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

CITY OF BUSSELTON

MINUTES FOR THE FINANCE COMMITTEE MEETING HELD ON 3 AUGUST 2017

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MINUTES

MINUTES OF A MEETING OF THE FINANCE COMMITTEE HELD IN COUNCIL COMMITTEE ROOM , ON 3 AUGUST 2017 AT 9.30AM.

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 9.30am.

2. ATTENDANCE

Presiding Member:

Cr John McCallum

Members:

Cr Grant Henley Mayor

Cr Gordon Bleechmore

Cr Ross Paine Deputy Member

Officers:

Mr Cliff Frewing, Director, Finance and Corporate Services

Mr Kim Dolzadelli, Manager, Finance Services

Mr Dan Hall, Asset Coordinator (left at 10.00am)

Apologies

Cr Terry Best

Cr Paul Carter

3. PUBLIC QUESTION TIME

4. DISCLOSURE OF INTERESTS

5. CONFIRMATION OF MINUTES

5.1 Minutes of the Finance Committee Meeting held 20 July 2017

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

F1708/043

Moved Councillor G Henley, seconded Councillor G Bleechmore

That the Minutes of the Finance Committee Meeting held 20 July 2017 be confirmed as a true and correct record.

CARRIED 4/0

6. REPORTS

6.1 DONATIONS/CONTRIBUTIONS AND SUBSIDIES FUND

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:	Councillor Support Officer - Lisa Haste
AUTHORISING OFFICER:	Director, Finance and Corporate Services - Cliff Frewing
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

This report provides an overview of the Donations and Contributions that have been allocated, that is considered of relevance to members of the Finance Committee, and also the Council.

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

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

- 106 applications for sponsorship have been received during this financial year.
 - The average donation approved for the financial year is \$353.30
 - There were 10 applications for sponsorship received or assessed during June 2017.
 - Expenditure from the Donations, Contributions and Subsidies Fund (Sponsorship Fund) for the financial year totals \$37,447
- Total budget for the Donations, Contributions and Subsidies Fund (Sponsorship Fund) is \$37,450.

App. No.	Recipient	Purpose	Amount
99/1617	Santina Pillonel	Representing WA at the 2017 State School sport Cross Country competition in Hobart. Funds to assist with travel costs.	\$200
100/1617	Zonta Club of Dunsborough	Holding a fundraising bridge day at the NCC. The Bridge Day brings in visitors from Perth and country areas, and is raising money for local efforts. Funds to be transferred for room hire at the NCC	\$485
101/1617	St Mary McKillop College	Requested funding to assist with costs for 10 students to attend the 2017 Catholic Youth Festival in Sydney. There are no selection requirements for this festival so it does not fit in with the guidelines.	\$0
102/1617	Jay Cooper	Requesting funds to get his registration to coach boxing to teenagers, helping them get off drugs and anti-social behaviour. Does not meet the guidelines	\$0
103/1617	Busselton Go Kart Club	Holding a 3 day event in Busselton - seeking funds to perform essential work on the track to improve conditions and safety	\$750

App. No.	Recipient	Purpose	Amount
104/1617	Kurt Turner	Representing WA at the Singapore Cup. Hosted by Football West	\$200
105/1617	Holistic Health Network	Holding a SW Wellness Expo promoting health services. Funds to assist with running costs of the event.	\$750
106/1617	Undalup Association	Holding a 3 day event for NAIDOC week. Funds requested for cultural workshops, paint and dance resources for children's activities	\$980

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION**F1708/044** Moved Councillor R Paine, seconded Councillor G Henley

That the donations and sponsorships for the month of June 2017 be noted.

CARRIED 4/0

6.2 ASSET MANAGEMENT REPORT

SUBJECT INDEX:

STRATEGIC OBJECTIVE:	Assets are well maintained and responsibly managed.
BUSINESS UNIT:	Engineering and Facilities Services
ACTIVITY UNIT:	
REPORTING OFFICER:	Asset Coordinator - Daniel Hall
AUTHORISING OFFICER:	Director, Engineering and Works Services - Oliver Darby
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

The Purpose of this report to provide the finance committee with asset management information relevant to the financial management of the City of Busselton. It will outline what the activities are and how they will or may impact the financial management of the City. It is not intended as an exhaustive list of all the asset management undertakings for the period, rather a targeted report detailing issues relevant to the Finance Committee.

Asset Management Report

Lifecycle Costing Reports

Asset staff have recently assisted other business units through the provision of lifecycle costing reports. These reports are undertaken as a means of quantifying the costs of operating and maintaining assets over a set period of time – usually twenty years. A lifecycle costing report provides the total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs. The operation and maintenance costs are the generally the most critical element of these reports as they provide and insight into the estimated annual expense of these assets for the Council.

In most instances these reports are provide to assist with grant applications, which now require the Council to demonstrate that they have the financial capacity to maintain and operate the asset following its construction.

The Lifecycle reports are undertaken ‘in-house’ utilising the skills and varied experience of the asset management team. This represents a saving to the Council in terms of annual consultancy expenditure.

Recent reports undertaken were as follows;

- Airport – lifecycle costing for existing and proposed landside and airside infrastructure, including buildings, gardens and irrigation, runways, taxiways, roads, carparks and plant and equipment.
- Lou Weston Oval – lifecycle costing for proposed sports pavilion. This also included some building design work undertaken by the Asset Officer for Buildings.
- Busselton Family Centre and Busselton Child Care Centre – Lifecycle costing and current

condition assessment of these buildings. Undertaken as part of Council’s discussions with the Department of Local Government and Communities regarding the transition of the two properties to the City.

National Asset Management Framework (NAMAF)

Asset staff recently completed phase 1 of the NAMAF project . The project is designed to assess each local government's current asset management capabilities, linkage with corporate documents such as Strategic Community Plan and Long Term Financial Plan and outline any areas for improvement.

The project is being administered by the Department for Local Government and Communities, with funding from the Royalties for Regions Country Local Government Fund. Other than staff time, the project is fully funded by Royalties for Regions.

Participation in this project not only has the potential to improve the financial sustainability of the City in the long term. It may also improve the prospect of attracting assets and infrastructure funding in the future.

Phase 1 consisted of staff spending time with an asset management consultant to complete the NAMAF on-line tool. This provides a snapshot of the Cities current asset management capabilities as well as benchmarking against similar like-sized Councils. Whilst a formal report is yet to be received, initial feedback given indicated that the City's corporate documents were of a high standard along with staff knowledge and expertise. Level of Service Planning and formalisation of technical working documents, such as the asset management strategy and Improvement Plan.

The full report will be presented to the Finance Committee once it is received from the Department of Local Government.

Donated Assets

Donated assets worth \$7M (replacement value) were received by the City for roads, paths and drainage for 2016/17. This consisted of \$3.6M for roads, \$990,000 for footpaths, \$1.9M for drainage and \$494,000 for landscape, signage and other minor assets associated with roads. These donated assets were mainly located in Vasse and were constructed as part of subdivisions for Dawson Stage 3B, Heron lakes Stage 1 and 2. Other notable inclusions were Dunsborough Lakes and Naturaliste Height

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

F1708/045 Moved Councillor G Bleechmore, seconded Councillor G Henley

That the Council note the Asset Management Report for June 2017.

CARRIED 4/0

6.3 FINANCIAL ACTIVITY STATEMENTS - PERIOD ENDING 30 JUNE 2017

SUBJECT INDEX:	Budget Planning and Reporting
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Finance and Corporate Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director, Finance and Corporate Services - Cliff Frewing
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A Statement of Financial Activity as at 30 June 2017⇒ Attachment B Investments Report as at 30 June 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 30 June 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.

COMMENTS ON FINANCIAL ACTIVITY TO 30 June 2017

Operating Activity

- Operating Revenue

As at 30 June 2017, there is a variance of -23.49% (-\$26M) in total operating revenue, with the following categories exceeding the 10% material variance threshold:

Description	2016/2017 Amended Budget	2016/2017 Actual	2016/17 YTD Bud (A) Variance \$	2016/17 YTD Bud (A) Variance %
Operating Grants, Subsidies and Contributions	5,171,217	6,364,207	1,192,990	+23.07%
Interest Earnings	3,330,887	2,542,850	(788,037)	-30.99%
Non-Operating Grants, Subsidies and Contributions	45,891,102	17,605,369	(28,285,723)	-61.64%
Profit on Asset Disposals	30,617	47,614	17,447	57.83%

The variances are predominantly attributable to the following activities:

Operating Grants, Subsidies and Contributions +\$1.19M

- Financial Assistance Grants prepayment of \$1.15M

Interest Earnings -\$788k

- Reserves -\$517k
- Restricted Assets -\$239k

Non-Operating Grants, Subsidies and Contributions -\$28.3M

- Donated Assets -\$7.2M
- Airport Development -\$19.6M
- Community Youth Building/SLSC -\$1.3M

Due to the offset nature with Capital Expenditure the Capital Revenue (Non-Operating Grants, Subsidies and Contributions) category had minimal impact on the overall year end surplus position. Furthermore the Financial Assistance Grants prepayment will be restricted and bought into the 2017/2018 Budget.

Operating Expenditure

Against an amended budget of \$65M, total operating expenditure of \$64.1M was achieved as at 30 June 2017, reflecting a favourable variance of -\$0.9M, or -1.4%.

However due to their nature, most variances had limited impact on the closing surplus position. Whilst depreciation expense is fully discounted from the surplus/ deficit calculation, so are employee provisions, which accounted for the majority of the Employee Costs variance at financial year end.

Description	2016/2017 Amended Budget	2016/2017 Actual	2016/17 YTD Bud (A) Variance \$	2016/17 YTD Bud (A) Variance %
Other Expenditure	(3,099,864)	(2,591,693)	508,171	16.39%

Other Expenditure +\$508

The variances are predominantly attributable to the following activities:

- Community Services Administration, namely Marketing & Promotion \$156K, events Sponsorship (Diff Rates) \$15K, Airport Development project expense \$30K
- Office of the CEO, namely CAPEROC - Regional Development \$22k and CEO Discretionary Funding \$39K
- Public Relations, Marketing & Promotions and Catering \$31K
- Members of Council, namely Elected Members Refreshment & Functions \$18k, Training \$5k, Catering \$6k meeting expenses 19k and Elected members attire \$4k
- Rates Administration, namely Rating Valuations \$14k
- Winderlup Court Aged Housing, namely Payout of resident Funded Unit \$58k
- Financial Services, Valuation Expenses (Fair Value) \$49K
- Planning Administration, namely Façade Refurbishment Policy \$20K

Capital Activity

▪ Capital Revenue

As at 30 June 2017, capital revenue fell short of annual budget estimates by approximately -\$30.4M, or -32%. This is primarily the result of the items following items.

- Donated Assets -\$7.2M
- Airport Development -\$19.7M
- Community Youth Building/SLSC -\$1.3M

Performance in this category had limited impact on the closing surplus position, due to the offset nature of the associated expenditure related transactions.

- Capital Expenditure

As at 30 June 2017, total capital expenditure was underspent against annual budget estimates by approximately -\$49.7M, or -34%. This is primarily the result of underspend against the following items:

- Airport Development -\$34.5M
- Busselton Foreshore Precinct -\$2.5M
- Youth Precinct Community Youth Building/SLSC -\$1.3M
- Dunsborough Town Centre Carparking -\$1.35M
- Waste Infrastructure -\$1.3M
- MRWA Roads -\$1.49M
- Foreshore Parade and Queen Street upgrades - \$0.76m
- Road Construction -\$0.62M
- Vasse Community Recreation Precinct -\$0.42M
- Port Geographe Boat Trailer Parking Layout Redevelopment -\$0.2M

Due to the offset nature with Capital Revenue the Capital Expenditure category had minimal impact on the overall year end surplus position.

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 30 June 2017, the value of the City's invested funds totalled \$85.77M, decreasing from \$94.7M as at 1st June. The decrease is due to funds being utilised for operational purposes including the Admin Building and Airport projects.

During the month of June \$25.5M in term deposit funds matured. Deposits totalling \$19.5M were renewed for an average of 126 days at an average rate of 2.37%. Deposits totalling \$6.0M were closed.

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 \$5.0M due to funds being required for operational purposes. The balance of the Airport development ANZ cash account increased by \$2.1M at month's end, with the balance fluctuating as term deposits are closed and then the funds utilised on the project.

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

Chief Executive Officer – Corporate Credit Card

Details of monthly (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
31-May-17	\$14.50	Firestation, Busselton	Beverages, meeting with Local Member
15-Jun-17	\$12.42	City of Perth	Parking: WARCA Meeting
15-Jun-17	\$100.00	Pullman Resort, Bunker Bay	Gif Voucher for Staff Reward & Recognition

CONCLUSION

As at 30 June 2017, the City’s financial performance is considered satisfactory with a closing surplus position in the order of \$1,839K being achieved. The figure includes approximately \$1,186K in identified carry-over items, to be funded from the surplus and is contained within the 2017/2018 Draft Annual Budget. This has enabled a residual \$653K in surplus funds to be transferred to Reserve funds as savings, as per Council’s resolution.

- 10.03 am At this time Coordinator Assets left the meeting.
- 10.03 am At this time Councillor G Henley left the meeting.
- 10.10 am At this time Councillor G Henley returned to the meeting

COMMITTEE RECOMMENDATION AND OFFICER RECOMMENDATION

F1708/046 Moved Councillor G Bleechmore, seconded Councillor G Henley

That the Council receives the statutory financial activity statement reports for the period ending 30 June 2017, pursuant to Regulation 34(4) of the Local Government (Financial Management) Regulations.

CARRIED 4/0

6.4 LIST OF PAYMENTS MADE - JUNE 2017

SUBJECT INDEX:	Financial Operations
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Finance and Corporate Services
REPORTING OFFICER:	Manager Financial Services - Kim Dolzadelli
AUTHORISING OFFICER:	Director, Finance and Corporate Services - Cliff Frewing
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A List of Payments made June 2017 ⇒

PRÉCIS

This report provides details of payments made from the City's bank accounts for the month of June 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 June 2017 is presented for information.

CONCLUSION

NA.

OPTIONS

NA.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

NA.

10:30 am At this time Councillor G Henley left the meeting.

Committee Recommendation and Officer Recommendation

F1708/047 Moved Councillor G Bleechmore, seconded Councillor R Paine

That the Council notes payment of voucher numbers M114431 – M114571, EF052669 – EF053312, T007342 – T007348, and DD003140 – DD003174; together totalling \$16,563,752.91.

CARRIED 3/0

10:37 am At this time Councillor G Henley returned to the meeting.

7. GENERAL DISCUSSION ITEMS

Discussion occurred on the following topics:

- Successful grant application for \$1.5M announced by Prime Minister in relation to the Busselton Jetty Precinct.
- Tip passes
- New Admin Building – Provision of photovoltaics
- Solar panels at Milne Street Pavilion

8. NEXT MEETING DATE

Thursday, 7 September 2017

9. CLOSURE

The meeting closed at 10.55am.

<p>THESE MINUTES CONSISTING OF PAGES 1 TO 15 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON THURSDAY, 7 SEPTEMBER 2017.</p>	
<p>DATE: _____</p>	<p>PRESIDING MEMBER _____</p>