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CITY OF BUSSELTON

MINUTES FOR THE FINANCE COMMITTEE MEETING HELD ON 16 AUGUST 2018

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MINUTES

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 16 AUGUST 2018 AT 9.30AM.

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 9.32 am.

2. ATTENDANCE

Presiding Member:

Cr Paul Carter

Members:

Cr John McCallum

Cr Robert Reekie

Cr Ross Paine Deputy Member

Cr Rob Bennett Deputy Member (9.34 am entered the meeting)

Officers:

Mr Tony Nottle, Director, Finance and Corporate Services

Mr Kim Dolzadelli, Manager, Financial Services

Mr Cobus Botha, Legal Services Coordinator (10.11 am entered the meeting 10.21 am left the meeting)

Miss Kate Dudley, Administration Officer, Governance

Apologies:

Cr Grant Henley

Cr Coralie Tarbotton

3. PUBLIC QUESTION TIME

Nil

4. DISCLOSURE OF INTERESTS

Nil

5. CONFIRMATION OF MINUTES

5.1 Minutes of the Finance Committee Meeting held 21 June 2018

COMMITTEE DECISION

F1808/049

Moved Councillor J McCallum, seconded Councillor R Reekie

That the Minutes of the Finance Committee Meeting held 21 June 2018 be confirmed as a true and correct record.

CARRIED 4/0

6. REPORTS

6.1 DONATIONS/CONTRIBUTIONS AND SUBSIDIES FUND - JUNE AND JULY 2018

SUBJECT INDEX:	Donations/Contributions
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Governance Services
ACTIVITY UNIT:	Governance Services
REPORTING OFFICER:	Executive Assistant to Council - Katie Banks Community Development Officer - Naomi Davey
AUTHORISING OFFICER:	Director, Community and Commercial Services - Naomi Searle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

9.34 am At this time Councillor R Bennett entered the meeting.

PRÉCIS

This report provides an overview of the allocated Donations and Contributions for June and July 2018, considered of relevance to members of the Finance Committee, and also the Council.

BACKGROUND

The Council allocates an annual budget allowance to the Donations, Contributions and Subsidies (Sponsorship Fund). This is provided such that eligible groups and individuals can apply for and receive sponsorship to assist them in the pursuit of endeavours that bring direct benefit to the broader community. Allocation of the funds is delegated to the Chief Executive Officer, in accordance with published guidelines and funding availability.

STATUTORY ENVIRONMENT

There are no significant statutory environment points to note.

FINANCIAL IMPLICATIONS

The annual budget allowance for the Sponsorship Fund in 2017/18 was \$40,000. Total expenditure, including the applications supported in June 2018 was \$27,513.23, leaving an end of year surplus balance of \$12,486.77.

The annual budget allowance for the Sponsorship Fund in 2018/19 is \$30,000. Applications supported in July 2018 totalled \$750, leaving a balance of \$29,250.

Long Term Financial Plan

There are no long term financial plan implications.

STRATEGIC COMMUNITY OBJECTIVES

This matter aligns principally with Key Goal Areas 6 the City of Busselton Strategic Community Plan 2017: Governance systems, process and practices are responsible, ethical and transparent.

RISK ASSESSMENT

There are no identified risks or a medium or greater level associated with the officer's recommendation.

CONSULTATION

Consultation was undertaken with each applicant in the course of assessing their applications.

OFFICER COMMENT

Seven applications were supported in June 2018, totalling \$4,082, and one application was supported in July 2018, totalling \$750.00, as outlined in the table below

App. No.	Recipient	Purpose	Amount
June 2018			
87/1718	Busselton Wildflower Association	Seeking funds to cover costs associated with hosting 2018 Wildflower Exhibition.	\$800.00
88/1718	Woodturners Association of WA	Hosting Woodturners Workshop. Seeking funds to cover the cost of venue hire.	\$640
89/1718	Ross Rann	Selected to represent WA at the School Sport Australia Swimming Championship in Hobart. Seeking funds to help cover costs of travel.	\$200
90/1718	Travis Vogel	Selected to represent WA as part of the WA Schools Basketball 18s at the School Sport Australia National Schools Championships in Darwin 10 -18 August 2018. Funds requested to cover cost of travel expenses.	\$200
91/1718	Busselton-Dunsborough Environmental Centre Inc.	Funds requested to assist with promotion, room hire and facilitator costs for Bee Workshop 8 September 2018.	\$700
94/1718	Radiance Network Southwest	Hosting free event to promote awareness of pre-natal anxiety and depression, and local support available to families. Located on the Busselton foreshore - seeking funds to contribute to shade and PA system.	\$500
NA	Aboriginal Community Art Exhibition - Internal Memorandum	Internal Memorandum - fee waiver requested for hire of Ballarat Room at Railway House hire for Aboriginal Art Exhibition from June 27 to 16 August - requested by Jacquie Happ.	\$1,042
June Total			\$4,082

July 2018			
01/1819	WestOz Geocaching	Funding requested to asset with venue hire fee at the NCC as the base for the 'WA Goes Big 2018' Geocaching event which is a free community event expected to attract over 250 teams to participate & therefore attract a large number of visitors to Dunsborough and surrounding areas.	\$750
July Total			\$750

CONCLUSION

The Sponsorship Fund continues to provide support to groups and individuals, with a total of eight applications supported in June and July 2018.

OPTIONS

This report is for noting only and hence there are no options presented.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

This report is for noting only.

COMMITTEE DECISION AND OFFICER RECOMMENDATION

F1808/050 Moved Councillor J McCallum, seconded Councillor R Reekie

That the donations and sponsorships for the month of June 2018 and July 2018 be noted.

CARRIED 5/0

6.2 FINANCIAL ACTIVITY STATEMENTS - PERIOD ENDING 30 JUNE 2018

SUBJECT INDEX:	Budget Planning and Reporting
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A Statement of Financial Activity - Period Ending 30 June 2018 
	Attachment B Investment Report - Period Ending 30 June 2018 

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 30 June 2018.

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 26 July 2017, the Council adopted (C1707/163) the following material variance reporting threshold for the 2017/18 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 2017/18 financial year as follows:

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

STATUTORY ENVIRONMENT

Section 6.4 of the 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 – ‘Leadership’ and more specifically Community Objective 6.1 - ‘Governance systems, process and practices are responsible, ethical and transparent’.

RISK ASSESSMENT

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

CONSULTATION

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 here to:

- Statement of Financial Activity

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

- Net Current Position

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

▪ Capital Acquisition Report

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

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

▪ Reserve Movements Report

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

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

COMMENTS ON FINANCIAL ACTIVITY TO 30 June 2018

The Statement of Financial Activity for the period ending 30 June 2018 shows a better than expected Net Current Position "Surplus" of \$3.51M.

The Surplus is made up as follows:

Prepayment of Financial Assistance Grants	\$1,169,926	to be utilised in 2018/2019 Budget
Carryover Items	\$1,930,424	to be utilised in 2018/2019 Budget
New Infrastructure Development Reserve	<u>\$410,924</u>	Transfer to Reserve 2018/2019 *
	<u>\$3,511,291</u>	

* To be transferred into the New Infrastructure Development Reserve as per Council Resolution.

The following summarises the major variances in accordance with *Council's adopted material variance reporting threshold* that collectively make up the above difference:

Description	2017/2018 Actual	2017/2018 Amended Budget YTD	2017/2018 Amended Budget	2017/18 YTD Bud Variance	2017/18 YTD Bud Variance
	\$	\$	\$	%	\$
Revenue from Ordinary Activities	68,322,042	66,506,299	66,506,299	2.73%	1,815,743
Expenses from Ordinary Activities	(68,957,356)	(69,038,713)	(69,038,713)	0.12%	(1,836,254)
Borrowings Cost Expense					
Interest Expenses	(1,250,420)	(1,410,971)	(1,410,971)	11.38%	160,551
Non-Operating Grants, Subsidies and Contributions	24,793,990	43,655,339	43,655,339	-43.21%	(18,861,349)
Profit on Asset Disposals	55,551	22,400	22,400	148.00%	33,151
Loss on Asset Disposals	(681,441)	(6,252)	(6,252)	-10779%	(675,189)
Capital Revenue & (Expenditure)					
Land & Buildings	(6,744,696)	(17,106,693)	(17,106,693)	60.57%	10,361,997
Plant & Equipment	(2,524,122)	(4,279,400)	(4,279,400)	41.02%	1,755,278
Furniture & Equipment	(670,125)	(832,712)	(832,712)	19.52%	162,587
Infrastructure	(42,255,717)	(60,684,321)	(60,684,321)	30.37%	18,428,604
Proceeds from Sale of Assets	424,075	635,150	635,150	-33.23%	(211,075)

Description	2017/2018 Actual	2017/2018 Amended Budget YTD	2017/2018 Amended Budget	2017/18 YTD Bud Variance	2017/18 YTD Bud Variance
Continued:					
Proceeds from New Loans	6,960,000	10,110,000	10,110,000	-31.16%	(3,150,000)
Self Supporting Loans - Repayment of Principal	65,163	73,466	73,466	-11.30%	(8,303)
Total Loan Repayments - Principal	(2,359,142)	(2,780,982)	(2,780,982)	15.17%	421,840
Advances to Community Groups	(110,000)	(260,000)	(260,000)	57.69%	150,000
Transfer to Restricted Assets	(5,805,349)	(648,639)	(648,639)	-795.00%	(5,156,710)
Transfer from Restricted Assets	24,594,391	27,832,765	27,832,765	-11.64%	(3,238,374)
Transfer to Reserves	(15,102,673)	(16,085,572)	(16,085,572)	6.11%	982,899
Transfer from Reserves	10,663,211	20,471,964	20,471,964	-47.91%	(9,808,753)

Operating Revenue:

Revenue from ordinary activities is \$1,815,743 more than expected when compared to YTD Budget with the following items meeting the material variance reporting threshold set by Council for the 2017/2018 Financial Year.

Description	2017/2018 Actual	2017/2018 Amended Budget YTD	2017/2018 Amended Budget	2017/18 YTD Bud Variance	2017/18 YTD Bud Variance
	\$	\$	\$	%	\$
Operating Grants, Subsidies and Contributions	4,736,243	3,640,258	3,640,258	30.11%	1,095,985
Other Revenue	519,958	429,029	429,029	21.19%	90,929

Operating Grants, Subsidies and Contributions

Cost Code	Cost Code Description	Natural Account Description	Variance YTD
Finance and Corporate Services			
Grants Commission			
10152	Other General Purpose Funding	Grants Commission - Untied Grants – prepayment of 50% of 18/19 funding to be carried forward to 18/19 Budget	1,169,926
Reimbursements			
10151	Rates Administration	Legal Fees – offset with reduced expenditure	(27,340)
10521	Human Resources & Payroll	Reimbursements - Workers Compensation – offset with reduced claims	(95,000)
Community and Commercial Services			
State Government Grants & Subsidies - Operating Activities			
10635	Regional Centres Program	Operating Grants & Subsidies-Other – offset with reduced expenditure	(120,000)
11151	Airport Operations	Operating Grants & Subsidies-Other - offset with reduced expenditure	56,800

Cost Code	Cost Code Description	Natural Account Description	Variance YTD
Community and Commercial Services - continued			

Contributions - Operating Activities

B1361	YCAB (Youth Precinct Foreshore)	Contributions - Operating Activities - offset with reduced expenditure	20,000
Planning and Development Services			
-	-		

State Government Grants & Subsidies - Operating Activities

10820	Strategic Planning	Operating Grants & Subsidies-Other offset with reduced expenditure	(37,500)
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Reimbursements

10940	Fire Prevention DFES	Reimbursement ESL - Prior Period Adjustments – offset with increased expenditure	81,526
Engineering and Works Services			
-	-		

State Government Grants & Subsidies - Operating Activities

11101	Engineering Services Administration	Operating Grants & Subsidies-Other offset with reduced expenditure	(30,707)
11300	Sanitation Waste Services Administration	Operating Grants & Subsidies-Other offset with reduced expenditure	(120,000)
M9999	Road Maintenance Bal Of Budget	Operating Grants & Subsidies-Other offset with reduced expenditure	(36,274)

Reimbursements

11501	Operations Services Works	Reimbursements – workers compensation – offset with increased expenditure	42,334
M9999	Road Maintenance Bal Of Budget	Operating Grants & Subsidies - Other Prior Year Storm Damage – unexpected windfall	38,516

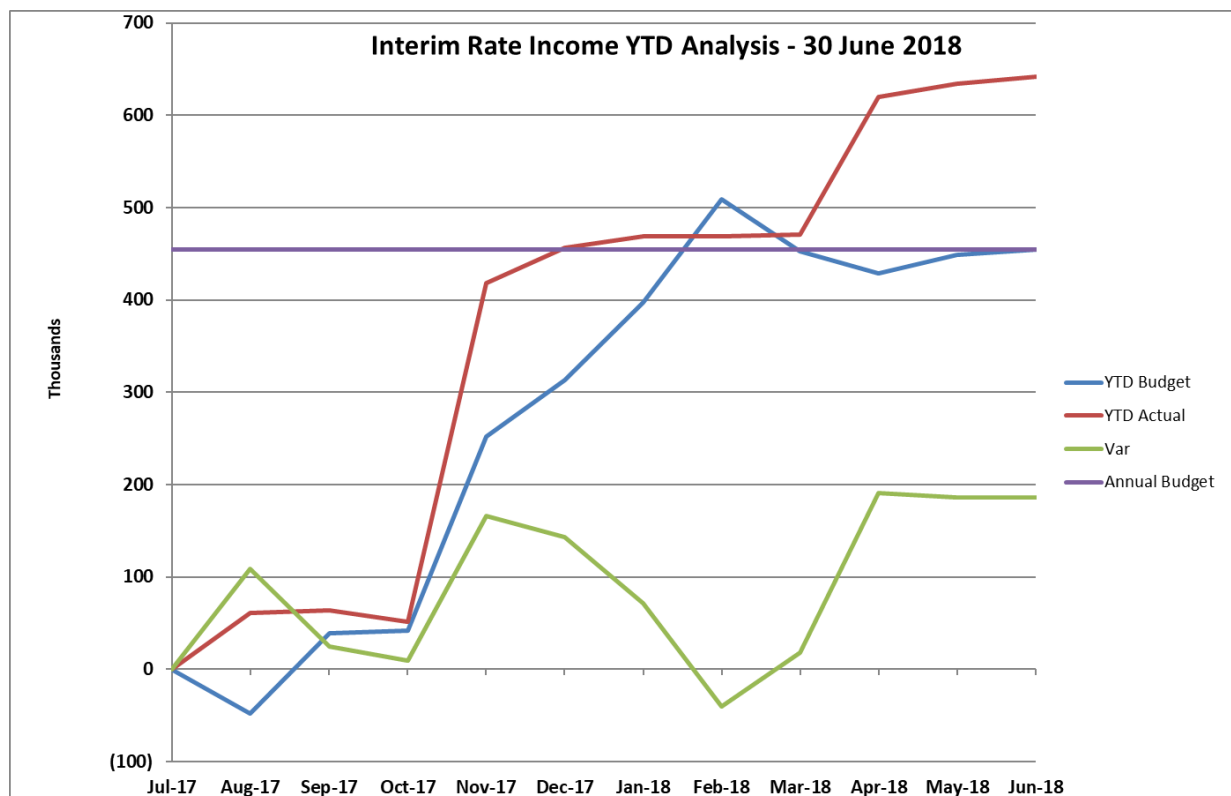
Other Revenue

The items predominately impacting the above “Other Revenue” performance is Sale of Scrap Materials \$104K.

The Officer notes that the above performance of “Operating Grants and Subsidies” and “Other Revenue” is added to by a positive collective performance of \$628K for Rates, Interest and Fees and Charges; these items fall below the Material Variance reporting thresholds.

Interim Rates:

Officers continue to monitor Interim Rating Income levels and present the following information noting that the YTD Budget has already been achieved;



Operating Expenditure:

Expenditure from ordinary activities, excluding depreciation, is \$1.86M less than expected when compared to YTD Budget with the following items meeting the material variance reporting threshold set by Council for the 2017/2018 Financial Year.

Description	2017/2018 Actual	2017/2018 Amended Budget YTD	2017/2018 Amended Budget	2017/18 YTD Bud Variance	2017/18 YTD Bud Variance
	\$	\$	\$	%	\$
Other Expenditure	(4,542,810)	(3,444,580)	(3,444,580)	-31.88%	(1,098,230)
Allocations	1,730,603	1,996,270	1,996,270	13.31%	(265,667)

Other Expenditure:

The main items affected are listed below:

Cost Code	Cost Code Description / GL Activity	Variance YTD
Executive Services		
10001	Office of the CEO – saving to Budget	52,007
10700	Public Relations – saving to Budget	34,745
Cost Code	Cost Code Description / GL Activity	Variance YTD
Community and Commercial Services		
C6101	Return of Airport State Grant	(1,400,000)
Planning and Development Services		
10805	Planning Administration – saving to Budget	36,743

<u>Engineering and Works Services</u>		
10115	Major Projects Administration – saving to Budget	36,108
11160	Busselton Jetty – contribution to Safe Swimming Area to be progressed in 18/19	50,000
B1223	Micro Brewery - Public Ablution to be progressed in 18/19	60,000

Allocations:

Allocations are running \$265k under YTD Budget; these items are an internal allocation of administrative costs from the Finance and Corporate Services division.

The Officer further notes that the above combined performance of “Other Expenditure” and “Allocations” is added to by a positive collective performance of \$1.44M for Employee Costs, Utilities, Insurances and Materials and contracts.

Non-Operating Grants, Subsidies and Contributions:

Non-Operating Grants, Subsidies and Contributions are less than YTD Budget by \$18.86M with the main item impacting on the above result is the timing of the receipt of “Airport Development - Project Grant” with a current negative result of -\$9.84M and -\$7.63M in Donated Assets less than expected in receipt of Donated Assets associated with development.

Cost Code	Cost Code Description	Variance YTD
<u>Finance and Corporate Services</u>		
10239	Contributions (Revenue) Prog 11	(191,177)
10240	Contributions (Revenue) Prog 12	52,027
<u>Community and Commercial Services</u>		
10900	Cultural Planning	32,246
C6099	Airport Development - Project Expenses	(9,845,811)
<u>Planning and Development Services</u>		
B1023	Vasse Bushfire Brigade – Fire Truck - donated asset	503,968
B1029	Busselton Branch SES	49,194
B9112	Ambergate Bushfire Brigade Shed	(123,307)
<u>Engineering and Works Services</u>		
A0022	Yallingup Beach Road Bridge - 3347	(222,000)
A0200	Donated Bridges	1,202,394
B9999	Donated Buildings	180,000

Cost Code	Cost Code Description	Variance YTD
<u>Engineering and Works Services - Continued</u>		
C1513	Port Geographe Boat Trailer Parking Layout Redevelopment	(171,750)
C2512	Sand Re-Nourishment	(55,000)
C3020	Donated Assets Parks, Gardens & Reserves	1,009,973
C3150	Busselton Foreshore Stage 3: Toddler's Playground	(171,000)
C3168	Busselton Foreshore Jetty Precinct	(728,990)
D2000	Donated Assets Drainage	(1,415,852)
F1003	Donated Assets Footpaths & Cycleways	(8,553,758)
F1020	College Avenue Shared Path	(63,449)
S0067	Layman Road - Reconstruction Between 3250 and 6190	(80,000)
S0068	Georgiana Molloy Bus Bay Facilities	(120,000)
T0016	Puzey Road	(32,862)
T0079	Patton Terrace - Asphalt Overlay	(97,468)
T0080	Craig Street - Asphalt Overlay	44,102
T0084	Yelverton Road- Rural reconstruction & widening	122,152
W0030	Donated Roads	(84,299)

Capital Expenditure

As at 30 June 2018, there is a variance of -37.04% or -\$30.7M in total capital expenditure with YTD Actual at -\$52.19M against an YTD Budget of -\$82.9M. The Airport Development makes up for \$12.82M, Plant and Equipment Purchases, \$1.75M, Furniture and Equipment Purchases \$162K, Major Project - Busselton Foreshore \$4.43M, Main Roads projects \$583K, Busselton/Dunsborough Traffic Implementation Works \$2.3K and Council Roads Initiatives \$603K of the overall variance which also assists in explaining the above current YTD shortfall in Non-Operating Grants.

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

Investment Report

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

As at 30th June 2018, the value of the City's invested funds totalled \$69.9M, down from \$78.19M as at 31st May. The decrease is due to ongoing expenses and end of financial year adjustments.

During the month of June six term deposits held with three different institutions totalling \$14.0M matured. All were renewed for a further 141 days at 2.72% (on average).

An internal adjustment to funding allocations was made resulting in a partial term deposit previously allocated to the Airport Redevelopment Project being re-purposed as municipal funding. A corresponding reallocation was made within the 11am account.

The balance of the 11am account (an intermediary account which offers immediate access to the funds compared to the term deposits and a higher rate of return compared to the cheque account) decreased by \$5.5M.

Deductions totalling \$4.0m were required to meet normal operation expenses with a further \$1.5M being transferred to the Airport Redevelopment ANZ Cash account to compensate for the above mentioned repurposing.

The balance of the Airport Development ANZ cash account decreased by \$2.75M over the month. This decrease was partially due to the use of funds to meet ongoing expenses. Additionally a deduction of \$1.72M as at 30 June is a “book entry” only at this point in time, with a reversal processed effective 1 July. This movement was required to meet end of financial year reporting requirements.

The RBA left official rates on hold during June and July. Future movements remain uncertain at this point, although the next movement is likely to be up but not in the immediate future.

Chief Executive Officer – Corporate Credit Card

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

Date	Amount	Payee	Description
29-May-18	\$540.00	Qantas	* CEO Qantas Club Membership Renewal
12-Jun-18	\$140.00	Ibis Budget Perth Airport	Mayor Accommodation en-route to Regional Capitals Alliance WA Meeting
15-Jun-18	\$150.61	Rydges Kalgoorlie	Mayor Accommodation RCAWA Meeting
25-Jun-18	\$77.90	Sarah’s Flowers	Sympathy Flowers

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

+ Allocated against CEO Hospitality Expenses Allowance

10.00 am At this time Councillor J McCallum left the meeting.

CONCLUSION

As at 30 June 2018, the City’s financial performance is considered satisfactory. At this time, subject to there being no changes via the Annual Financial Audit for 2017/2018 the Statement of Financial Activity for the period ending 30 June 2018 shows a better than expected Net Current Position “Surplus” of \$3.51M.

The Surplus is made up as follows:

Prepayment of Financial Assistance Grants	\$1,169,926	to be utilised in 2018/2019 Budget
Carryover Items	\$1,930,424	to be utilised in 2018/2019 Budget
New Infrastructure Development Reserve	<u>\$410,924</u>	Transfer to Reserve 2018/2019 *
	<u>\$3,511,291</u>	

* To be transferred into the New Infrastructure Development Reserve as per Council Resolution.

10.04 am At this time Councillor J McCallum returned to the meeting.


COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

F1808/051 Moved Councillor J McCallum, seconded Councillor R Bennett

That the Council receives the statutory financial activity statement reports for the period ending 30 June 2018, pursuant to Regulation 34(4) of the Local Government (Financial Management) Regulations.

CARRIED 5/0

6.3 LIST OF PAYMENTS MADE JUNE 2018

SUBJECT INDEX:	Financial Operations
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A List of Payments - Period Ended 30 June 2018 

PRÉCIS

This report provides details of payments made from the City's bank accounts for the month of June 2018, for noting by the Council and recording in the Council Minutes.

BACKGROUND

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

STATUTORY ENVIRONMENT

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

RELEVANT PLANS AND POLICIES

Not Applicable.

FINANCIAL IMPLICATIONS

Not Applicable.

Long-term Financial Plan Implications

Not Applicable

STRATEGIC COMMUNITY OBJECTIVES

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

RISK ASSESSMENT

Not Applicable.

CONSULTATION

Not Applicable.

OFFICER COMMENT

In accordance with regular custom, the list of payments made for the month of June 2018 is presented for information.

CONCLUSION

The list of payments made for the month of June 2018 is presented for information.

OPTIONS

Not Applicable.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not Applicable.

10.11 am At this time the Legal Services Coordinator entered the meeting.

COMMITTEE DECISION AND OFFICER RECOMMENDATION

F1808/052 Moved Councillor R Paine, seconded Councillor J McCallum

That the Finance Committee notes payment of voucher numbers M115788 – M115891, EF059088 – EF059701 T007397 – T007405, and DD003483 – DD003510; together totalling \$12,717,264.12.

CARRIED 5/0

6.4 PROCUREMENT OF EXPERT SERVICES - CONTAMINATED SITE INVESTIGATIONS

SUBJECT INDEX:	Procurement of expert services
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Corporate Services
ACTIVITY UNIT:	Corporate Services
REPORTING OFFICER:	Legal Services Coordinator - Cobus Botha
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

In accordance with certain environmental regulation requirements applicable to former landfill waste facilities, the City had been required to test and monitor groundwater quality at the former Busselton landfill site located at Lots 27 and 500 Rendezvous Road, Vasse (**Tip Site**). In 2013 the City was required to extend these investigations to certain properties north of the Tip Site. These investigations are ongoing.

This report seeks to inform the Finance Committee and Council of the nature and extent of further investigations required to determine the nature and extent of the contamination and the strategy for procurement of further expert services required for these purposes.

BACKGROUND

Officers reported to Council on 11 April 2018 on the procurement of expert services required for investigation of potential groundwater contamination at and in the vicinity of the Tip Site. The essence of that report can be summarised as follows:

- In accordance with certain environmental requirements applicable to former landfill waste facilities, the City had been required to test and monitor groundwater quality at the Tip Site. Based on the results of this ongoing testing/monitoring and during or about 2013/14, Department of Water and Environmental Regulation (**DWER**) - formerly Department of Environmental Regulation - required from the City to expand the nature and extent of these investigations to include, among other things, investigation into groundwater quality on privately owned land to the north of the Tip Site (**Groundwater Investigations**).
- In 2014 the City engaged Waves Environmental Liability and Risk Management (**WELARM**) – formerly Waves Environmental Consultants – to investigate groundwater contamination issues at the Tip Site. In 2015 their brief was extended to include scoping and implementation of works/services required for investigation of groundwater quality on privately owned land to the north of the Tip Site and to ensure compliance with DWER requirements.
- At the time and with the information reasonably available to the City and its consultants:
 - It was considered that the potential groundwater contamination was localised and that the investigation area would be limited to the Tip Site and the adjacent properties to the immediate north of the Tip Site (that is privately owned land along the northern side of Rendezvous Road directly opposite the Tip Site); and

- It was not expected that the total expenditure in relation to the Groundwater Investigations would exceed \$150,000 (which, in terms of Regulation 11 (1) of the *Local Government (Functions and General) Regulations 1996* is the threshold for procurement of goods and services by way of public tender) (**Tender Threshold**).
- Subsequently WELARM's services have been procured by way of a number of Requests for Quotation.

Further detail of the procurement process in relation to WELARM's engagement has been provided in the 11 April 2018 confidential report to Council.

Council resolved as follows on 11 April 2018:

That the Council:

1. *Endorses the engagement of Waves Environmental Liability and Risk Management (WELARM) to date as the City's environmental consultants for investigating, monitoring and reporting on potential groundwater contamination issues at the Busselton waste facility located at Lot 27 and Lot 500 Rendezvous Road, Vasse and compliance with relevant statutory requirements in relation thereto.*
2. *Endorses the procurement process in relation to WELARM's engagement as outlined in this report.*
3. *Authorises the Chief Executive Officer to extend WELARM's engagement to the extent that it is required for:*
 - (a) Preparation of a schedule for carrying out further investigations, risk assessment and management of Lot 27 and Lot 500 Rendezvous Road, Vasse and related sites in accordance with relevant statutory requirements; and*
 - (b) Formulation of the scope of services and technical specification required for implementation of the works mentioned in paragraph (a) above (the actions in paragraphs a and b referred to as the "Works Schedule"); and*
 - (c) Any expert environmental services in relation to these groundwater contamination issues required as a matter of urgency prior to reporting to Council pursuant to resolution 4 below.*
4. *Requests the Chief Executive Officer to report to Council, upon completion of the Works Schedule but in any event no later than August 2018, on:*
 - (a) The nature and extent of further investigations, risk assessment and management of the affected sites required in terms of the Works Schedule; and*
 - (b) Options for procurement of services required for implementation of the Works Schedule.*

In accordance with resolutions 3(a) and (b) above City officers engaged WELARM to formulate the scope of services and technical specification required for further Groundwater Investigations. In accordance with these instructions WELARM submitted early August 2018 a draft *Outline Sampling Analysis Quality Plan and Scoping Document (SAQP 2018)* which is currently under review by the Contaminated Sites Auditor.

The objective of the SAQP 2018 is to provide a framework/work scope for an experienced environmental consultant to address recommendations and implement further action that have to date been made by the Contaminated Sites Auditor, in accordance with DWER and other relevant requirements, guidelines and standards. The work scope will include:

- Summation of site identification details and the environmental setting of the area under investigation;
- Outlining relevant screening criteria for further Groundwater Investigations;
- Provision of data quality objectives which outline the rationale, decisions and information required to address the Contaminated Sites Auditor's further recommendations; and
- Providing scoping information to facilitate preparation/updating of required management plans.

The City's strategy for procurement of the expert services required under SAQP 2018 is discussed under the OFFICER COMMENT section of this report.

STATUTORY ENVIRONMENT

In terms of Section 3.57 of the *Local Government Act 1995 (Act)* a local government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods and services. Regulation 11(1) of the *Local Government (Functions and General) Regulations 1996 (Tender Regulations)* requires that, subject to certain exemptions, tenders to be publicly invited for such contracts where the estimated costs of providing the required goods and/or services is, or is expected to be, worth more than \$150,000.

It is expected that the costs of providing the services required under SAQP 2018 will exceed \$150,000. Therefore tenders will have to be publicly invited for procurement of these services.

Pursuant to Delegation LG3J the power to publicly invite tenders, to determine the tender selection criteria and, where the contract value does not exceed \$500,000, to decide which tender to accept, have been delegated to the Chief Executive Officer.

It is expected that the costs of providing the services required under SAQP 2018 will not exceed \$500,000 in which case the Chief Executive Officer will have the power to decide which tender to accept.

RELEVANT PLANS AND POLICIES

The City's Purchasing Policy has relevance to the procurement of expert consultancy services for implementation of SAQP 2018. The procurement process outlined in this report is consistent with the Purchasing Policy.

FINANCIAL IMPLICATIONS

Expenditure in relation to ongoing investigating, monitoring and managing of the groundwater contamination issues at and in the vicinity of the Tip Site has been approved by Council as part of the City's 2018/19 Waste Management business unit budget.

Long-term Financial Plan Implications

The ongoing investigations, short term remedial actions and community/stakeholder engagement activities undertaken or planned thus far in relation to these groundwater contamination issues have been funded out of the relevant operational budgets each financial year, and are expected to continue on that basis.

Pending the outcomes of investigations, the Long Term Financial Plan currently makes provision over the next five years for dealing with the impacts of the legacy contamination, including funding of mitigation and potential long term remediation costs and other liabilities which arise from this issue. This expenditure will be funded out of the Waste Infrastructure and Plant Reserve.

STRATEGIC COMMUNITY OBJECTIVES

The investigations, monitoring and management of the groundwater contamination issues at and in the vicinity of the Tip Site is consistent with **Council's Key Goal Area 6 – Leadership** and more specifically **Community Objective 6.3** – *Accountable leadership that is supported by a skilled and professional workforce.*

RISK ASSESSMENT

This report deals with the procedural requirements in relation to procurement of further expert consultancy services and not with the potential impact of groundwater contamination issues associated with the Tip Site.

The only risk identified in relation to the proposed procurement is the provision of sub-standard or poor quality services, which potentially could have operational and/or financial and/or reputational consequences for the City. However the required services have to be provided in accordance with relevant statutory requirements/guidelines and will be subject to scrutiny by the Contaminated Sites Auditor and DWER. From a risk assessment perspective these are considered to be satisfactory controls, resulting in the risk calculated to be at minor or lower level and therefore considered to be acceptable.

CONSULTATION

None

OFFICER COMMENT

Further Groundwater Investigations are required as a consequence of recommendations by the Contaminated Sites Auditor and to comply with the statutory requirements under the *Contaminated Sites Act 2003* (WA). In accordance with the 11 April 2018 Council resolution WELARM prepared SAQP 2018, which will inform the nature and extent of further Groundwater Investigations. SAQP 2018, which is currently under review by the Contaminated Sites Auditor, is expected to be finalised by end August 2018.

The services of a suitably qualified, accredited and experienced consultant/consultancy firm are required for implementation of SAQP 2018. Nationwide there are a number of potential service providers capable of successfully providing these services.

It is expected that the works/services required under SAQP 2018 will be completed by mid-2019, based on an indicative commencement date of early October 2018.

Under these circumstances and in accordance with Delegation LG3J the Chief Executive Officer directed City staff to proceed with publicly inviting tenders for implementation of SAQP 2018 once it has been finalised.

CONCLUSION

In terms of relevant statutory requirements SAQP 2018, once finalised, has to be implemented. It is considered that it will be most advantageous to the City to procure the services required for implementation of SAQP 2018 by way of a public tender process.

OPTIONS

For the reasons outlined in the 11 April 2018 Council report WELARM's engagement can be extended to provide the expert consultancy services required under SAQP 2018. However Council has indicated that their preference is to procure these services in the open market and therefore this option is not recommended.

10:14 am At this time the Manager of Finance Services left the meeting.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

The draft SAQP 2018 prepared by WELARM and currently under review by the Contaminated Sites Auditor is expected to be finalised by end August 2018. This will allow the City to invite and assess public tenders in September 2018 and to enter into a contract with the preferred service provider by early October 2018.

The indicative timeframe for implementing SAQP 2018 is 8 – 9 months.

10:17 am At this time the Manager of Finance Services returned to the meeting.

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

F1808/053 Moved Councillor J McCallum, seconded Councillor R Paine

That Council notes the contents of this report in relation to the procurement of expert services for contaminated sites investigations.

CARRIED 5/0

10:21 am At this time the Legal Services Coordinator left the meeting.

7. GENERAL DISCUSSION ITEMS

7.1 DLGSCI FINANCIAL STATISTICS

SUBJECT INDEX:

STRATEGIC OBJECTIVE: Governance systems, process and practices are responsible, ethical and transparent.

BUSINESS UNIT: Finance and Corporate Services

ACTIVITY UNIT:

REPORTING OFFICER: Director Finance and Corporate Services - Tony Nottle

AUTHORISING OFFICER: Director Finance and Corporate Services - Tony Nottle

VOTING REQUIREMENT: Simple Majority

ATTACHMENTS: Nil

Each year the Department of Local Government, Sport and Cultural Industries (DLGSCI) release financial statistics on all local governments after reviewing their annual reports. The results are summarised and released on their "My Council" website at www.mycouncil.wa.gov.au. The data is sourced from the audited Annual Financial Reports that are submitted to the DLGSCI.

This website allows the general public to view statistical information and financial data, as well as compare data with other local governments within Western Australia. A key feature of this site is the establishment of a Financial Health Indicator (FHI). The FHI is a measurement of a local government's overall financial health. The maximum score that can be achieved is 100, and a score above 70 indicates sound financial health.

Following the release of updated data in June 2018 (using the 2016/17 annual financial data) the City of Busselton achieved a FHI score of 75, an increase from 70 in 2015/16.

The seven financial ratios as required by W.A. Local Government regulation are used to analyse and rank the financial health of LG's.

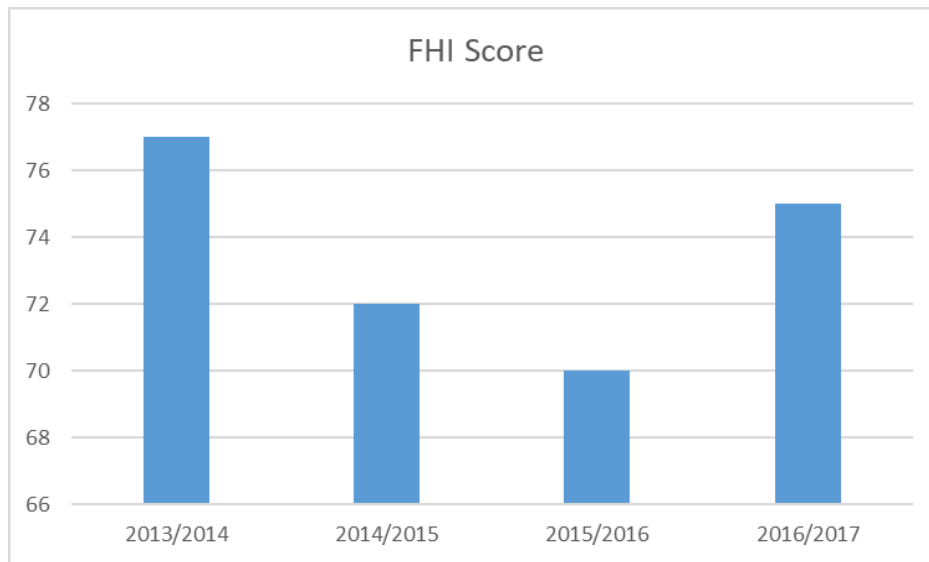
The seven financial ratios are:

1. The current ratio,
2. The asset consumption ratio,
3. The asset renewal funding ratio,
4. The asset sustainability ratio,
5. The debt service cover ratio (DSCR),
6. The operating surplus ratio, and
7. The own source revenue coverage ratio.

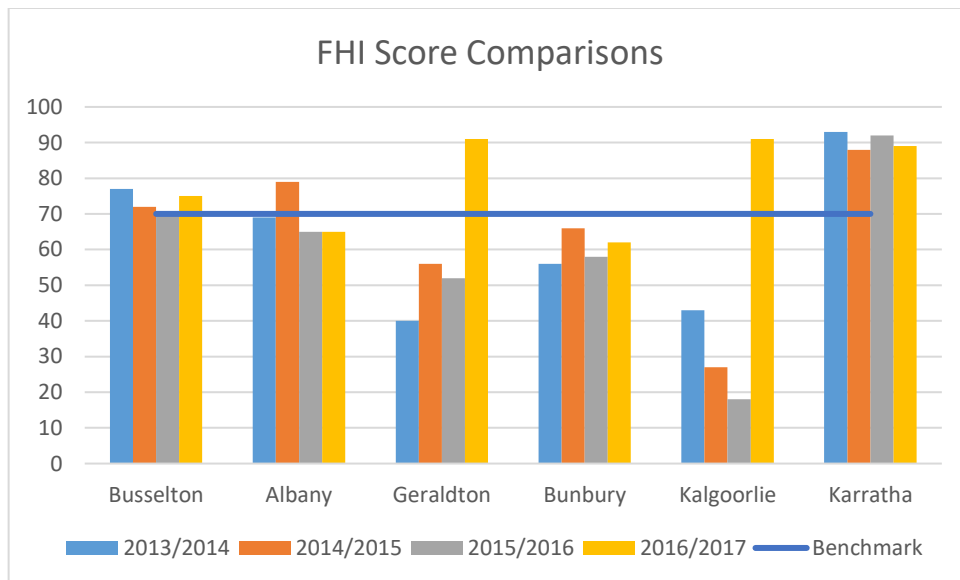
The ratios are recorded for each LG on a financial year basis and are used in the calculation of a corresponding annual FHI result.

Weightings are applied to each ratio to arrive at a scale factor between 0 and 10. A scale factor is used to provide a final score between 0 and 100. Detail on this methodology can be found at the MyCouncil website.

The City's overall FHI score was declining over the last 3 years, however it has improved in 2016/17.































A comparison of similar Councils has been undertaken showing that the City is performing well and in particular “consistent” in comparison to its like counterparts.



Of the individual ratios, the City has achieved the Department established benchmark or better in all categories bar the Current Ratio (CR). The CR is a measure of liquidity for the

organisation which determines its ability to meet its short term financial obligations. The CR is calculated by dividing the City’s current assets by the current liabilities. The deemed benchmark standard for the CR is 1.00 or higher.

The figure below indicates the City’s performance against each category reported within the Annual Reports.

Name	Current Ratio	Asset Consumption Ratio	Asset Renewal Ratio	Asset Sustainability Ratio	Debt Service Cover Ratio	Operating Surplus Ratio	Own Source Revenue Coverage Ratio
2013/2014							
Busseilton	0.85	0.67	1.00	1.61	12.80	0.04	0.97
Standard	≥ 1.00	≥ 0.50	≥ 0.75	≥ 0.90	≥ 2.00	≥ 0.01	≥ 0.40
Standards Met	No 	Yes 	Yes 	Yes 	Yes 	Yes 	Yes 
2014/2015							
Busseilton	0.77	0.73	1.00	1.06	6.58	0.05	0.96
Standard	≥ 1.00	≥ 0.50	≥ 0.75	≥ 0.90	≥ 2.00	≥ 0.01	≥ 0.40
Standards Met	No 	Yes 	Yes 	Yes 	Yes 	Yes 	Yes 
2015/2016							
Busseilton	0.74	0.73	1.00	1.25	6.04	0.04	0.95
Standard	≥ 1.00	≥ 0.50	≥ 0.75	≥ 0.90	≥ 2.00	≥ 0.01	≥ 0.40
Standards Met	No 	Yes 	Yes 	Yes 	Yes 	Yes 	Yes 
2016/2017							
Busseilton	0.81	0.72	1.00	1.85	6.38	0.05	0.96
Standard	≥ 1.00	≥ 0.50	≥ 0.75	≥ 0.90	≥ 2.00	≥ 0.01	≥ 0.40
Standards Met	No 	Yes 	Yes 	Yes 	Yes 	Yes 	Yes 

It is clear since the introduction of the release of data and the overall FHI scores, that a concerted effort by all local governments across Western Australia has taken place to improve its ratios and ultimately their financial position.

It is important to note though, that while the FHI is a clear measure, it does not take into account the local governments other performance measures which may include efficiency, range of services and community satisfaction. Considering the recent community survey results, there is evidence that indicates the City performs well in this respect also.

The City's auditors (AMD) also provided the following comment in its Management letter to the CEO during its Audit of the 2016/17 financial statements:

"9.0 Financial Ratios

Note 18 to Council's financial report and the supplementary information includes 7 financial ratios as required to be reported by the Local Government (Financial Management) Regulation 1996. For the past 3 financial years to 30 June 2017, Council has either met or exceeded the standard set by the Department of Local Government for 6 of the 7 reported ratios.

Council's current ratio reported at 0.81 as at 30 June 2017 (0.74 at 30 June 2016 and 0.78 at 30 June 2015) is less than the standard set as at 1.0 by the Department.

However, as we have acknowledged in prior years; the current ratio calculation excludes Council's restricted assets of \$81.7m at 30 June 2017, within this balance are Council's significant level of cash backed reserves of \$43.5m."

It is expected that a similar comment will be made in this year's (30 June 2018) report.

While the City meets the FHI benchmark, our aim is to also improve it further by focusing on other strategies to increase our CR.

Some of the methods considered will be:

- Ascertaining what inventory exists and capturing it more accurately
- Paying off creditors accounts on a more timely schedule
- Review of unproductive (lazy) assets
- Vigilant management and control of Debtors accounts and billing notices
- Treatment of FAG's Grants prepayments

10:31 am At this time Councillor R Bennett left the meeting.

In addition to the above methods, reviews of the City's reserves will occur on an ongoing basis to ensure that the healthy reserve levels are maintained, as well as utilised where needed to assist with the City's financial position.

It is expected that the 2017/18 Current Ratio will be approximately 0.88 with the treatment of FAG's prepayments taken into consideration. This should contribute to an improved FHI score in the forthcoming financial year.

10:33 am At this time Councillor R Bennett returned to the meeting.

COMMITTEE DECISION

F1808/054 Moved Councillor R Reekie, seconded Councillor J McCallum

That the Finance Committee note the DLGSCI Financial Statistics.

CARRIED 5/0

7.2 TEN YEAR CAPITAL PROJECT TABLE

SUBJECT INDEX:	Capital Projects
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Director Finance and Corporate Services - Tony Nottle
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

The Director of Finance and Corporate Services presented the Committee with a table outlining the Capital Project Expenditure from 2009 – 2018.

COMMITTEE DECISION

F1808/055 Moved Councillor J McCallum, seconded Councillor R Paine

That the Finance Committee note the Capital Project Expenditure from 2009 – 2018.

CARRIED 5/0

8. **NEXT MEETING DATE**

Thursday, 20 September 2018

9. **CLOSURE**

The meeting closed at 10.44 am.

THESE MINUTES CONSISTING OF PAGES 1 TO 28 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON THURSDAY, 20 SEPTEMBER 2018.

DATE: _____ PRESIDING MEMBER: _____