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are yet to be confirmed as a  
true record of proceedings

**CITY OF BUSSELTON**

**MINUTES FOR THE FINANCE COMMITTEE MEETING HELD ON 9 MAY 2017**

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## MINUTES

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN THE COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 9 MAY 2017 AT 9.30AM.

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

The Presiding Member opened the meeting at 9.31am

### 2. ATTENDANCE

#### Presiding Member

Cr John McCallum

#### Members:

Cr Grant Henley Mayor  
Cr Terry Best  
Cr Paul Carter  
Cr Gordon Bleechmore

#### Officers:

Mr Mike Archer, Chief Executive Officer  
Mr Cliff Frewing, Director, Finance and Corporate Services  
Mr Kim Dolzadelli, Manager Financial Services  
Mr Jan Hopper, Major Projects Superintendent (10.48am entered the meeting)  
Mrs Maxine Palmer, Manager Community Services (10.39am left the meeting)  
Mr David Whitfield, Rates Coordinator – Rates (10.17am left the meeting)  
Mrs Cathy Hartley, Financial Administration Officer (10.48am entered the meeting)  
Miss Kate Dudley, Administration Officer, Governance

#### Apologies

Nil

#### Approved Leave of Absence

Nil

### 3. PUBLIC QUESTION TIME

Nil

### 4. DISCLOSURE OF INTERESTS

Nil

### 5. CONFIRMATION OF MINUTES

#### 5.1 Minutes of the Finance Committee Meeting held 6 April 2017

#### Council Decision and Officer Recommendation

**F1705/025**

Moved Councillor G Bleechmore, seconded Councillor T Best

That the Minutes of the Finance Committee Meeting held 6 April 2017 be confirmed as a true and correct record.

**CARRIED 5/0**

## 6. REPORTS

### 6.1 ANNUAL BUDGET REVIEW - PERIOD ENDING 31 MARCH 2017

<b>SUBJECT INDEX:</b>	Budget Planning and Reporting
<b>STRATEGIC OBJECTIVE:</b>	An organisation that is managed effectively and achieves positive outcomes for the community.
<b>BUSINESS UNIT:</b>	Finance and Corporate Services
<b>ACTIVITY UNIT:</b>	Financial Services
<b>REPORTING OFFICER:</b>	Manager Financial Services - Kim Dolzadelli
<b>AUTHORISING OFFICER:</b>	Director, Finance and Corporate Services - Cliff Frewing
<b>VOTING REQUIREMENT:</b>	Absolute Majority
<b>ATTACHMENTS:</b>	Nil

#### PRÉCIS

Between January and March in each financial year, a local government is to carry out a review of its annual budget for that year. The Council is required to consider the review submitted to it and determine (by absolute majority) whether or not to adopt the review, any parts of the review or any recommendations made in the review.

#### BACKGROUND

The requirement for a local government to carry out an annual budget review is prescribed via Regulation 33A of the Local Government (Financial Management) Regulations.

Essentially, the purpose of an annual budget review is to ensure that a local government conducts a review of its financial performance at an appropriate time in the financial year such that any significant budget variances can be identified and remedial action instigated as necessary; prior to financial year end.

This report, based on the City's financial performance for the period ending 31 March 2017, has been compiled to fulfil the statutory reporting requirements of the Local Government Act and associated Regulations in respect of the annual budget review process.

#### STATUTORY ENVIRONMENT

Local Government (Financial Management) Regulations 33A Review of budget:

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must —
  - (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
  - (b) consider the local government's financial position as at the date of the review; and
  - (c) review the outcomes for the end of that financial year that are forecast in the budget.

- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine\* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

\*Absolute majority required.

- (3) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

### **RELEVANT PLANS AND POLICIES**

Not applicable.

### **FINANCIAL IMPLICATIONS**

Any short term financial implications attributable to this review are addressed within the context of this report.

#### **Long-term Financial Plan Implications**

The primary purpose of this report is to review the City's current and projected financial performance for the financial year ending 30 June 2017. Whilst there is limited direct consideration of long term financial plan implications within the report, the City's current year financial performance will nonetheless assist in informing the development of next year's long term financial plan.

### **STRATEGIC COMMUNITY OBJECTIVES**

This matter principally aligns with Key Goal Area 6 – 'Open and Collaborative Leadership' and more specifically Community Objective 6.3 - 'An organisation that is managed effectively and achieves positive outcomes for the community'. The achievement of the above is underpinned by the Council strategy to 'ensure the long term financial sustainability of Council through effective financial management'.

### **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 an annual budget review is a treatment/ control that will assist in addressing this risk.

### **CONSULTATION**

Not applicable.

### **OFFICER COMMENT**

The Annual Budget Review has been compiled, as in previous years, based on the 'Nature and Type' reporting structure to maintain consistency with monthly Financial Activity Statement reporting. The review has concluded that the City's financial performance to 31 March 2017 is satisfactory. Furthermore, as no net overall material adverse variance has been projected as part of the review, specific remedial actions are not required to be implemented.

Notwithstanding this, the report has identified a number of year to date favourable and adverse variances and projects variances will be remain evident as at 30 June 2017. In many instances, the variances relate to items that are fully offset and, as such, will not expected to directly impact on the overall budget performance at financial year end. These matters are discussed within the body of this report, with the following Executive Summary providing a synopsis of those areas projected to potentially impact on the City's overall net budget performance at financial year end.

### **Executive Summary**

#### **Operating Revenue**

- Rates revenue is projected to exceed the annual budget estimates by up to +\$154k;
- Operating grants, subsidies and contributions is projected to be largely in line with the annual budget estimates with current variance is primarily attributable to timing differences in the receipt of operating grants. It should also be recognised that reimbursements are primarily reimbursing expenditures already incurred. Consequently, performance in this activity is unlikely to have a material net impact of the closing surplus/deficit position;
- Fees and charges is projected to be less than the annual budget estimates by up to -\$100k, however it should be noted that whilst the net operating surplus will be less than anticipated the Airport surplus is transferred to the Airport Infrastructure Reserve and as such it has a net neutral impact on the net closing position;
- Other revenue is projected exceed the annual budget estimates by up to +\$34k;
- Interest earnings - there is a current overall favourable variance of approximately +\$507k in collective municipal, reserve and restricted interest earnings, however, individual variances reflect an adverse variance for municipal funds of approximately -\$20k, with favourable variances in reserves and restricted funds of +\$165k and +\$362k respectively. This is due to higher than anticipated balances. Reserve and restricted cash interest earnings do not directly impact on the City's closing surplus/ deficit position, as this revenue is reallocated to the 'Transfers to Reserves/ Restricted Assets' capital equity account. Rate Instalment and Late payment interest shows an overall favourable variance of approximately +\$55k.
- Non-operating grants, subsidies and contributions is projected to be cost neutral due to fact that should grants be not received, then the subsequent expenditure will not be incurred.

***In summary, net operating revenue is projected to be slightly higher than the annual budget estimates with a projected favourable variance of approximately \$223k.***

#### **Operating Expenditure**

- Employee Costs is projected to be less than the annual budget estimates by up to -\$150k. There are a range of matters however that can directly impact on the final Employee Costs, and as such it must be reiterated that this projection is based on available information at the time of compiling this report;
- Materials and Contracts will be underspent on the whole however this will not affect the end of year position as material variances within this category will be transferred to equity in accordance with operational practice, with the exception of fuel which is projected to be less than the annual budget estimates by up to -\$70k;
- Utilities (gas, electricity, water etc.) it is projected that the Utilities activity will have a minor variance as at 30 June 2017, due to timing differences;
- Insurance Expenses is projected to be less than the annual budget estimates by up to -\$20k;
- Other Expenditure is projected to have a nominal variance and come in materially in line with the annual budget estimates. Consequently, a favourable variance of approximately -\$20k is projected in this activity by financial year end;
- Interest Expenses is projected to be less than the annual budget estimates by up to -\$20k, however the current variance is attributable to a timing delay in the drawdown of budgeted loan facilities for Dunsborough car parking and community self-supporting loans. The delay in drawdown of these loans will not result in a change to the City's net current position as the

Dunsborough car parking loan is funded by the City car parking and access reserve and the self-supporting loans are funded by income received from the applicable community group.

***In summary, net operating expenditure is projected to be slightly lower than the annual budget estimates with a projected favourable variance of approximately \$260k.***

#### **Capital Revenue**

- There is material capital revenue variances estimated as at 30 June 2017, however these are either due to timing issues or are attributable to fully funded projects and therefore will not impact on end of year position.

#### **Capital Expenditure**

- There is material capital expenditure variances estimated as at 30 June 2017, however these are either due to timing issues or are attributable to fully funded projects and therefore will not impact on end of year position.

The aforementioned estimation is predicated on numerous assumptions and is also exclusive of any potential/identified carry over items. Carry over items will ultimately form part of the end of year position, but will be allocated as part of the 2017/18 budget. The projected closing surplus position may also be impacted by any extraordinary items that may arise during the remainder of the financial year.

The Executive Summary only highlights variances that are projected to have a material net impact on the City's financial performance as at financial year end. There are numerous other variances estimated as at 30 June 2017, however in most instances, there will be offsetting variances to negate any net budget impact. This includes expenditures (both operating and capital) funded from reserves, grants, contributions, or borrowings. It is nonetheless considered appropriate that the Council is provided with an overview of the projected annual budget performance in all relevant income and expenditure activities. Accordingly, the following sections of this report provides a more detailed summary of financial performance against each of the operating revenue and expenditure categories (by nature and type), and also the capital revenue and expenditure categories (by classification/ description).

#### **OPERATING REVENUE**

As at 31 March 2017, there is a variance of approximately -\$791k (or -1.15%) in respect of total operating revenue activities. This variance is detailed as follows:

Description	Actual YTD \$	Amended Budget YTD \$	Amended Budget \$	Variance YTD \$	Variance YTD %
Rates	41,919,828	41,765,450	41,899,310	+154,378	+0.37%
Operating Grants, Subsidies and Contributions	3,713,971	3,386,413	5,171,217	+327,558	+9.67%
Fees and Charges	13,247,309	13,306,309	15,598,955	-59,000	-0.44%
Other Revenue	311,045	276,558	356,410	+34,487	+12.47%
Interest Earnings	2,591,698	2,020,530	2,542,850	+571,168	+28.27%
Non-operating Grants, Subsidies and Contributions	6,088,136	7,914,444	45,891,102	-1,826,308	-23.08%

Description	Actual YTD \$	Amended Budget YTD \$	Amended Budget \$	Variance YTD \$	Variance YTD %
Profit on Asset Disposals	19,793	12,938	23,227	+6,855	+52.98%
<b>TOTAL</b>	<b>67,891,7806</b>	<b>68,682,6426</b>	<b>111,483,071</b>	<b>-790,862</b>	<b>-1.15%</b>

An overview of the financial performance in each activity is provided as follows:

#### **Rates (YTD variance: +\$154K)**

The current favourable variance is primarily attributable to interim rating, predominantly in the improved residential and commercial rating zone. As at the end of February, the year to date actual is above the annual budget allocation by \$20k.

Historically, net rates revenue tends to level off towards the end of the financial year, as overpayments and other refunds are processed. However, it is estimated that further valuation schedules will be received prior to financial year end, resulting in a net increase in the current financial year's interim rates revenue. Whilst the financial impact of the new valuations is unable to be accurately determined at this stage, it is anticipated that this could be in the vicinity of \$100k.

For the purpose of this review, it is therefore estimated that Rates revenue will exceed annual budget estimates by up to +\$154k as at financial year end.

#### **Operating Grants, Subsidies and Contributions (YTD variance: +\$328K)**

The current variance is primarily attributable to timing differences in the receipt of operating grants, subsidies and contributions +\$65k, coupled with the receipt of additional reimbursements of +\$263k.

With respect to operating grants, performance is generally in line with budgeted income therefore it is not expected that there will be any material variances which will impact on the closing surplus/deficit position as at financial year end.

With regards to reimbursements, current favourable variances includes sundry reimbursements +\$50k, reimbursement of utility charges +\$28k, reimbursement of workers compensation expenses +\$33k, reimbursement of parenting leave payments +\$43k, reimbursement of insurance recovered +\$132k. Whilst this area represents a net surplus at this time, it should be recognised that these reimbursements are primarily reimbursing expenditures already incurred. Consequently, performance in this activity is unlikely to have a material net impact of the closing surplus/deficit position.

#### **Fees and Charges (YTD variance: -\$59K)**

The current variance in the Fees and Charges is attributable to a range of variances, both favourable and adverse. The major contributors, by dollar value, are as follows:

Description	YTD Variance \$	YTD Variance %
Building Fees	-67,400	-11.74%
Health Fees	83,419	+44.26%
Planning Fees Statutory	64,174	+15.90%
Planning Fees Strategic	3,852	+7.34%
Rangers Fees	7,449	+4.73%
Refuse Service Fees	31,884	+0.44%
Facility Service Fees	11,934	+0.65%
Caravan Park Fees	-46,751	-4.53%

Description	YTD Variance \$	YTD Variance %
Aged Housing	-6,469	-1.83%
Airport Fees	-96,819	-12.51%
Cemetery Fees	-724	-0.65%
Other Fees & Charges	-43,549	-8.19%
	<b>-59,000</b>	<b>-0.44%</b>

Responsible Directorates have provided commentaries in relation to the aforementioned variances:

- **Building Fees**

The unfavourable year to date variance of -\$67k is attributable to a range of variances including building permits -\$102k, swimming pool inspection fees +\$43k and R-Codes approval fees -\$8k..

- **Health Fees**

The favourable year to date variance of +\$83k is attributable to a range of variances including health licenses caravan parks +\$8k, license for street traders -\$9k, other health license (including S39 certificates) +\$4k, water sampling fees \$12k, septic tank application fees -\$4k, concert license fee/ service charges -\$7k, inspection fee for food premises \$30k, holiday home renewal fee \$49k

- **Statutory Planning Fees**

The favourable year to date variance of +\$64k is attributable to development application fees +\$45k, advertising fees +\$20k, section 40 certificates -\$2k, subdivision clearance fees -\$10k, town planning other income +\$10k.

- **Strategic Planning Fees**

The favourable year to date variance of +\$4k is attributable to rezoning charges +\$3k, process guide plans +\$1k.

- **Rangers Fees**

The favourable year to date variance of +\$7k is mainly attributable to impounding fees (dogs) -\$6k and dog registration fees +\$13k.

- **Refuse Service Fees**

The favourable year to date variance of +\$32k is attributable to a range of variances including refuse removal commercial -\$2k, refuse removal domestic +\$12k, drum muster income +\$2k, tipping fees (liquid waste) +\$28k, tipping fees +\$17k, recycling fees (domestic) +\$5k, waste disposal fee (WARR Act 2007) -\$29k.

The favourable refuse removal and recycling fees (domestic) is due to higher interim rates through property growth compared to relatively conservative growth estimates used for budget purposes. With regard to tipping fees there has been an increase in the amount of commercial waste collected, with some of this attributable to a higher level of building activity and housing construction within the City. All the above variances will have no net impact on the City's year end position as any surplus in excess of budget will form part of the net position of waste, which will be transferred to the Waste Reserve.

- **Facility Service Fees**

Of the +\$12k favourable variance, -\$7k relates to community recreation centres (GLC and NCC), arts and cultural +\$7k, administration building -\$8k, public halls +\$16k. Performance in this activity is not anticipated to have any net material impact of the closing surplus/deficit position.

- **Caravan Park Fees**

The unfavourable year to date variance of -\$47k is attributable to Kookaburra park fees -\$91k and park accommodation deposits +\$44k.

- **Aged Housing Fees**

The unfavourable year to date variance of -\$6k is attributable to aged housing rental. A nominal variance is projected by financial year end, however this is not expected to have an impact on the closing surplus/deficit position as funds are transferred to and from restricted assets accounts required/ utilised.

- **Airport Fees**

The adverse year to date variance of -\$97k is attributable to a range of variances including Airport hangar leases +\$2k, Airport landing and take-off fees -\$26k, Airport sundry income +\$1k, Airport FIFO car parking income -\$15k, head taxes/ PAX fee -\$48k, Airport fuel facility leasing fees -\$10k.

The net operating surplus will be less than anticipated however as the Airport surplus is transferred to the Airport Infrastructure Reserve it has a net neutral impact on the net closing position.

- **Cemetery Fees**

Cemetery fees have a year to date variance of -\$0.7k. Based on the comparatively immaterial values involved, it is assumed that budget estimates will be achieved. Consequently, performance in this activity will not have any net material impact of the closing surplus/deficit position.

- **Other Fees and Charges**

The unfavourable year to date variance of -\$44k is attributable to a range of fees and charges including the supervision fees -\$24k, property information -\$21k, licence fees revenue -\$7k, early clearance fee -\$5k, commercial rental +\$4k, traffic management plans +\$4k, printing and photocopying fees +\$6k.

With regard to the collection of supervision fees this is highly variable based on the clearance of new subdivision areas linked to housing construction activity and the demand for vacant land. Although difficult to predict, based on current information available, it is anticipated that an overall unfavourable variance is projected of +\$100k.

### **Other Revenue (YTD variance: +\$34k)**

This category includes a range of revenue types including fines and penalties, the sale of miscellaneous items and other sundry revenue. The current variance in respect of these activities is summarised as follows:

- **Fines and Penalties Revenue**

As at 31 March 2017, there is an adverse variance of approximately -\$33k in this area, with the main contributors being bush fire Act fines and costs -\$31k, dog Act fines and costs -\$9k, Local Government Act fines and costs -\$8k, cat Act fines and costs -\$4k, parking fines and costs +\$20k.

- **Sale of Miscellaneous Items**

As at 31 March 2017, there is a favourable variance of approximately +\$39k, primarily due to sale of scrap materials +\$27k, sale of art works +\$6k, sale of memorialisation stock +\$6k, sale of recyclable materials +\$5k, sale of number plates +\$3k, sale of building lists +\$2, sale of water -\$10k.

- **Other Sundry Revenue**

As at 31 March 2017 there is a favourable variance of approximately +\$28k in this area. This variance is mainly attributable to long service leave contribution from other LGA's +\$22k, sundry income +\$8k; building levies commissions -\$2k.

Based on the analysis of Other Revenue, there will be an overall favourable net impact on the closing position of approximately -\$20k.

**Interest Earnings (YTD variance: +\$571K)**

The Interest Earnings activity includes interest earnings on municipal, reserve and restricted funds, as well as rates related interest revenue. The year to date and projected end of financial year, performance in each of these areas is summarised as follows:

**▪ Municipal, Reserves and Restricted Interest**

There is a current overall favourable variance of approximately +\$507k in collective municipal, reserve and restricted interest earnings. However, individual variances reflect an adverse variance for municipal funds of approximately -\$20k, with favourable variances in reserves and restricted funds of +\$165k and +\$362k respectively. This is due to higher than anticipated balances.

Based on current projections, it is expected that by financial year end, municipal interest earnings will fall short of annual budget estimates by up to -\$20. This adverse variance will affect the end of year financial position.

Reserve interest earnings are estimated to exceed annual budget estimates by up to +\$180k. This is mainly attributable to a higher than anticipated balances at this time of the year which included the transfer of previously classified restricted funds into reserve accounts.

Interest on Restricted Funds will exceed budget by +\$340k. Although this additional income relates to mainly airport funds which have been budgeted for, it should be noted that the Airport grant agreement requires these funds be applied towards the Airport project.

Reserve and restricted cash interest earnings do not directly impact on the City's closing surplus/deficit position, as this revenue is reallocated to the 'Transfers to Reserves/ Restricted Assets' capital equity account.

**▪ Rates Related Interest (Instalment Plan and Late Payment)**

There is a current favourable variance of approximately +\$64k in relation to rates related interest charges. Late payment interest charges are tracking above year to date budget estimates by +\$36k and instalment plan interest charges are currently tracking approximately +\$28k above year to date budget projections. It is anticipated that that rates related interest earnings will exceed annual budget estimates by \$50k financial year end.

In summary, it is anticipated that the overall Interest Earnings activity will be in excess of annual budget estimates by up to +\$557k as at 30 June 2017. However, for the purposes of estimating a closing surplus/deficit position, a net favourable variance of some \$30k is projected.

**Non-operating Grants, Subsidies and Contributions (YTD variance: -\$1.826m)**

This category reflects a net unfavourable variance of -\$1.826m, with significant individual variances summarised below:

- Busselton Foreshore East-Youth Precinct Community Youth Building/SLSC -\$2,100k;
- Bridge Construction Works -\$368k;
- Main Roads - Direct Grants 2/3 Funded -\$421k;
- Main Roads - Direct Grants Fully Funded +\$83k;
- Roads to Recovery - Fully Funded +\$483k; and
- Contributions received +\$539k.

Overall grant funding variances are primarily due to timing differences. However it must be noted that where projects are not proposed to commence in 2016/17, the associated grant funding will not be raised until the expenditure has been incurred.

The above variances will not have any direct impact on the closing surplus/deficit position as long as grants for works completed are raised on or before 30 June 2017. Conversely, where grants are received in advance of works being completed (by 30 June 2017), any unspent component of the associated grant funding will be required to be transferred to restricted assets.

With regards to the favourable variances in contributions of +\$217k, this will not have any direct impact on the closing surplus/deficit position as these funds will be transferred to restricted accounts to be used in the future for the purpose they were taken for.

#### **Profit on Asset Disposals (YTD variance: +\$7K)**

The current minor variance is attributable to book profits on the sale of assets. It should be noted that this is an accounting book entry, and has no direct impact on the surplus/deficit position.

#### **OPERATING EXPENDITURE**

As at 31 March 2017 there is a variance of approximately +\$2.14m (or +4.38%) in respect of total operating expenditure activities. This variance is detailed as follows:

Description	Actual YTD \$	Amended Budget YTD \$	Amended Budget \$	Variance YTD \$	Variance YTD %
Employee Costs	20,785,719	21,316,601	27,868,335	+530,882	+2.49%
Materials and Contracts	9,696,690	11,570,032	15,780,869	+1,873,342	+16.19%
Utilities (Gas, Electricity, Water etc.)	1,648,268	1,768,564	2,358,980	+120,296	+6.80%
Depreciation on Non-current Assets	12,513,911	11,711,421	15,715,050	-802,490	-6.85%
Insurance Expenses	650,427	709,772	716,772	+59,345	+8.36%
Other Expenditure	1,766,051	2,273,625	3,099,864	+507,574	+22.32%
Allocations	-1,371,005	-1,497,576	-1,942,110	-126,571	-8.45%
Interest Expenses	945,749	975,888	1,318,330	+30,139	+3.09%
Loss on Asset Disposals	123,810	73,161	94,761	-50,649	-69.23%
<b>TOTAL</b>	<b>46,759,620</b>	<b>48,901,488</b>	<b>65,010,851</b>	<b>+2,141,868</b>	<b>+4.38%</b>

An overview of the financial performance in each activity is provided as follows:

#### **Employee Costs (YTD variance: +\$531K)**

Whilst reflecting an overall favourable variance as at 31 March 2017, this category presently includes numerous individual variances (both favourable and adverse). On the whole however, this category can be broken into three main sections, all of which have favourable variances; salaries +\$180k, wages +\$45k, and other employee costs +\$306k.

In order to project an end of financial year variance, the current expenditure in each account has been extrapolated and then amended for any known adjustments. Impacting factors taken into account include current vacant positions and historical expenditure patterns

The final adjustment attributable to the recognition of accrued employee cost to financial years end are not yet known and as such it is projected that overall there will be a slight favourable variance, circa \$100k as at 30 June 2017. There are a range of matters however that can directly impact on the final Employee Costs, and as such it must be reiterated that this projection is based on available information at the time of compiling this report.

**Materials and Contracts (YTD variance: +\$1.873M)**

The Materials and Contracts category comprises a wide range of expenditure types, and presently incorporates in the order of 142 separate accounts. The current variance is attributable to both favourable and adverse variances (of varying magnitudes) across a range of diverse activities.

Consequently, this report will highlight those material variances which are either of interest due to materiality or are expected to have a direct impact on the City's closing surplus/deficit position as at 30 June 2017. The main variances are;

- Maintenance of plant and equipment +\$145k,
- Maintenance of buildings \$207k,
- Maintenance of infrastructure +\$323k,
- Contractors +\$366k,
- Consultancy +\$715k.

▪ **Maintenance of plant and equipment**

There is a favourable variance of approximately +\$145k in this activity on a year to date basis, with the major contributors being;

- Tyres and tubes +\$21k,
- Plant and equipment maintenance services +\$26k,
- Replacement parts +\$47k,
- Fuel, oils and grease +\$65k.

It is anticipated that only Fuel, oils and grease will impact on the City's closing surplus/deficit position

▪ **Maintenance of Buildings**

There is a favourable variance of approximately +\$207k in this activity on a year to date basis, however, it is anticipated that the majority of these works will be completed by 30 June 2017 and hence there will be little impact on the City's closing surplus/deficit position.

▪ **Maintenance of Infrastructure**

There is a favourable variance of approximately +\$323k in this activity on a year to date basis, with the major contributors being;

- Tip maintenance +\$6k,
- Airport maintenance +\$11k,
- Other infrastructure maintenance +\$305k,

It is anticipated that the majority of these works will be completed by 30 June 2017 and hence there will be little impact on the City's closing surplus/deficit position.

▪ **Contractors**

There is a favourable year to date variance of approximately +\$366k in collective contractors' expenditure which spans over 67 activity areas. The major contributors are as follows;

- 5430 - Road maintenance -\$305k,
- 5451 - Beach front reserves -\$64k,

- 5464 - Street tree pruning -\$62k,
- 5469 - Parks and gardens - Dunsborough Lakes -\$46k,
- 5260 - Refuse sites -\$29k,
- 5434 - Cycle ways maintenance -\$24k,
- 5211 - Airport operations +\$19k,
- 5437 - Gravel pits \$19k,
- 3330 - Tourism and area promotions/ community events +\$19k,
- 5456 - Parks and gardens - sports clubs and amenities +\$21k,
- 4400 - Environmental health services administration +\$24k,
- 5223 - Public halls +\$25k,
- 5449 - Parks and gardens - Vasse Newtown +\$26k,
- 5463 - Street drain cleaning \$29k,
- 5224 - Ablution facilities - swimming areas +\$30k,
- 5213 - Meelup regional park +\$45k,
- 4210 - Environmental management +\$57k,
- 5228 - Other buildings - unclassified +\$58k,
- 5251 - Recycling refuse collection +\$61k,
- 5212 - Busselton jetty +\$141k,
- 5431 - Bridge maintenance +\$156k,
- 5448 - Parks and gardens - Provenge +\$175k,

It is anticipated that the majority of these works will be completed by 30 June 2017 and hence there will be little impact on the City's closing surplus/deficit position.

▪ **Consultancies**

There is a favourable year to date variance of approximately +\$715k in collective consultancies expenditure. The major contributors are as follows;

- 5400 - Operations services administration +\$9k,
- 3200 - Employee services and risk +\$11k,
- 1115 - Major projects +\$14k,
- 4200 - Land use planning +\$17k,
- 1001 - Office of the CEO +\$25k,
- 3300 - Community services administration +\$30k,
- 4210 - Environmental management +\$33k,
- 2200 - Information technology +\$45k,
- 3360 - Community recreation centres +\$57k,
- 5240 - Sanitation waste services administration +\$61k,
- 5211 - Airport operations +\$75k,
- 5100 - Engineering administration and projects +\$156k,
- 3500 - Property and business development \$187k,

It should be noted that some of the above works are fund either by reserve, contributions and or grant funding and as such any under expenditure would be offset by either the restricting of grants, reduction of transfers from reserve or less draw on contributions held. This being said it is anticipated that the majority of these works will be completed by 30 June 2017 and hence there will be little impact on the City's closing surplus/deficit position.

**Utilities - Gas, Electricity, Water etc. (YTD variance: +\$120K)**

The current variance is attributable to favourable variances in electricity charges +\$41k, telephone charges +\$20k, gas -\$5k and water charges +\$65k. Whilst due in part to timing differences in the receipt and payment of utility invoices, end of financial year savings are nonetheless projected in several of the utility categories.

- **Electricity Charges**

The electricity charges overall favourable variance +\$41k is due to a range of individual variances (both favourable and adverse), with the more significant values reflected in the major electricity users, including the Geographe Leisure Centre -\$26k, street lighting +\$34k, and the Administration Building +\$43k.

- **Telephone Charges**

The telephone charges overall show a favourable variance +\$20k.

- **Water Charges**

The current favourable variance in water charges is primarily attributable to water consumption usage lower than year to date budget by +\$65k.

In summary of the above, it is projected that the Utilities activity will have a minor variance as at 30 June 2017, due to timing differences.

**Depreciation on Non-current Assets (YTD variance: -\$802K)**

This variance, which may increase further by 30 June 2017, is primarily attributable to the 2016 plant and equipment fair value valuation coupled with the significant value of donated assets also brought to account as at 30 June 2016 (\$13m).

Whilst depreciation is an expense that the City needs to be fully mindful of, due to its nature, this operating expense is reversed as a non cash adjustment in the Statement of Financial Activity, and as such has no net effect on the surplus/deficit position.

**Insurance Expenses (YTD variance: +\$59K)**

The current variance in this activity is attributable to a range of variances, primarily property insurance +\$24k; plant insurance premiums +15k, public liability insurance +\$28k and other general insurance costs -\$8k.

Additional insurances expenses are expected to be incurred prior to 30 June 2017, due to insurance schedule additions and amendments, along with excess payments; these are not expected to be material in value. Consequently, a favourable variance of approximately +\$20k is projected in this activity by financial year end.

**Other Expenditure (YTD variance: +\$508K)**

The favourable variance as at 31 March 2017 includes Winderlup court aged housing +\$28k, half iron man +\$35k, Peel Terrace building and surrounds +\$43k, public relations +\$47k, rates administration +\$52k, office of the CEO +\$54k, members of Council +\$68k, community services administration +\$203k.

Analysis indicates that the bulk of the difference is timing variance only, consequently, a favourable variance of approximately +\$40k is projected in this activity by financial year end.

**Allocations (YTD variance: -\$127K)**

This activity incorporates numerous internal accounting allocations. Whilst the majority of individual allocations are administration based and cleared each month, the activity also includes plant and overhead related allocations. Due to its 'accounting transaction' nature, performance in this activity has no net impact on the surplus/deficit position.

**Interest Expenses (YTD variance: +\$30K)**

The current variance is attributable to a timing delay in the drawdown of budgeted loan facilities for Dunsborough car parking and community self-supporting loans. The delay in drawdown of these loans will not result in a change to the City's net current position as the Dunsborough car parking

loan is funded by the City car parking and access reserve and the self-supporting loans are funded by income received from the applicable community group.

**Loss on Asset Disposals (YTD variance: -\$51K)**

This variance is due to book losses on the sale of plant items and a range of vehicles. It should be noted that this is a book entry only, and has no direct impact on the surplus/deficit position.

**CAPITAL REVENUE**

As at 31 March 2017, there is a variance of approximately -\$19m (or -35.82%) in respect of total capital revenue activities. This variance is detailed as follows:

Description	Actual YTD \$	Amended Budget YTD \$	Amended Budget \$	Variance YTD \$	Variance YTD %
Proceeds from Sale of Assets	230,968	521,000	609,000	-290,032	-55.67%
Proceeds from New Loans	3,000,000	3,500,000	3,650,000	-500,000	-14.29%
Self-Supporting Loans – Repayment of Principal	58,923	67,772	91,040	-8,849	-13.06%
Transfers from Restricted Assets	13,994,294	27,500,000	55,722,104	-13,505,706	-49.11%
Transfers from Reserves	16,829,356	21,561,917	35,668,755	-4,732,561	-21.95%
<b>TOTAL</b>	<b>34,113,541</b>	<b>53,150,689</b>	<b>95,740,899</b>	<b>-19,037,148</b>	<b>-35.82%</b>

An overview of the financial performance in each activity is provided as follows:

**Proceeds from Sale of Assets (YTD variance: -\$290K)**

The Proceeds from Sale of Assets category is directly aligned with the heavy and light plant component of the Plant and Equipment capital expenditure budget, insofar as it recognises the estimated sale/trade-in value of plant items budgeted to be replaced during the financial year. Consequently, the current adverse variance in this category is largely reflective of the lower than projected level of capital expenditure in the Plant and Equipment capital expenditure budget on a year to date basis.

As discussed in the Plant and Equipment capital expenditure category, the Plant and Equipment budget is expected to be fully expended by 30 June, and as such, the current variance in this category should largely reduce by financial year end.

**Proceeds from New Loans (YTD variance: -\$500k)**

The budgeted new loan relating to the Dunsborough car parking has not been drawn down at this time as no expenditure has been incurred.

**Self-Supporting Loans –Repayment of Principal (YTD variance: -\$9k)**

Self-supporting repayments are anticipated to be lower than budgeted as the loans are yet to be drawn. The variance expected in this category will not affect the net current position as self-supporting loans are fully funded by the associated community group.

**Transfers from Restricted Assets (YTD variance: -\$13,506K)**

The Transfers from Restricted Assets category represents the equity transfer of previously quarantined monies (e.g. grants, contributions and unspent loans) to assist in funding specified works within the current financial year, along with the refund of bond and deposit payments. Due to the nature of this category, the annual budget allocation is generally spread evenly across the

financial year, with the exception of major projects, where a higher allocation is made to reflect specific end of financial year transactions. Consequently, budget variances will be evident throughout the year.

The main variances within this nature and type relate to the following;

- Timing difference relating to use of Airport and Foreshore grants -\$19,500k and -\$3,500k relating to the foreshore works. No impact to net current position;
- Movement of Community and Rec Facilities +\$7,323k, Vasse Diversion Drain +\$383k, Contribution to Works +\$211k, Aged Housing +\$846k from restricted assets into reserves. These movements were budgeted to occur in June 2017 but have mainly occurred in October and are timing in nature only. No impact to net current position.
- Bonds and Deposits (+\$730k) not budgeted. Timing in nature only as held on behalf of other entities and individuals and will not affect the City's net current position.

#### **Transfers from Reserves (YTD variance: -\$4,732K)**

Similar to Transfers from Restricted Assets, this category represents equity transfers utilised to fund identified capital and operating expenditures. The annual budget reflects the total value of transfers from reserves occurring in June, to minimise budget variances arising as a result of timing differences.

As with the Transfers from Restricted Assets category, performance in this category will have no direct impact on the closing surplus/deficit position. Where a transfer is not made, it will be due to the associated works not having incurred any expenditure within the financial year. It should be noted however that the timing of transfers does have an impact on associated interest earnings. That is, where transfers can be deferred, this provides the capacity for additional earnings on the respective reserve accounts (albeit this does not impact on the closing surplus/deficit position).

The main variances within this nature and type relate to the following;

- Timing difference relating to the construction of the Administration building and the utilisation of funds from the Civic and Administration Centre Construction Reserve (-\$3,877K) and the Building Reserve (-\$300k).
- Community Development contribution reserve (-\$250K). Budget included \$250k to be recouped from reserves for Milne Street Pavilion which is yet to occur. This is timing in nature only and will be adjusted by June 2017.
- Timing difference associated with the utilisation of funds allocated Port Geographe waterways maintenance (Department of Transport) -\$305k.

#### **CAPITAL EXPENDITURE**

As at 31 March 2017 there is a variance of approximately +\$37m (or +37%) in respect of total capital expenditure activities. This variance is detailed as follows:

Description	Actual YTD \$	Amended Budget YTD \$	Amended Budget \$	Variance YTD \$	Variance YTD %
Land & Buildings	16,809,649	21,725,684	25,376,416	+4,916,035	+22.63%
Plant & Equipment	1,189,739	2,395,178	2,783,200	+1,205,439	+50.33%

Description	Actual YTD \$	Amended Budget YTD \$	Amended Budget \$	Variance YTD \$	Variance YTD %
Furniture & Office Equipment	357,460	1,715,815	1,987,322	+1,358,355	+79.17%
Infrastructure	14,207,979	48,378,207	75,772,807	+34,170,228	+70.63%
Total Loan Repayments- Principal	1,531,956	1,523,968	2,089,302	-7,988	-0.52%
Advances to Community Groups	0	150,000	150,000	+150,000	+100%
Transfers to Restricted Assets	4,983,963	930,897	11,301,200	-4,053,066	-435.39%
Transfers to Reserves	22,807,768	21,813,031	25,302,389	-994,737	-4.56%
<b>TOTAL</b>	<b>61,888,514</b>	<b>98,632,780</b>	<b>144,762,636</b>	<b>36,744,266</b>	<b>+37.25%</b>

An overview of the financial performance in each activity is provided as follows:

**Land & Buildings (YTD variance: +\$4,916k)**

The Land and Buildings capital expenditure budget of approximately \$4.9m comprises a number of major projects areas, including:

- Land purchases for Airport Development -\$0.4m;
- Foreshore east youth precinct Community Youth Building (incorporating BSLSC) + \$1.6m;
- Railway House -\$0.3m;
- Milne Street Pavilion +\$0.5m;
- Civic and administration centre +\$3.2m;
- Remainder of Buildings Program + \$0.3m.

▪ **Busselton Airport Development - \$0.4M**

As this project is fully grant funded, it has no effect on the year-end net current position.

▪ **Foreshore east youth precinct Community Youth Building (incorporating BSLSC) + \$1.6M**

The City has been successful in its application, with Lottery West granting the full estimated costs to construct the building of \$2.881m.

▪ **Railway House -\$0.3M**

Construction commenced in February 2016 with the project is now completed, this variance is an YTD variance and it is not expected to have any impact on the City's net current position.

▪ **Milne Street Pavilion +\$0.5M**

Construction has commenced with the project being approximately 50% completed, this variance is an YTD variance and it is not expected to have any impact on the City's net current position.

▪ **Civic and administration centre +\$3.2M**

This variance is due to a timing difference in the construction of the Civic and Administration Building.

**Plant & Equipment (YTD variance: +\$1,205K)**

The Plant and Equipment capital expenditure budget of approximately \$2.4m is for the acquisition of heavy plant, light plant and minor plant.

At 29 March 2017, the majority of the current variance is primarily attributable to timing in the

delivery of heavy and light plant including the following:

- Rangers vehicles \$100k; Waste Compactor \$395k, Parks and Gardens heavy plant (mower and truck)\$200k; Parks and gardens light vehicles (2) \$70k and Construction heavy plant \$330k.

It is anticipated that all budgeted items of plant and equipment will be replaced by 30 June 2017. The only possible exception may be for the new waste compactor which has a long lead-time between ordering and delivery and to this end, may represent a carry over. As this vehicle is funded from the plant replacement reserve, this transaction will have no impact on the net financial year end position.

#### **Furniture & Office Equipment (YTD variance: +\$1,358K)**

The current variance in this category is primarily due to delay in the purchase of furniture and equipment to fit-out the Administration building +\$1.044k. It is anticipated that the full capital program in this area will be achieved by the end of the financial year.

With regarded to the remaining +\$314k it is expected that the full budget allocation will be utilised by the end of the financial year.

For the purpose of this review, performance in the Furniture and Office Equipment category is not projected to have any net impact on the closing surplus/deficit position.

#### **Infrastructure (YTD variance: +\$34,170k)**

For the purposes of this review, the Infrastructure capital expenditure category is broken down into three specific areas. The year to date performance in each area is summarised as follows:

Description	Actual YTD \$	Amended Budget YTD \$	Amended Budget \$	Variance YTD \$	Variance YTD %
Busselton Foreshore	3,138,381	5,976,558	8,017,657	+2,838,177	+47.49%
Busselton Regional Airport	2,517,570	29,363,337	47,922,531	+26,845,767	+91.43%
Infrastructure - Other	8,552,028	13,038,312	19,832,619	+4,486,284	+34.41%
<b>TOTAL</b>	<b>14,207,979</b>	<b>48,378,207</b>	<b>75,772,807</b>	<b>34,170,228</b>	<b>70.63%</b>

Comments relating to the performance in each of the above areas are provided as follows:

#### ▪ **Busselton Foreshore**

Following the continued success of the Busselton Youth Precinct, the construction projects being undertaken for the Busselton Foreshore are in the main, progressing according to budget and schedule. The +\$2.8m variance as stated above is mainly attributable to;

- C0045 - Busselton foreshore stage 3: Goose car park +\$127k,
- C0046 - Busselton foreshore stage 3: central car park +\$37k,
- C3064 - Foreshore central - coastal defences (Jetty to Geo. Bay Rd) +\$82k,
- C3107 - Foreshore central - foreshore promenade (Jetty to Geo Bay Rd) +\$386k,
- C3133 - Busselton foreshore contingency +\$68,
- C3140 - Foreshore water supply and services (utilities) +\$94k,
- C3148 - Busselton foreshore stage 3: foreshore landscaping +\$175k,
- C3149 - Busselton foreshore stage 3: remedial works +\$23k,
- C3150 - Busselton foreshore stage 3: toddler's playground +\$125k,
- C3151 - Busselton foreshore stage 3: Jetty Way pedestrian -\$21k,

- C3152 - Busselton foreshore stage 3: Queen Street abutment +\$375k,
- C3153 - Busselton foreshore stage 3 : Possum park +\$89k,
- W0196 - Busselton foreshore stage 3: Foreshore Parade west +\$79k,
- W0197 - Busselton foreshore stage 3: Queen St upgrade +\$456k,

For the purpose of this review, performance in the Furniture and Office Equipment category is not projected to have any net impact on the closing surplus/deficit position.

#### ▪ **Busselton Regional Airport**

It is noted the progress of the Airport Development Project is on schedule. However, there are variances with the timing of the project costs, with funding scheduled to be spent over the three years commencing from the 2015/16 financial year. Main variances as at the end of March 2017 are;

- C6090 - Airport construction parks and gardens stage 2 +\$259k,
- C6091 - Airport construction stage 2, noise management plan +\$746k,
- C6092 - Airport construction stage 2, airfield +\$17,179k,
- C6093 - Airport construction stage 2, car park and access roads +\$4,275k,
- C6094 - Airport construction stage 2, jet fuel +\$315k,
- C6095 - Airport construction stage 2, external services +\$3,444k,
- C6097 - Airport construction stage 1B, jet fuel +\$461k,
- C6099 - Airport development - project expenses +\$167k,

The project is self-funded and will not adversely affect the net position.

#### ▪ **Infrastructure - Other**

With an annual budget of approximately \$20m and a year to date budget of approximately \$8.5m, there is a current year to date variance of +\$4.5m. There were a further \$2.5m in committed costs raised against projects as at the end of March representing orders made to suppliers and anticipated to be receipted and paid in the short to medium term.

The year to date variance is explained by the following major variances;

- +\$130k is attributable to Sanitation (waste) Infrastructure:
  - C3479 - New Cell Development +\$562k,
  - C3481 - Transfer Station Development -\$705k,
  - C3485 - Site Rehabilitation - Busselton -\$117k,
  - C3487 - Site Rehabilitation - Dunsborough +\$96k,
  - C3488 - Busselton Transfer Station Provision of Scheme Water +\$294k,

It is noted that any variances in these projects will not impact on the net end of year position as variances will be transferred to/from the Waste Reserve.

- The road construction program represents 39% of the year to date variance of +\$1.732m. This is a timing difference with works now underway and due to be completed by June 2017. Although this program contains 60 jobs, the main (material) variances are attributable to the following;
  - T0016 - Puzey Road -\$118k,
  - T0026 - Kaloorup Road -\$73k,
  - W0182 - Capel-Tutunup +\$57k,
  - W0019 - Marine Terrace +\$73k,
  - T0063 - Tom Cullity Drive +\$74k,
  - S0065 - Metricup Road +\$77k,
  - S0051 - Causeway Road +\$77k,
  - W0005 - Kaloorup Road +\$102k,
  - S0035 - Strelly Street +\$106k,
  - W0190 - Miamup Road +\$124k,

- W0183 - Carter Road +\$292k,
  - S0064 - Peel Terrace +\$297k,
  - S0049 - Layman Road +\$554k,
- Bridge projects make up a further +\$673k or 15% of the variance. This is attributable to Layman Road Bridge (3438) +\$450k, and Queen Street Bridge (0240A) +\$216k.

Note there is no financial impact to the end of financial year net position as this project is funded from State and Federal grants.

- As at 31 March 2017 Parks and Gardens capital projects are +\$734k under expended and make up a further 16% of the year to date budget variance. This mainly attributable to;
- C3122 - Rails to Trails +\$50k,
  - C3134 - Vasse Community & Recreation Precinct - AFL Oval Stage 1 +\$58k,
  - C3147 - Busselton Foreshore - Extension to Mainline +\$62k,
  - C3145 - Churchill Park Redevelopment - Irrigation +\$227k,
  - C3154 - Administration Building Landscaping Works +\$328k,

In summary, it is estimated that only a small number of projects may be required to be carried over to the 2017/18 financial year. Whilst this may impact on the final closing surplus/deficit position for 2016/17, this will be offset by the need to re-list these projects in the ensuing draft budget. Additionally, other projects that may be deferred (and particularly in respect of sanitation related expenditure) are reserve funded and as such, will have no net impact on the closing surplus/deficit position.

**Total Loan Repayments- Principal (YTD variance: -\$8K)**

Although minor immaterial variances will arise in this area, on the whole the principal loan repayments are anticipated to be materially within budget estimates. Therefore no variance is expected in this category.

**Advances to Community Groups (YTD variance +\$150k)**

This favourable variance is due to the delay in the drawdown of community related self-supporting loan which is anticipated to occur in April 2017. As self-supporting loans are fully repaid by the community group, this item will not impact on the City's net current position.

**Transfers to Restricted Assets (YTD variance: -\$4,053K)**

The transfers to restricted assets budget comprises an estimation of funds that could potentially be received during the financial year, primarily from developer contributions. Due to the nature of the category, the annual budget allocation is spread evenly throughout the financial year.

The performance in this activity does not have any direct impact on the surplus/deficit position, as whilst recognised as operating revenue upon receipt, these funds are subsequently quarantined to restricted assets, essentially offsetting the initial transaction. Furthermore, the transfers to restricted assets category also include the payment of bonds and deposits, where no specific budget allocation is made for these funds.

The financial year to date variance of -\$4,053k is primarily attributable to the receipt of Community and Recreation Facilities -\$159k, Bonds and Deposit -\$558k receipt of interest in excess of budget attributable to the airport grant -\$305k and Unspent Loan funds -\$3,042k.

Whilst performance in this category does not directly impact on the closing surplus/deficit position, interest earnings on a range of restricted asset funds do contribute to the City's municipal interest earnings.

**Transfers to Reserves (YTD variance: -\$994K)**

The Transfers to Reserves budget includes both a base transfer and a projected interest component, which collectively equate to the respective annual budget allocations. Whilst the base transfers are made in terms of the adopted budget, the overall financial performance in any year is impacted by the associated interest earnings performance.

The current unfavourable variance is attributable to both interest earnings on Reserve funds -\$165k, and general transfer to reserves -\$830k. Due to the higher than anticipated balance at this point in time; interest earned has exceeded current budget projections. With regard to general reserves, the additional/ transferred funds reported relate to the three reserves, being the community development contribution reserve -\$526k, the Busselton area drainage and waterways reserve -\$211k and the public art reserve -\$93k.

Current projections are that reserve interest earnings will exceed annual budget estimates by approximately \$200k as at 30 June 2017, which will be reflected in the end of financial year Transfers to Reserves performance. It is also anticipated the transfer to general reserve will exceed projected budget amount. Whilst this will not directly impact on the closing surplus/deficit position, the additional revenue will supplement the projected balance of the City's reserve funds at financial year end.

**CONCLUSION**

As detailed within this report, it is considered that the City's overall financial performance to 31 March 2017 is satisfactory. Current projections indicate a potential surplus closing position as at 30 June 2017, in the order of approximately +\$483k (exclusive of carry forwards). The Annual Budget Review has not identified any specific adverse financial trends, for which remedial action is required to be instigated prior to financial year end. The projected surplus closing position is primarily due to operating expenditure savings.

As this report also identifies, it is projected that overall capital expenditure will fall well short of annual budget estimates, with this primarily attributable to the Airport Development project. However, as individual projects are essentially fully funded in one form or another, a corresponding short fall in capital revenue will also be evident as at 30 June 2016.

Whilst components of the unspent capital and operating expenditure budgets may need to be considered for re-listing in the Council's 2017/18 draft budget, the current projected surplus closing position of \$483K represents net underspends directly associated with the current financial year's financial performance.

It is noted that the potential surplus closing position at financial year end, including consideration of utilisation, or quarantining of these funds, will be fully considered as part of the Council's 2017/18 draft budget deliberations.

**OPTIONS**

The Finance Committee/ Council may determine that additional recommendations are required to be made, or alternatively that the Annual Budget Review not be adopted by the Council at this time, pending clarification of any further matters.

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Consequent to endorsement by the Council, with or without amendment, a copy of this report (and the associated Council Resolution) will be forwarded to the Department of Local Government and Communities within 30 days of the date of the Council Resolution.

**Committee Recommendation and Officer Recommendation**

**F1705/026**

Moved Councillor G Henley, seconded Councillor P Carter

**ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED**

That, pursuant to Regulation 33A of the Local Government (Financial Management) Regulations, the Council adopts the 2016/17 Annual Budget Review as presented within this report.

**CARRIED 5/0**

6.2 FINANCE COMMITTEE INFORMATION BULLETIN - MARCH 2017

<b>SUBJECT INDEX:</b>	Councillors' Information
<b>STRATEGIC OBJECTIVE:</b>	Governance systems, process and practices are responsible, ethical and transparent.
<b>BUSINESS UNIT:</b>	Finance and Corporate Services
<b>ACTIVITY UNIT:</b>	Executive Services
<b>REPORTING OFFICER:</b>	Manager Financial Services - Kim Dolzadelli Councillor Support Officer - Lisa Haste Asset Coordinator - Daniel Hall
<b>AUTHORISING OFFICER:</b>	Director, Engineering and Works Services - Oliver Darby
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Nil

**PRÉCIS**

This report provides an overview of information that is considered of relevance to members of the Finance Committee, and also the Council.

**INFORMATION BULLETIN****1. Chief Executive Officer – Corporate Credit Card**

Details of monthly 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
28-Feb-17	\$369.07	Createsend / Jack In The Box	Issue of Bay To Bay Feb 2017
03-Mar-17	\$49.20	The Goose Beach Bar	Breakfast Meeting - Strategen

*\*Funds debited against CEO Annual Professional Development Allowance as per employment Contract Agreement  
+ Allocated against CEO Hospitality Expenses Allowance*

**2. Voluntary Contributions/Donations (Income)**

No voluntary contributions have been approved this financial year to date.

**3. Donations/Contributions and Subsidies Fund (Sponsorship Fund – Payment of Funds)**

Current expenditure from the Donations, Contributions and Subsidies Fund (Sponsorship Fund) reveals:

- 85 applications for sponsorship have been received during this financial year.
- The average donation approved for the financial year is \$349.79
- There were 12 applications for sponsorship received or assessed during March 2017.
- Expenditure from the Donations, Contributions and Subsidies Fund (Sponsorship Fund) for the financial year totals \$29,732.82
- Total budget for the Donations, Contributions and Subsidies Fund (Sponsorship Fund) is \$37,450.

App. No.	Recipient	Purpose	Amount
74/1617	WA Country builders	Seeking a waiver of the building fees for the Telethon Home in Geographe. Funds were transferred to the Building account.	\$2,400
75/1617	Hold On Promotions - Equinox SW Motor Show	Funding to assist with marketing the Motor Show event which is being held at GMAS this year. (GLC last year)	\$750
76/1617	Cornerstone Christian College	Seeking funds for the installation of a flagpole at both the Busselton and Dunsborough campuses. Unsuccessful, did not meet the guidelines	\$0
77/1617	Relay for Life Organiser	Seeking in kind support for the Relay for Life event organisation. (Churchill park hire, bin hire, event fee etc.) Funds were transferred to Events account.	\$999.50
78/1617	Riley Culnane	Representing WA at the U17's National Netball Championships in Canberra. Funds to assist with travel costs.	\$200
79/1617	Sally Chandler - Read Write Now	Seeking fee waiver for room hire at the NCC to deliver an Adult literacy program. The program improves career prospects for adults and is run by volunteers. Funds were transferred to the NCC account.	\$842.82
80/1617	Ignite Girls Program	The program addresses barriers and mental health concerns with high school girls. They make various items for community groups as part of the School Engagement Program. (pouches for FAWNA, bags for women's refuge etc) Funds to purchase resources to make these items.	\$300
81/1617	Hannah Bowden	Hannah is in year 10 and has received an Exceptional Merit scholarship to attend the Oxbridge Academic Program at Oxford University. Funds to assist with travel costs	\$200
82/1617	Ross Rann	Representing WA at Swimming championships in Brisbane. Ross has already received funding this financial year.	\$0
83/1617	Maddison Johnston-Walker	Representing WA at Swimming championships in Brisbane. Funding already received this financial year.	\$0
84/1617	Jasmine Hopkins	Representing WA at the Swimming Championships in Brisbane. Travel costs	\$200
85/1617	Zoe Butler	Representing WA at the Swimming Championships in Brisbane. Travel costs	\$200

### **Asset Management Report**

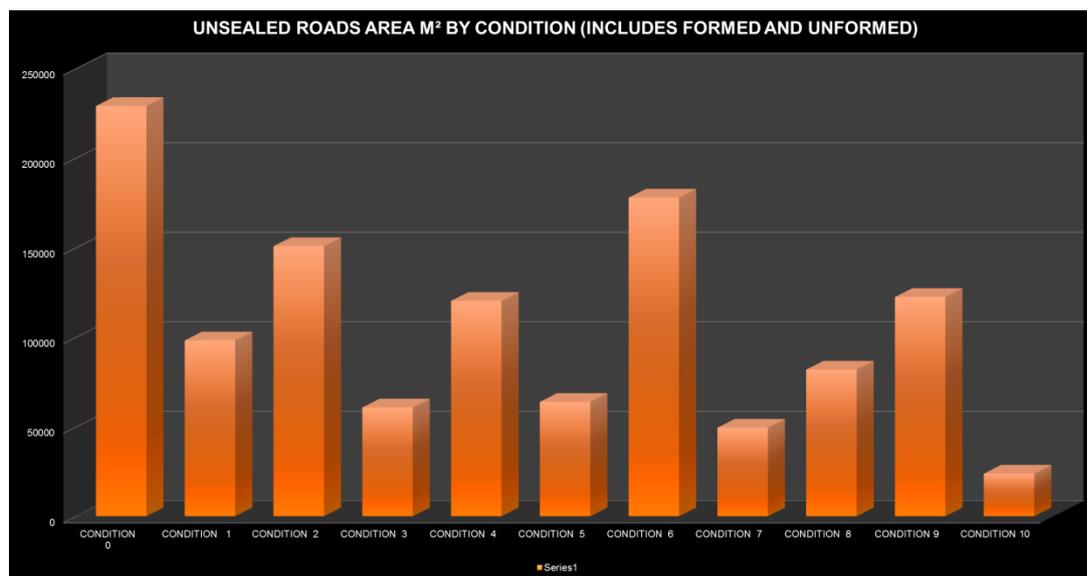
#### Unsealed Road Inspections.

The asset team have recently completed an updated inspection of the City's unsealed road network as part of the overall review of the Roads Asset Management Plan. The purpose of the inspections

has been to update the asset register with condition information and also provide an updated fair value for unsealed roads.

The information assessed in the inspection includes condition, utilisation and risk levels. This includes factors for school bus and heavy vehicle routes, formation and shape of the road and an assessment of the depth of the remaining gravel on the road.

The updated condition, utilisation and risk information is then used to prioritise re-renewal (Re-sheeting works) for future years. Regular Re-sheeting of unsealed (gravel) roads is required to maintain surface condition and sufficient pavement material (gravel) to enable regular maintenance grading. The work is programmed on an annual basis as part of the Capital works budget for roads.



The chart above shows the current condition profile (zero very good, ten very poor) of the unsealed roads following the inspections. This chart includes 'unformed' (also known as unmade or unconstructed) roads which are essentially roads that provide some form of access but have not been improved or shaped (formed) in any significant way. Re-sheeting works are generally only scheduled for formed roads unless there is specific need to improve the service level of an unformed road.

This chart shows that there is a reasonable spread of roads in a good condition, however also highlights the importance of the ongoing annual re-sheeting program in order to manage renewal of the worst condition unsealed roads.

#### **Committee Recommendation and Officer Recommendation**

**F1705/027**

Moved Councillor G Henley, seconded Councillor T Best

That the Finance Committee Information Bulletin for the month of March 2017 be noted.

**CARRIED 5/0**

### 6.3 REQUEST FOR RATE CONCESSION

<b>SUBJECT INDEX:</b>	Rates Policy Budget and Administration
<b>STRATEGIC OBJECTIVE:</b>	Governance systems, process and practices are responsible, ethical and transparent.
<b>BUSINESS UNIT:</b>	Financial Services
<b>ACTIVITY UNIT:</b>	Rates
<b>REPORTING OFFICER:</b>	Rates Coordinator - David Whitfield
<b>AUTHORISING OFFICER:</b>	Director, Finance and Corporate Services - Cliff Frewing
<b>VOTING REQUIREMENT:</b>	Absolute Majority
<b>ATTACHMENTS:</b>	Nil

#### **PRÉCIS**

An application from the Novacare Residents Committee has been received requesting that Council give consideration to the granting of a rates concession for rateable properties within the Novacare Lifestyle Village situated at 502 Bussell Highway Busselton. This report considers the request and the possible options available to Council for its deliberation.

#### **BACKGROUND**

The Novacare Residents Association has written to the City requesting that a rate concession be applied to the Novacare Lifestyle Village, more specifically that the reduction in the Residential rate in the dollar be calculated as 2 cents less than the current rate in the dollar of 8.3838c/\$ (representing a reduction of approximately 23% on the current 2016/2017 level of rating).

The basis of the request is that the Novacare Lifestyle Village contains a number of services, such as a library, swimming pool, lawn bowling green, gymnasium, Mens Shed and so forth which means that the residents do not have need of Council services used by other ratepayers. In addition to this the Novacare Village also maintains its own gardens, road network, street lights and drainage.

Council officers Kim Dolzadelli and David Whitfield initially met with representatives of the Novacare Residents Association in November 2016 to discuss the matter and this was followed by a subsequent meeting together with Councillors Grant Henley and Rob Bennet further attended a second meeting. This meeting was also attended by the Landgate – Manager Property and Valuation Services (Bunbury Office), Duncan Rutherford who was able to provide information on property valuations.

The meeting produced 3 possible options for the Novacare Residents Association to pursue, these being:

- That the Association write to Council seeking a rating concession for the Novacare Lifestyle Village,
- That the Association discuss the matter or property valuations further with Landgate,
- That the Association contact the Department of Local Government and Communities seeking possible amendment to the Local Government Act 1995 with respect to the rateability of Retirement/Lifestyle villages in general.

This application for a rate concession pursues the first option determined.

## **STATUTORY ENVIRONMENT**

The Local Government Act 1995 allows a local government to grant a concession with respect to rates.

Section 6.47 of the LGA 1995 states that:

“Subject to the Rate and Charges (Rebates and Deferment Act 1992) a local government may at the time of imposing a rate or service charge or at a later date resolve to waive\* a rate or service charge or grant other concessions in relation to a rate or service charge.”

\*Absolute majority required.

## **RELEVANT PLANS AND POLICIES**

There is no current rating policy on the matter of granting a rate concession.

## **FINANCIAL IMPLICATIONS**

Should a resolution granting the request for a rate concession as requested in the application then the total value of that concession would amount to \$54,400 on the basis of the 2016/2017 residential rate in the dollar.

### **Long-term Financial Plan (LTFP) Implications**

As per the above should a resolution granting the request for a rate concession as requested in the application then the total value of that concession would amount to \$54,400 per annum on the basis of the 2016/2017 residential rate in the dollar. Clearly, over the life of the current LTFP, the value of the concession would exceed \$540,000.

## **STRATEGIC COMMUNITY OBJECTIVES**

The matter principally aligns with Key Goal Area 6 – Leadership – Visionary, collaborative, accountable and more specifically Community Objective 6.1 – Governance systems, process and practices that are responsible, ethical and transparent.

## **RISK ASSESSMENT**

Whilst there is no specific risk in making a decision to grant the individual request for a rate concession there may be some risk in terms of setting a precedent for other similar organisations and/or developments to request a similar rate concession thereby compounding the reduction in rate revenue in both the short and long term timeframes.

## **CONSULTATION**

There is no requirement for consultation on this matter.

## **OFFICER COMMENT**

The Novacare Lifestyle Village was commenced in 2001 and the last stage of development was completed as recently as 2014. Further details obtained from online sources reveal the following information in relation to Novacare:

“Novacare Busselton Village is a privately owned lifestyle retirement village, developed and managed by a small group of property investors. The 8.1 Ha site was purchased in 2001 and the Independent living units (ILUs) (*Independent Living Units*) and community facilities have been developed in stages as sale of ILUs have progressed. The final Village stage 6 of 21 premium ILUs was completed in April of 2014, and Novacare Village in Busselton now features 178 ILUs and a full complement of community facilities.” *Source – Australian Business News Source – March 2015.*

Further comments from the Novacare Lifestyle Village website include such information as:

“Novacare is unique in being able to provide residents with maximum choice in retirement living options and the freedom to pursue an active and stimulating lifestyle within the village community or within the wider Busselton Geographe Bay region.

“Located in Busselton, Novacare Lifestyle Village boasts one of the best addresses in Western Australia. This premier tourist resort town is one of the most popular in Australia and is regarded by many industry experts as the ideal regional location for lifestyle retirement living.

Ideally situated within easy reach of Perth and less than an hour from Margaret River and the delights of WA’s South West, Novacare Lifestyle Village offers an over 55s lifestyle like no other.

#### The Village Square

Our Village Square is where you’ll find everything for the ‘un’ retired. At Novacare you’re spoiled for choice with an indoor heated pool, first class bowling green, private cinema with theatre seating, reading lounge, onsite restaurant, cafe, hair salon, fitness centre, recreational hall with dance floor, craft room and workshop, and much more.

#### Premier facilities

With the beaches of Geographe Bay within walking distance, plus first class shopping, dining, medical and recreational facilities on your doorstep, Village residents are spoiled for choice when it comes to day-to-day living.”

“Our resort-style facilities include:

- Restaurant with fully equipped commercial kitchen
- A first class synthetic bowling green
- Indoor heated swimming pool with sauna and spa
- Cinema with theatre seating
- Sportsman’s lounge with pool table, darts and Foxtel
- Recreation Hall with stage and dance floor
- Modern fitness centre
- Craft room and workshop
- Library and computer room
- Hair salon
- Village office, lounge and cafe
- Caravan and boat parking”
- 

The residents of Novacare pay annual levy towards the upkeep and maintenance of the facilities provided and the request for a rating concession stems from the point of view that as the Novacare

provides these facilities/functions for the residents, this results in a lower level of service that is needed to be provided by the City of Busselton, so therefore a concessional level of rates should apply.

From a rating perspective the development is a single lot owned by the Novacare Village Pty Ltd and Landgate – Valuation Services provides a single valuation for rating purposes. To accommodate the requirements of the Rates and Charges (Rebates and Deferments) Act 1992, which allows the tenants to claim a pensioner concession on their respective units, the residential units are rated on an individual basis.

A summary of relevant financial information in relation to the request received from the Novacare Residents Association is as follows:

<b>Total Rates Novacare Property</b>	<b>\$228,048</b>	<b>178 Properties</b>
<b>Novacare Average Rate (Per Unit)</b>	<b>\$1,281</b>	
<b>City of Busselton – Average Residential Rate</b>	<b>\$1,550</b>	<b>-\$269 (17.35%)</b>
<b>City of Busselton – minimum rate</b>	<b>\$1,160</b>	<b>+121 (9.45%)</b>
<b>Novacare – concession sought (amended average rate)</b>	<b>\$975.55</b>	<b>-\$184.45 (15.9%)</b>
<b>Special Area Rate (EG Yalyalup)</b>	<b>\$228</b>	<b>-\$497 (27.95%)</b>
<b>Amended rates compared to Average rates</b>	<b>\$975.55</b>	<b>-\$574.45 (37.06%)</b>

The above table reveals that the average rate paid per unit within the Novacare Lifestyle Village is \$269, or 17.35%, less than the average residential rate paid throughout the City of Busselton. Additionally if compared to a property that attracts a specified area rate such as a landscaping levy as applied to the properties in the Yalyalup (Provence) development then the comparison reveals that the variance becomes \$497, or 27.95%, less than the average residential rate levied within the City.

Additionally, the current average rate within the Novacare Lifestyle Village is \$121 dollars greater than the current minimum rate however, subject to proposed rate modelling and the final 2017/2018 budget adoption, this may further decrease to an average variance of \$104 over the (proposed) minimum rate in 2017/2018.

If the rates concession is granted, this would result in an average Novacare rates being \$184 (15.9%) lower than the “minimum rate” – which invites the question ‘Why should a rate be lower than the ‘Minimum rate’’, and \$574.45 (37%) less than the average residential rate.

The minimum rates generally apply to vacant land or those premises with a very low value – neither of which are relevant in this instance.

In addition to the above details it is important to note that rates in particular are not directly related to a “user pays” principle but rather are a method for raising monies to balance the Council budgeting shortfall each year in a manner that is often quoted as being “fair and equitable”.

The concept that a ratepayer does or does not use any, or all, of council’s facilities could legitimately apply to any ratepayer for any number of reasons. However, the expenditure of rates represents expenditure on a ‘whole of community’ approach that seeks to provide those services and facilities to the broadest sections of the community as it can.

The reduction of rates raised from a certain sector of the community will mean that either the overall level of works and services conducted within the City would need to be reduced, or that the remaining property sectors would need to increase their level of rating to cover the shortfall.

One final aspect of the discussions in relation to the request for a rate concession was based on the concept of unit density versus the rest of the City ie: in short that the amount of rates derived from the Novacare Lifestyle Village was far more than what might be derived from other 'less dense' sectors of the Residential property base.

There is no doubt that the overall value of rates derived from Novacare on a density basis is higher than average, however many other areas within the City could also lay claim to a rates concession on this basis. The current zoning of the Novacare Lifestyle Village is predominantly zoned 'R40' with a small portion of 'R20'. By comparison the City currently has a total of 3129 properties with a local planning scheme (#21) zoning of 'R30' or 'R40' and these properties have been, or could be, developed to achieve the same level of density as the Novacare Lifestyle Village.

The concept of 'Precedence' is very important and relevant when considering application of this nature.

## **CONCLUSION**

In light of the above information it is considered that rates, in particular, are a levy on the ratepayers for the purposes of providing for the community in an overall sense and that the rate burden should be applied, subject to the provisions of the Local Government Act 1995, in an even, fair and equitable manner across the community for the benefit of all ratepayers. The creation of a rate category/ies or other such identified sections of the community that might pay a lesser level of rating than others would create an uneven, and therefore less equitable rating database. As a result it is recommended that the application for a rate concession should be declined.

## **OPTIONS**

The Council may consider and adopt a rate concession in accordance with Section 6.47 of the Local Government Act 1995. If adopted as per the original application the loss of rate revenue, with respect to the Novacare Lifestyle Village, on an annual basis would be approximately \$54,400 on an annual basis.

## **TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Should Council endorse the recommendation to not approve the application for a rate concession then rates and charges could continue to apply as per normal and no further (financial) action would need to be taken in this respect.

## **Committee Recommendation and Officer Recommendation**

**F1705/028** Moved Councillor T Best, seconded Councillor G Henley

That the Council decline the request for the granting of a rate concession to the Novacare Lifestyle Village, and that the Novacare Residents Association be notified of this decision.

**CARRIED 5/0**

#### 6.4 HERITAGE LOCAL HISTORY: BUSSELTON SETTLEMENT ART PROJECT

<b>SUBJECT INDEX:</b>	Heritage
<b>STRATEGIC OBJECTIVE:</b>	A community with access to a range of cultural and art, social and recreational facilities and experiences.
<b>BUSINESS UNIT:</b>	Community Services
<b>ACTIVITY UNIT:</b>	Community Services
<b>REPORTING OFFICER:</b>	Cultural Development Officer - Jacquie Happ
<b>AUTHORISING OFFICER:</b>	Manager, Community Services - Maxine Palmer
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Nil

#### **PRÉCIS**

The purpose of this report is to seek Council's approval to transfer \$7,601.25 from the Cultural Planning Sundry Income Account to the Sundry Restricted Asset Account to contribute towards the Aboriginal and Pioneer Woman sculptures that are the remaining sculptures in the Settlement Art Project.

#### **BACKGROUND**

The Busselton Settlement Art Project (BSAP) is a public art initiative commemorating the successful establishment of Busselton as one of the first settlements outside Perth. The project consists of the commissioning of six (6) life-sized bronze sculptures (one per year subject to funding) at a total cost of approximately \$700,000 (ex GST). The project is overseen by a formal Committee of Council, the Busselton Settlement Art Project Steering Committee (BSAPSC).

The BSAPSC organizes events to keep the project in the public realm by raising awareness and to raise funds. The BSAPSC's last two fundraising events held in September 2016 and March 2017, in the form of movie nights made a combined total of tickets sales of \$7,601.25.. This report seeks to transfer the income raised from the events to a restricted asset account to ensure the funds are put towards the commissioning of the next sculpture in the project.

#### **STATUTORY ENVIRONMENT**

Under Section 5.8 of the *Local Government Act 1995* (the Act), a local government, by absolute majority, may establish committees of three or more persons to assist the Council, and to exercise the powers and discharge the duties of the local government that can be delegated to committees. Authority can be delegated to formally constituted Committees of Council in accordance with Sections 5.16 and 5.17 of the Act.

Under Section 6.8 of the Act, expenditure that is not included in the annual budget requires a resolution in advance of the expenditure with Absolute Majority.

#### **RELEVANT PLANS AND POLICIES**

##### Social & Ageing Plan 2012 – 2020

It is a goal of the City's Social and Ageing Plan (2010-2020) that the City's culture is celebrated, valued and retained. The installation of the BSAP is in line with this goal.

##### City of Busselton's Ten Year Financial and Corporate Business Plans

The BSAP has been identified as a key project in the City's four year Corporate Business Plan and includes an allocation of \$85k per year to 2018/19. This amount has been reduced in 2017/18 due to funding received from Percent for Art cash in lieu monies.

### The Local Planning Policy (6B) Percent for Art Provisions

The Percent for Art Provisions allows developers to provide a cash in lieu contribution in place of an artwork at the site of the development application. The policy enables funds which are in the Percent for Art Cash in Lieu – Public Art Restricted Funds account collected in the Busselton (East) precinct of the City of Busselton to be directed to the Settlement Art Project as a priority. An amount of \$52,000 has been received through this Policy this has been direct to the Busselton Settlement Art Project.

### **FINANCIAL IMPLICATIONS**

Sundry Income Account (330-10900-1750-0000) has an adopted Budget of \$3000, at this point in time total income received is \$7,601.25 being \$4,601.25 better than Budget Expectations. The transferred of the amount of \$7,601.25 to a restricted asset account for the purpose of assisting the commissioning of the next sculpture for the Busselton Settlement Art Project will result in a decrease to Councils net surplus/deficit position of \$3,000; however the Officer notes that the Annual Budget Review being presented as part of this agenda shows other projected operation savings that will negate the impact of this request.

### **Long-term Financial Plan Implications**

\$85,000 per year until 2018/19 has been included in the City's endorsed Long Term Financial Plan towards the commissioning of sculptures for the BSAP, however matching funds are required to be raised in order to fund individual statues. The transfer of funds from the BSAPSC's fundraising activities in 2016/17 will assist in building funds for the commissioning of future statues.

### **STRATEGIC COMMUNITY OBJECTIVES**

This matter aligns with the City of Busselton Strategic Community Plan 2013 (Review 2015) and principally with the following strategic goal:

Well Planned, Vibrant and Active Places

- 2.1 A City where the community has access to a range of cultural and art, social and recreational facilities and experiences.
- 2.2 A City of shared, vibrant and well planned places that provide for diverse activity and strengthen our social connections.

### **RISK ASSESSMENT**

An assessment of the potential implications of implementing the officer recommendation has been undertaken by the City's risk assessment framework. There are no identified risks associated with the officer recommendation.

### **CONSULTATION**

Not required.

### **OFFICER COMMENT**

Funds raised by the BSAPSC are as a result of their hard work in fundraising activities for the BSAP. Tickets for the events held were sold on the basis that the profits would go towards this project. Officers therefore recommend that the income from the Sundries Income Account (330-10900-1750-0000) of \$7,601.25 be transferred to the Sundry Restricted Asset Account for the purposes of raising funding to commission the next sculpture for the BSAP. Events by the BSAPSC also raise the profile

of the BSAP and promote it within the community. Funds raised by the BSAPSC also reduce the financial commitment required by the City if only in a small way.

## **CONCLUSION**

Although the transfer will reduce Council's net current position by \$7,601.25 at year end, the expectation from those who participated in the fundraising events were that the funds raised would go towards the commissioning of the next sculpture. Fundraising is not necessarily required for each sculpture as per the City's long term financial commitment however, ongoing fundraising activities such as this will assist in reducing the City's overall funds required and continues to promote the project.

## **OPTIONS**

The Council may chose not to transfer the funds that were raised by the BSAPSC and this will reduce the total funds available to complete the next sculpture. While donations and contributions are not specifically needed to realise the Aboriginal and Pioneer Woman sculptures due to monies from the Percent for Art Policy being received, events do continue to highlight the project in the community and any fundraising does reduce the City's overall contribution by a small amount.

## **TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Should the Officer Recommendation be endorsed, Officers will transfer the funds from the Sundry Account to the Sundry Restricted Asset Account before the end of the 2016/17 Financial Year.

### **Committee Recommendation and Officer Recommendation**

**F1705/029**

Moved Councillor P Carter, seconded Councillor G Bleechmore

**ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED**

That the Council approves the transfer of \$7,601.25 from the Cultural Planning Sundry Income Account (330.10900.1750) to the Sundry Restricted Asset Account for the Busselton Settlement Art Project.

**CARRIED 5/0**

## 6.5 FINANCIAL ACTIVITY STATEMENTS - PERIOD ENDING 31 MARCH 2017

<b>SUBJECT INDEX:</b>	Budget Planning and Reporting
<b>STRATEGIC OBJECTIVE:</b>	Governance systems, process and practices are responsible, ethical and transparent.
<b>BUSINESS UNIT:</b>	Finance and Corporate Services
<b>ACTIVITY UNIT:</b>	Finance and Corporate Services
<b>REPORTING OFFICER:</b>	Manager Financial Services - Kim Dolzadelli
<b>AUTHORISING OFFICER:</b>	Director, Finance and Corporate Services - Cliff Frewing
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Attachment A Financial Activity Statements - Period Ending 31 March 2017⇒ Attachment B Investment Report - March 2017⇒

### 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 March 2017.

### 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 21 July 2016, the Council adopted (C1607/160) the following material variance reporting threshold for the 2016/17 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 2016/17 financial year to comprise 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.*

## **STATUTORY ENVIRONMENT**

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

## **RELEVANT PLANS AND POLICIES**

Not applicable.

## **FINANCIAL IMPLICATIONS**

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

### **Long-term Financial Plan Implications**

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

## **STRATEGIC COMMUNITY OBJECTIVES**

This matter principally aligns with Key Goal Area 6 – ‘Open and Collaborative Leadership’ and more specifically Community Objective 6.1 - ‘Governance systems, process and practices are responsible, ethical and transparent’. The achievement of the above is underpinned by the Council strategy to ‘ensure the long term financial sustainability of Council through effective financial management’.

## **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**

Not applicable

## **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 hereto:

- 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.

### FINANCIAL ACTIVITY TO 31 MARCH 2017 - VARIATIONS

No further comment on the financial activity as at 31 March is necessary as a comprehensive report on the level of activity and variances is contained in a report entitled "Annual Budget Review for the period 31 March 2017" contained on this agenda.

#### Capital Activity

#### Capital Revenue

As at 31 March 2017, there is a variance of -36% (-\$19,037k) in total capital revenue, with the following categories exceeding the 10% material variance threshold:

Description	Variance %	Variance \$000's
Transfer from Reserves	-22%	-\$4,732
Transfer from Restricted Assets	-49%	-\$13,506
Proceeds from Sale of Assets	-56%	-\$290
Proceeds from Loans	-14%	-\$500
Self-Supporting Loans	-13%	-\$9

#### **Transfer from Reserves (-\$4,732K)**

- Timing difference relating to the construction of the Administration building and the utilisation of funds from the Civic and Administration Centre Construction Reserve (-\$3,877K) and the Building Reserve (-\$300k).
- Community Development contribution reserve (-\$250K). Budget included \$250k to be recouped from reserves for Milne Street Pavilion which is yet to occur. This is timing in nature only and will be adjusted by June 2017.
- Timing difference associated with the utilisation of funds allocated Port Geographe waterways maintenance (Department of Transport) -\$305k.

#### **Transfer from Restricted Assets (-\$13,506K)**

- Timing difference relating to use of Airport and Foreshore grants -\$19,500k and -\$3,500k relating to the foreshore works. No impact to net current position.
- Movement of Community and Rec Facilities +\$7,323k, Vasse Diversion Drain +\$383k, Contribution to Works +\$211k, Aged Housing +\$846k from restricted assets into reserves. These movements were budgeted to occur in June 2017 but have mainly occurred in October and are timing in nature only. No impact to net current position.

- Bonds and Deposits (+\$730k) not budgeted. Timing in nature only as held on behalf of other entities and individuals.

#### **Proceeds from Sale of Assets (-\$290K)**

- The Proceeds from Sale of Assets category recognises the estimated sale or trade-in value of 'heavy and light' plant items budgeted to be replaced during the financial year. The current adverse variance is largely reflective of the timing difference in the lower Plant and Equipment capital expenditure on a year to date basis.

#### **Proceeds from Loans (-\$500k)**

- Difference relates to the delayed draw down of new loan for Dunsborough car parking as per budget timeline. This transaction does not affect the City's net current position as expenditure has not yet been incurred.

#### **Self-Supporting Loans (-\$9k)**

- Difference relates to the delayed draw down of new self-supporting loan as per budget timeline. This transaction does not affect the City's net current position.

### **Capital Expenditure**

As at 31 March 2017, there is a variance of +37% (+\$36,744K) in total capital expenditure, with the following categories exceeding the 10% material variance threshold:

<b>Description</b>	<b>Variance %</b>	<b>Variance \$000's</b>
Land and Buildings	+23%	+\$4,916
Plant and Equipment	+50%	+\$1,205
Furniture and Equipment	+79%	+\$1,358
Infrastructure	+71%	+\$34,170
Transfers to Restricted Assets	-435%	-\$4,053

The attachments to this report include detailed listings of the capital expenditure (project) items, to assist in reviewing specific these variances. All capital expenditure variances are considered to be a timing adjustment at this time, with no impact expected against the net current position.

#### **Transfers to Restricted Assets (-\$4,053K)**

The transfers to restricted assets budget comprises an estimation of funds that could potentially be received during the financial year, primarily from developer contributions. The performance in this activity does not have any direct impact on the surplus/deficit position, as whilst recognised as operating revenue upon receipt, these funds are subsequently quarantined to restricted assets, essentially offsetting the initial transaction. Furthermore, the transfers to restricted assets category also include the payment of bonds and deposits, where no specific budget allocation is made for these funds.

The financial year to date variance of -\$4,053k is primarily attributable to the receipt of Community and Recreation Facilities -\$159k, Bonds and Deposit -\$558k receipt of interest in excess of budget attributable to the airport grant -\$305k and Unspent Loan funds -\$3,042k.

### **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 31 March 2017, the value of the City's invested funds totalled \$112.5M, decreasing from \$117.4M as at 1st March. The decrease is due to funds being utilised for operational purposes including the Admin Building and Airport projects.

During the month of December \$21.5M in term deposit funds matured. All deposits were renewed for an average of 100 days at an average rate of 2.47%.

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) reduced by \$500K with funds utilised for operational purposes. The balance of the Airport development ANZ cash account reduced by \$4.5M with funds utilised on the project.

The RBA left official rates on hold during March and April with future rate movements are unclear at this stage.

Please refer to Attachment B for further information.

## **CONCLUSION**

As at 31 March 2017, the City's financial performance is considered satisfactory. Whilst current variances exist in some operational areas, these are primarily due to timing differences.

Whilst acknowledging capital is presently tracking below year to date budget estimates, this is also seen to be attributable to timing differences at this time. There continues to be no indication at this time of any material cost overruns on any capital items in this year's budget.

As detailed within the Agenda Item titled "ANNUAL BUDGET REVIEW – PERIOD ENDING 31 MARCH 2017" also presented in this Agenda "*Current projections indicate a potential surplus closing position as at 30 June 2017, in the order of approximately +\$483k (exclusive of carry forwards).*"

## **OPTIONS**

The Council may determine not to receive the statutory financial activity statement reports.

## **TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

Reports are received as at the date of the relevant Council meeting

### **Committee Recommendation and Officer Recommendation**

**F1705/030**

Moved Councillor P Carter, seconded Councillor G Bleechmore

That the Council receives the statutory financial activity statement reports for the period ending 31 March 2017, pursuant to Regulation 34(4) of the Local Government (Financial Management) Regulations.

**CARRIED 5/0**

## 6.6 LIST OF PAYMENTS MADE - MARCH 2017

<b>SUBJECT INDEX:</b>	Financial Operations
<b>STRATEGIC OBJECTIVE:</b>	Governance systems, process and practices are responsible, ethical and transparent.
<b>BUSINESS UNIT:</b>	Finance and Corporate Services
<b>ACTIVITY UNIT:</b>	Finance and Corporate Services
<b>REPORTING OFFICER:</b>	Manager Financial Services - Kim Dolzadelli
<b>AUTHORISING OFFICER:</b>	Director, Finance and Corporate Services - Cliff Frewing
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Attachment A List of Payment Made - March 2017 <a href="#">⇒</a>

### **PRÉCIS**

This report provides details of payments made from the City's bank accounts for the month of March 2017, for noting by the Council and recording in the Council Minutes.

### **BACKGROUND**

The Local Government (Financial Management) 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 Local Government (Financial Management) Regulations; refer to the requirement for a listing of payments made each month to be presented to the Council.

### **RELEVANT PLANS AND POLICIES**

NA.

### **FINANCIAL IMPLICATIONS**

NA.

### **Long-term Financial Plan Implications**

NA.

### **STRATEGIC COMMUNITY OBJECTIVES**

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

### **RISK ASSESSMENT**

NA.

### **CONSULTATION**

NA.

**OFFICER COMMENT**

In accordance with regular custom, the list of payments made for the month of March 2017 are presented for information.

**CONCLUSION**

NA.

**OPTIONS**

NA.

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

NA.

**Committee Recommendation and Officer Recommendation**

**F1705/031** Moved Councillor G Henley, seconded Councillor T Best

That the Council notes payment of voucher numbers M114057 – M114172, EF051151 – EF051685, T007323 – T007331, and DD003037 – DD003081; together totalling \$15,539,949.95.

**CARRIED 5/0**

**6.7 GEOGRAPHE LEISURE CENTRE SUNDRY DEBTOR WRITE-OFF**

<b>SUBJECT INDEX:</b>	Geographe Leisure Centre Leases
<b>STRATEGIC OBJECTIVE:</b>	An organisation that is managed effectively and achieves positive outcomes for the community.
<b>BUSINESS UNIT:</b>	Community Services
<b>ACTIVITY UNIT:</b>	Geographe Leisure Centre
<b>REPORTING OFFICER:</b>	Manager, Community Services - Maxine Palmer
<b>AUTHORISING OFFICER:</b>	Director, Community and Commercial Services - Naomi Searle
<b>VOTING REQUIREMENT:</b>	Absolute Majority
<b>ATTACHMENTS:</b>	Nil

**PRÉCIS**

This report recommends write-off of unpaid sundry debtor invoices totalling \$13,494.10 (GST inclusive). This debt was incurred by the previous Lessees of the Appleshak Café at the Geographe Leisure Centre (GLC) for unpaid rent for the period 18 August 2015 to 17 January 2016.

**BACKGROUND**

On 18 April 2015, Council resolved (C1504/088):

*That the Council authorises the CEO to enter into a lease, subject to the Minister for Lands approval, with Patricia Schreuder and Allan Schreuder for the purposes of a cafe business within the Geographe Leisure Centre on a portion of Lot 300 in Reserve 29933. The terms and conditions of the lease to be in accordance with standard commercial lease terms and in particular:*

- a) The term of the Lease will be five (5) years with a further two (2) five (5) year options and commences on 18 May 2015;*
- b) The rent to commence at \$34,891.92 per annum inclusive of GST and outgoings to be paid monthly in advance and increased annually by Consumer Price Index (CPI);*
- c) The provision of a rent free period of two (2) months from commencement of the lease.*

On 9 December 2015, Council was briefed on a breach of the Lease with Patricia and Allan Schreuder. A potential Deed of Assignment proposed by the Lessees was investigated but it transpired that the proposed assignee was unable to provide sufficient information to evidence they could meet the financial obligations of the Lease.

The Lessees requested a termination of the Lease and indicated they would like to enter into an arrangement with the City regarding repayment of the rent arrears. An agreement to terminate was eventually signed on 4 January 2016. The Lessee's operations wound down and ceased on 8 January and the lease terminated on 9 January 2016. On 14 January 2016, to ensure the continued provision of a café facility at the GLC, the GLC commenced operating its own café service.

A total of \$13,694 was owing in rent from the café. The Agreement to Terminate contained a repayment plan for this money to be repaid over a period of approximately 18 months. The first payment was due on 22 January 2016. This was not received. At the Lessee's request a Deed of Amendment was negotiated spreading the repayments over a longer period. The first payment was due 11 March 2016. The Deed of Amendment was never signed and no payments were made. The City appointed a Lawyer to recover the debt in full. A letter was sent on 3 May 2016 instructing that full payment be made by attending the office of the City of on or before 4:00pm 11 May 2016, or legal action would be taken including a claim for additional costs and interest. The payment was not made.

Further action by the Lawyers resulted in a commitment by the Lessee's to repay the debt in payments of \$50 a fortnight. In September 2016, after paying four (4) instalments, the arrangement was cancelled. The City's Lawyer was then re-engaged.

On 23 March 2017 the City received notice from the Lawyer of a Notice of Bankruptcy Petition. The Petitions required the City to cease all debt recovery action

### **STATUTORY ENVIRONMENT**

Section 6.12 of the Local Government Act 1995 provides that a Local Government may by way of an absolute majority resolution; write off any amount of money.

### **RELEVANT PLANS AND POLICIES**

There are no relevant plans or policy implications associated with the recommendations in this report.

### **FINANCIAL IMPLICATIONS**

The write-off of Sundry Debtors Invoices totalling \$13,494, (GST inclusive) will have a negative impact on Council's projected surplus closing position as at 30 June 2017, with this in mind the Officer notes the following:

The Officer notes that the report titled "ANNUAL BUDGET REVIEW – PERIOD ENDING 31 MARCH 2017", included in this Agenda, contains the following comment from the Manager of Financial Services "*Current projections indicate a potential surplus closing position as at 30 June 2017, in the order of approximately +\$483k (exclusive of carry forwards).*"

#### **Long-term Financial Plan Implications**

Nil

### **STRATEGIC COMMUNITY OBJECTIVES**

The report and officer recommendation is consistent with Council's adopted Strategic Plan Objectives and Goals in particular Key Goal Area 6 "A council that engages with its community and makes responsible decisions, respecting community needs and aspirations."

### **RISK ASSESSMENT**

An assessment of the potential implications of implementing the officer recommendations has been undertaken using the City's risk assessment framework. The officer recommendation is considered to be "low" risk.

### **CONSULTATION**

Not applicable.

**OFFICER COMMENT**

After a two (2) month period rent free to support the establishment of the Lessee's new café enterprise, the Appleshak Café, the Lessees made one month's rental payment. The Lease was agreed to be terminated, at the Lessees request and three repayment plans were subsequently agreed which resulted in just four payments of \$50 each (total of \$200). The City has spent approximately \$800 in legal expenses plus extensive Officer time over an eighteen (18) month period pursuing the debt of \$13,494.

The disclosed creditor list on the Notifications of Bankruptcy show a total debt of \$105,089 and over twenty (20) other creditors. The Notice requires "all unsecured creditors to stop debt recovery action."

**CONCLUSION**

Officers recommend the write-off of all sundry debtor invoices to Patricia and Allan Schreuder for the Appleshak Café totalling \$13,494, (GST inclusive). All due processes were followed to obtain payment and debts are considered unrecoverable.

**OPTIONS**

Council could consider an option to prove the debt in the bankruptcy proceedings. This would only be worth doing if there was a possibility of recovering assets in the future that would mean that unsecured creditors like the City received a share that may pay off at least part of what is owed. Given the total creditor debt of \$105,089, the extent of action taken to date and the further Officer time and costs involved in pursuing the debt, Officers do not recommend this course of action.

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

The City's accounts will be adjusted to reflect the written off value as soon as practicable following the Council's decision.

**Committee Recommendation and Officer Recommendation****F1705/032**

Moved Councillor G Henley, seconded Councillor T Best

**ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED**

That Council authorise the write-off of all unpaid Sundry Debtors Invoices to Patricia and Allan Schreuder for the Appleshak Cafe, totalling \$13,494, (GST inclusive)

**CARRIED 5/0**

## 6.8 BUDGET AMENDMENT REQUEST

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

### **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 an no change to the City's current Amended Budgeted Surplus Position of \$0.

### **BACKGROUND**

Council adopted its 2016/2017 Municipal Budget on Thursday 21 July 2016 with a balanced Budget position. On 14 December 2016 Council considered amendments to the Adopted Budget and by Absolute Majority resolved to accept numerous amendments which resulted in an Adopted Surplus position of \$70,982.

Council is now being asked to consider Budget Amendments for the following Key Areas/Projects:

#### **1. "Meelup Regional Park Coastal Node Point Picquet"**

### **BACKGROUND**

In December 2013, Council endorsed (resolution C1312/324) a Coastal Nodes Master Plan as an informing strategy for Meelup Regional Park to conserve and improve the environment, protect visual amenity and to provide coastal facilities as appropriate for visitors to Meelup Regional Park.

The Coastal Nodes Master Plan outlines a program for upgrading of the Meelup Regional Park Coastal Nodes including Point Picquet. Works proposed for Point Picquet include a realignment of the vehicle parking area, provision of amenities and formalization of access trails.

### **PLANNED EXPENDITURE ITEMS**

Council 2016/17 adopted budget includes an allocation of \$85,670 for the purpose of upgrading of the Point Picquet coastal node. The expenditure for upgrading of the Point Picquet is higher than the original estimate and the reallocation of funding from the Meelup Regional Park recreation reserves maintenance account to the capital account Meelup coastal nodes carpark upgrade account is required to complete the proposed works.

<b>Environmental Management/Meelup Regional Park</b>				
<b>Description</b>	<b>Account String</b>	<b>2016/2017 Adopted Budget</b>	<b>2016/2017 Amended Budget (Proposed)</b>	<b>2016/2017 Variance</b>
Operational Expenditure Recreation and Reserve Maintenance Contractors (Inc contract staff)	425-11170-3186-0000	209,210	186,770	(22,440)
Capital Expenditure Meelup Coastal Nodes Carpark upgrade	425-C0044-3280-0000	85,670	108,110	22,440
<b>Impact on closing Surplus/Deficit Position</b>				<b>0</b>

### PROPOSED OUTCOME

The upgrading of the Meelup Regional Park Coastal Node Point Picquet. The proposed works to be completed at Point Picquet in the current financial year include a realignment of the vehicle parking area, provision of amenities and formalization of access trails.

Note: With permission of the Presiding Member the Chief Executive Officer briefed committee members with requirements with respect to the Administration Building project and Wonnerup Coastal Defences works. This briefing has resulted in the change to the Officers Recommendation being the addition of points 2 and 3.

#### 1. “Wonnerup Coastal Defence”

Over a number of years the City has been monitoring the beach profile in the Wonnerup area to determine levels of accretion and erosion. It is evident at this point that due to a number of factors potentially man made and or potentially natural, that sections of the beach have eroded creating a potential risk to the City’s road infrastructure. At this point there is sufficient buffer that the road is not at an immediate risk, however left for further years the risk will likely increase. The City has an opportunity to construct two sand bag groynes in this location to assist in the prevention of further erosion in the area. The construction of these groynes may eventually be part of a larger groyne field in the area. The Groynes will be constructed from sand bags for ease of installation and removal, pending further monitoring of the coastline. The project is currently un budgeted.

The cost of the Construction of these groynes is estimated at \$104,000 and it is recommended that the funds be transferred from Restricted Grants and allocated to a new Expenditure account “Wonnerup Coastal Defences”.

#### 2. “Administration Building Project”

Reference was made to various schedules relating to the Administration Building project which highly – variations to initial budget sums and provided cost items – some of which were favourable and others unfavourable. It was thought best, under the circumstances, that a budget adjustment should be made to address net budget variations. Other variations could occur, if required in the 2017/18 budget. There is no impact on the City’s surplus.

## **STATUTORY ENVIRONMENT**

Section 6.8 of the Local Government Act 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 a decrease of Budget Surplus from \$70,982 to \$0.

**Amended: Budget amendments being sought will result in No change to the City's current Surplus position.**

### **Long-term Financial Plan Implications**

N/A

## **STRATEGIC COMMUNITY OBJECTIVES**

This matter principally aligns with Key Goal Area 6 – 'Open and Collaborative Leadership' and more specifically Community Objective 6.1 - 'Governance systems, process and practices are responsible, ethical and transparent'. The achievement of the above is underpinned by the Council strategy to 'ensure the long term financial sustainability of Council through effective financial management'.

## **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**

Consultation has occurred with the appropriate City of Busselton officers.

## **OFFICER COMMENT**

The Officer commends the requested Budget Amendment to the Finance Committee for consideration and recommendation to Council.

The Officer also flags that the Chief Executive Officer may introduce discussion with respect to discussions had at the Administration Building Working Group with respect funding requirements.

## **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, where works are unable to be completed in the current financial year appropriate carryovers will be included in the Draft 2017/2018 Municipal Budget.

**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.

**Officer Recommendation**

That the Finance Committee recommends to Council endorsement of the Requested Budget Amendments contained within this report, resulting in no change to an Amended Budgeted Surplus Position of \$0.

**Committee Recommendation**

**F1705/033** Moved Councillor G Henley, seconded Councillor P Carter

**ABSOLUTE MAJORITY DECISION OF COUNCIL REQUIRED**

That the Finance Committee recommends to Council with respect to Requested Budget Amendments:

1. Endorsement of the Requested Budget Amendment of \$22,440 contained within this report relating to Meelup Park. resulting in no change to an Amended Budgeted Surplus Position of \$0,
2. Approves the transfer of \$104,000 from Restricted Grants and allocation of these funds to new Expenditure account "Wonnerup Coastal Defences", and
3. Approves the transfer of \$200,000 from the "New Infrastructure Development Reserve" and allocation of these funds to the Administration Building project.

Advice Note: The above recommendations will result in No change to the City's current Surplus position.

**CARRIED 5/0**

**7. GENERAL DISCUSSION ITEMS**

Nil

**8. NEXT MEETING DATE**

Thursday, 1 June 2017

**9. CLOSURE**

The meeting closed at 11:53am.

THESE MINUTES CONSISTING OF PAGES 1 TO 48 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON THURSDAY, 1 JUNE 2017.

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