277,448	19,070,922	-15.43%	1,740,291
Donated Assets	(42,000)	(5,000)	(8,365,000)	-740.00%	(37,000)
(Profit)/Loss on Sale of Assets	(72,306)	(18,075)	(47,560)	-300.03%	(54,231)
Capital Revenue & (Expenditure)					
Land & Buildings	(662,907)	(10,984,567)	(17,902,816)	93.97%	10,321,660
Plant & Equipment	(1,394,023)	(3,048,000)	(6,880,100)	54.26%	1,653,977
Furniture & Equipment	(189,613)	(502,094)	(883,640)	62.24%	312,481

Description	2018/2019 Actual	2018/2019 Amended Budget YTD	2018/2019 Amended Budget	2018/19 YTD Bud Variance	2018/19 YTD Bud Variance
Infrastructure	(11,460,748)	(21,352,808)	(37,380,261)	46.33%	9,892,060
Proceeds from Sale of Assets	594,785	786,750	1,045,950	-24.40%	(191,965)
Proceeds from New Loans	0	3,150,000	3,150,000	-100.00%	(3,150,000)
Advances to Community Groups	0	(150,000)	(150,000)	100.00%	150,000
Transfer to Restricted Assets	(798,314)	(319,662)	(551,000)	-149.74%	(478,652)
Transfer from Restricted Assets	5,227,880	7,497,540	14,423,922	-30.27%	(2,269,660)
Transfer from Reserves	654,988	3,205,333	26,666,211	-79.57%	(2,550,345)

Revenue from Ordinary Activities:

YTD actual income from ordinary activities is \$1M more than expected when compared to YTD budget with the two items meeting the material variance reporting threshold being;

1. Operating Grants, subsidies and Contributions is \$367k over YTD budget due to timing differences associated with funds being received from DFES for fire prevention and bushfire risk management \$158k, various reimbursements \$33k and funds recovered from the City's insurance the old butter factory \$72k,
2. Other Revenue is \$489k better than YTD budget. This variance is due to better than expected returns on sale of scrap metal \$186k. IT lease buybacks additional income of \$324k which is offset by additional expenses in the IT leasing account 3381.

Expenses from Ordinary Activities

Expenditure from ordinary activities, excluding depreciation, is \$1.436M less than expected when compared to YTD budget with the following items meeting the material variance reporting threshold.

Materials and Contracts:

The main items affected are listed below:

Cost Code	Cost Code Description / GL Activity	Variance YTD \$
<u>Finance and Corporate Services</u>		
10250	Information & Communication Technology Services	(545,240)
10000	Members of Council	(29,966)
10251	Business Systems	(24,539)
10500	Legal and Compliance Services	57,526
<u>Community and Commercial Services</u>		
10380	Busselton Library	45,054
10590	Naturaliste Community Centre	49,194
10591	Geographe Leisure Centre	50,502
10600	Busselton Jetty Tourist Park	68,637
<u>Planning and Development Services</u>		
10980	Other Law, Order & Public Safety	20,918
10820	Strategic Planning	31,822
10931	Protective Burning & Firebreaks-Reserves	34,349

Cost Code	Cost Code Description / GL Activity	Variance YTD \$
11170	Meelup Regional Park	83,455
10830	Environmental Management Administration	90,348
<u>Engineering and Works Services</u>		
12620	Rural-Tree Pruning	(99,399)
B1401	Old Butter Factory	(78,831)
M9996	Roads Sundry Overhead/Consumables	(57,280)
M9995	Roller & Grader Hire	(45,064)
G0030	Busselton Transfer Station	(42,047)
M0005	Ludlow-Hithergreen Road	(31,938)
G0031	Dunsborough Waste Facility	(30,352)
R0821	Avignon Park (Provence)	23,401
F9999	Footpaths Maintenance	26,004
11300	Sanitation Waste Services Administration	33,453
R2001	Tree Planting - Urban Verges / Policy NOM. No. 05/06: 24	34,269
12600	Street & Drain Cleaning	34,524
R0820	Almond Green Park (Provence)	34,842
A6004	Pedestrian Bridge (Port Geographe)	37,331
G0034	External Waste Disposal	37,767
B1000	Administration Building- 2-16 Southern Drive	42,119
B1514	Asbestos Removal & Replacement	48,745
G0033	Green Waste	49,145
G0032	Rubbish Sites Development	58,331
11101	Engineering Services Administration	68,448
11301	Regional Waste Management Administration	70,000
G0010	Domestic Recycling Collections	74,110
A9999	Miscellaneous Bridge Maintenance	78,726
R0004	BSN. Foreshore Precinct (not including Skate Park)	80,339
M9999	Road Maintenance Bal Of Budget	217,113
11160	Busselton Jetty	452,041

Utilities:

There is an overall variance in utility charges of \$222K with the major variances being electricity \$71k and water \$143k. This variance is spread over 358 individual line items with an average variance of only \$620 per item.

Depreciation:

There is an overall variance in depreciation of \$1.740M, 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 fact that Fair Valuation of infrastructure assets was completed post budget adoption and the increase in valuation was unable to be included in the 2018/2019 budget.

Insurance:

There is an YTD variance in insurance costs of \$131K, this is of a timing issue only.

Other Expenditure:

There is an YTD variance in other costs of \$934K, considered a timing issue only. The main items affected are listed below:

Cost Code	Cost Code Description / GL Activity	Variance YTD
<u>Finance and Corporate Services</u>		
10618	Winderlup Court Aged Housing	35,081
10700	Public Relations	40,403
10151	Rates Administration	46,079
10000	Members of Council	62,906
<u>Community and Commercial Services</u>		
10547	Iron Man	(79,169)
10536	School Chaplaincy Programs	23,317
10548	Half Iron	26,950
10530	Community Services Administration	83,117
11156	Airport Development Operations	875,000
<u>Planning and Development Services</u>		
10805	Planning Administration	29,219
<u>Engineering and Works Services</u>		
B1223	Micro Brewery - Public Ablution	70,000
G0042	BTS External Restoration Works	(172,636)

Non-Operating Grants, Subsidies and Contributions:

Non-Operating Grants, Subsidies and Contributions are less than YTD budget by \$7.7M 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 expenditure at this time:

Cost Code	Cost Code Description	Variance YTD
<u>Finance and Corporate Services</u>		
10239	Contributions - Public Art (Percent for Art)	(827,641)
10240	Contributions - Contribution to Works	(93,390)
<u>Community and Commercial Services</u>		
10900	Cultural Planning - Donated Assets	37,000
C6099	Airport Development - Project Expenses	(5,838,126)
<u>Planning and Development Services</u>		
B9109	Hithergreen Building Renovations	(68,886)
B9112	Ambergate Bushfire Brigade Shed	(269,932)

Cost Code	Cost Code Description	Variance YTD
<u>Engineering and Works Services</u>		
C3168	Busselton Foreshore Jetty Precinct	(308,221)
F1018	Dunsborough Cycleway CBD to Our Lady of the Cape School	(105,419)
C0049	Port Geographe Marina Car-parking	(100,191)
S0051	Causeway Road / Rosemary Drive Roundabout	(91,669)
S0064	Peel Terrace (Stanley Pl/Cammilleri St Intersection Upgrade)	(61,113)
S0035	Strelly Street / Barlee Street Roundabout	(55,000)
S0068	Georgiana Molloy Bus Bay Facilities	114,500

Capital Expenditure

As at 31 January 2019, there is a variance of -61.80% or -\$22.18M in total capital expenditure with YTD actual at -\$13.707M against a YTD budget of -\$35.887M.

The airport development makes up for \$10.996M, Busselton Tennis Club – Infrastructure \$1.245M, Plant and Equipment \$1.653M, Council Roads Initiative projects \$1.491M, Eastern Link - Busselton Traffic Study \$1.554M, Dunsborough Land Purchase Parking \$1.3M, Main Roads projects \$1.337M, Parks, Gardens and Reserves \$816K, Sanitation Infrastructure \$619K, Beach Restoration \$435K, Busselton Senior Citizens \$430K, Dunsborough Cycleway CBD to Our Lady of the Cape School \$380K, Furniture and Equipment \$312K, Fire Prevention – Land Purchase Biddle Road \$200K, Busselton Jetty Tourist Park Upgrade \$214K, Beach Front Infrastructure \$72K, GLC - Pool Relining \$50K, Energy Efficiency Initiatives (Various Buildings) \$58K and Major Projects Busselton Foreshore \$890K.

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.

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 January 2019 the value of the City's invested funds totalled \$76.43M, down from \$79.36M as at 31st December. The decrease is due to the withdrawal of funds from the 11am account to meet standard operating costs.

During the month of December four term deposits held with three different institutions totalling \$11.0M matured. All were renewed for a further 115 days at 2.56% (on average).

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 \$3.0M with the funds being utilised to meet standard operating costs.

The balance of the Airport Development ANZ cash account remained steady. The term deposit held at the WATC for the Airport Development project matured, and was renewed for a further 30 days at 2.02%.

The RBA left official rates on hold during January and February. Future movements remain uncertain at this point.

Chief Executive Officer – Corporate Credit Card

Details of monthly (January) 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.

Date	Amount	Payee	Description
07-Jan-19	\$1,199.02	BJ McDonald & QSA (Quest Perth)	* Accommodation - AICD Course CEO
21-Jan-19	\$77.95	Easyflowers Adelaide	Flowers – City Staff
24-Jan-19	\$1,215.82	QANTAS Airways LTD	Coastal Council Conference – Cr. McCallum
23-Jan-19	\$715.30	Trybooking – Town of Vic Park	* Conference Booking Fee – LGCOG CEO

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

+ Allocated against CEO Hospitality Expenses Allowance

CONCLUSION

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

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.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not Applicable


COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

F1902/011 Moved Councillor C Tarbotton , seconded Councillor G Henley

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

CARRIED 5/0

6.2 LIST OF PAYMENTS MADE JANUARY 2019

SUBJECT INDEX:	Financial Operations
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A List of Payments Period Ending 31 January 2019 

PRÉCIS

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

STATUTORY ENVIRONMENT

Section 6.10 of the Local Government 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

Not Applicable.

FINANCIAL IMPLICATIONS

Not Applicable.

LONG-TERM FINANCIAL PLAN IMPLICATIONS

Not Applicable.

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – 'Leadership' and more specifically Community Objective 6.1 - 'Governance systems, process and practices are responsible, ethical and transparent'.

RISK ASSESSMENT

Not Applicable.

CONSULTATION

Not Applicable.

OFFICER COMMENT

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

CONCLUSION

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

OPTIONS

Not Applicable.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not Applicable.

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

F1902/012 Moved Councillor J McCallum, seconded Councillor C Tarbotton

That the Council notes payment of voucher numbers M116529 – M116632, EF062801 – EF063326, T007426 – T007430, and DD003668 – DD003688 together totalling \$8,340,310.49.

CARRIED 5/0

Question on Notice: Cr Henley requested further information regarding EFT Payment EF062992 Bark Environmental 23/01/2019 \$3591.50, in consideration of this enterprise being non for profit and associated with SWEAK (Geocach)-page 33 Attachment A.

7. GENERAL DISCUSSION ITEMS**7.1 Internal Borrowing**

The Committee queried the ability to loan internally utilising established reserve funds. After discussion the DFCS advised he would include these comments and proposals in the City's LGA Review submission. Further investigation will also be undertaken in relation to policies and activities carried out in other jurisdictions.

7.2. Finance Committee Meeting Dates

Cr Carter requested consideration of dates to allow all members to attend Finance Committee Meetings in person. A review and report will be prepared by staff to consider further.

8. NEXT MEETING DATE

Thursday, 21 March 2019

9. CLOSURE

The meeting closed at 12.30pm.

THESE MINUTES CONSISTING OF PAGES 1 TO 24 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON THURSDAY, 21 MARCH 2019.

DATE: _____

PRESIDING MEMBER: _____