

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

**CITY OF BUSSELTON**

**MINUTES FOR THE FINANCE COMMITTEE MEETING HELD ON 21 JULY 2016**

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## MINUTES

MINUTES OF FINANCE COMMITTEE MEETING HELD IN MEETING ROOM ONE, COMMUNITY RESOURCE CENTRE, 21 CAMMILLERI STREET, BUSSELTON, ON 21 JULY 2016 AT 9.30AM.

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

The Presiding Member opened the meeting at 9.27am.

### 2. ATTENDANCE

Presiding Member:

Cr John McCallum

Members:

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

Officers:

Mr Matthew Smith, Acting, Director, Chief Executive Officer  
Mr Stuart Wells, Strategic Financial Plan Accountant  
Mr Ehab Gowegati, Financial Accountant  
Mr Jeffrey Corker, Financial Compliance Officer  
Miss Hayley Barge, Administration Officer, Governance

Apologies

Mr Mike Archer, Chief Executive Officer

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 2 June 2016

**Committee Decision**

**F1607/036**

Moved Councillor P Carter, seconded Councillor G Henley

That the Minutes of the Finance Committee Meeting held 2 June 2016 be confirmed as a true and correct record.

**CARRIED 5/0**

## **6. REPORTS**

### **6.1 FINANCE COMMITTEE INFORMATION BULLETIN - PERIOD ENDING 31 MAY 2016**

<b>SUBJECT INDEX:</b>	Councillors' Information
<b>STRATEGIC OBJECTIVE:</b>	An organisation that is managed effectively and achieves positive outcomes for the community.
<b>BUSINESS UNIT:</b>	Engineering and Facilities Services
<b>ACTIVITY UNIT:</b>	Executive Services
<b>REPORTING OFFICER:</b>	Asset Coordinator - Dan Hall Financial Compliance Officer - Jeffrey Corker Governance Support Officer - Lisa Haste
<b>AUTHORISING OFFICER:</b>	Chief Executive Officer - Mike Archer
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Attachment A Investment Performance Report - Period Ending 31 May 2016

#### **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. Investment Performance 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 May 2016, the value of the City's invested funds totalled \$118.5M, down from \$121.5M as at 1 May.

During the month of May \$29.0M in term deposit funds matured. \$28.0M in deposits were renegotiated, for an average of 140 days at an average rate of 2.89% (down from 2.98% in April). \$1.0M in deposits was closed to provide funds for normal operational activity.

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) remained un-changed.

The RBA cut official rates by 0.25% at the beginning of May and this had a direct impact upon interest rates on offer for the remainder of the month. Further cuts are possible as soon as August / September, and this is continuing to weigh down rates on offer.

##### **2. 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
05-May-16	279.45	Retail Display Direct (L&W Int.)	Portable Lectern
05-May-16	297.79	Createsend.Com	Electronic Distribution Of Bay To Bay April-May 2016
06-May-16	545.46	Quest, Rockingham	Accommodation.: Aust. Coast Council Conference (Cr. McCallum)
09-May-16	510.00	Qantas	*CEO Frequent Flyer Membership
18-May-16	189.00	Vasse Bar	Dinner After Council
24-May-16	499.95	City of Darwin	*LG Chief Officer Meeting 13-15 July

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

### **3. Voluntary Contributions/Donations (Income)**

*At its meeting of 22 September 2010, the Council adopted (C1009/329) its Voluntary Contributions/Donations Policy. This Policy requires that the Finance Committee be informed (via an information only bulletin) of any instances whereby voluntary contributions/ donations are approved by the Chief Executive Officer or jointly by the Mayor and Chief Executive Officer.*

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

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

Council resolved in April 2010 (C1004/132) a move towards a tiered system of funding and following the 6 October 2011 Finance Committee meeting, it was recommended to Council that the delegation to determine the allocations of sponsorship and donations from the sponsorship fund be revoked and be returned to the Chief Executive Officer to enable a more timely turnaround of sponsorship applications.

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

- 83 applications for sponsorship have been received during this financial year.
- The average donation approved for the financial year is \$396.69
- There were 12 applications for sponsorship received or assessed during May 2016.
- Expenditure from the Donations, Contributions and Subsidies Fund (Sponsorship Fund) for the financial year totals \$32,925.91.
- Total budget for the Donations, Contributions and Subsidies Fund (Sponsorship Fund) is \$36,830.00.

App. No.	Recipient	Purpose	Amount
72/1516	Rovers Junior Football Club	Funds to assist with purchasing new equipment, club shirts and first aid. Unsuccessful, does not fit in with guidelines. The Club was provided information to apply for community bids.	\$0
73/1516	Caelin Winchcombe	Funds to assist with travel to a Sailing competition in Ireland. Unsuccessful as funds have already been received this financial year for another competition.	\$0
74/1516	Dunsborough Progress Association and DYCCI	Funds to assist with Hannay Lane street party - marquee, advertising, lighting etc.	\$750

App. No.	Recipient	Purpose	Amount
75/1516	Karen Nicholls for Camp Quality	Karen is participating in a Charity fight night for Camp Quality. Funds were requested as a donation to Camp Quality.	\$0
76/1516	Mayoral Prayer Breakfast	Funds to assist with venue hire, stationery and printing costs	\$2,500
77/1516	SW Holistic health network	Funds to assist with expo being held in October showcasing holistic health. The event is being held in the Cultural precinct and requires road closures and traffic management.	\$750
78/1516	South west Counselling inc	SW Counselling are presenting at a conference in Melbourne. Funds requested to assist with conference registration.	\$0
79/1516	Jaylen Colegate	Funds requested to assist with travel to U16's men's basketball competition in July. Unsuccessful, funds have already been received this financial year for another competition.	\$0
80/1516	Dunsborough Yallingup Chamber of Commerce	Seeking funds to film "the good ol' days" a memoir of Dunsborough stories. Unsuccessful, funds already received this financial year.	\$0
81/1516	Zonta Club of Dunsborough Inc	Funds requested for room hire at the NCC for the Zonta Club's Competition Bridge Day. Competition brings entrants from out of town and will raise money to help prevent violence against women.	\$470
82/1516	Sachin Parker	Sachin is 9 years old and was diagnosed with Perthes disease in 2015 and is confined to a wheelchair for the next 5 years. Sachin is attending a Camp for children with Perthes disease so he can share experiences with the other children and create a network of support. Funded on compassionate grounds to assist Sachin's attendance.	\$200
83/1516	Aveland Ceray	Representing WA at the International Athletics Championships in Singapore. Funds to assist with travel and accommodation costs.	\$200

## 5. Asset Management Report

No report.

### Committee Decision and Officer Recommendation

**F1607/037** Moved Councillor G Bleachmore, seconded Councillor T Best

That the Finance Committee notes the Finance Committee Information Bulletin for the month of May 2016.

**CARRIED 5/0**

## 6.2 LIST OF PAYMENTS MADE - MAY 2016

<b>SUBJECT INDEX:</b>	Financial Operations
<b>STRATEGIC OBJECTIVE:</b>	An organisation that is managed effectively and achieves positive outcomes for the community.
<b>BUSINESS UNIT:</b>	Financial Services
<b>ACTIVITY UNIT:</b>	Finance
<b>REPORTING OFFICER:</b>	Financial Accountant - Ehab Gowegati
<b>AUTHORISING OFFICER:</b>	Director, Finance and Corporate Services - Matthew Smith
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Attachment A List of Payments Made - May 2017

### **PRÉCIS**

This report provides details of payments made from the City's bank accounts for the month of May 2016, 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 6.3 – 'An organisation that is managed effectively and achieves positive outcomes for the community'.

### **RISK ASSESSMENT**

NA.

### **CONSULTATION**

NA.

**OFFICER COMMENT**

NA.

**CONCLUSION**

NA.

**OPTIONS**

NA.

**TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION**

NA.

**Committee Recommendation and Officer Recommendation**

**F1607/038** Moved Councillor P Carter, seconded Councillor T Best

That the Council notes payment of voucher numbers M112924 – M113013, EF046152 – EF046651, T007236 – T007256, and DD002759 – DD002783; together totaling \$6,350,101.33.

**CARRIED 5/0**

### 6.3 FINANCIAL ACTIVITY STATEMENTS - PERIOD ENDED 31 MAY 2016

<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>	Financial Services
<b>ACTIVITY UNIT:</b>	Financial Services
<b>REPORTING OFFICER:</b>	Strategic Financial Plan Accountant - Stuart Wells Financial Accountant - Ehab Gowegati
<b>AUTHORISING OFFICER:</b>	Director, Finance and Corporate Services - Matthew Smith
<b>VOTING REQUIREMENT:</b>	Simple Majority
<b>ATTACHMENTS:</b>	Attachment A Financial Activity Statements - May 2016

#### **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 May 2016.

#### **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 23 July 2015, the Council adopted (C1507/208) the following material variance reporting threshold for the 2015/16 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 2015/16 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**

NA.

## **FINANCIAL 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 6.3 - ‘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 the monthly Financial Activity Statement report is a treatment/control that assists in addressing this risk.

## **CONSULTATION**

NA.

## **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 year to date 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 year to date basis, and reconciles with the net current position as per the Statement of Financial Activity.

- Capital Acquisition Report

This report provides year to date 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 year to date basis.

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

## COMMENTS ON FINANCIAL ACTIVITY TO 31 MAY 2016

Comments on the financial activity and a brief explanation of variances are provided below.

### Operating Activity

- Operating Revenue

As at 31 May 2016, there is a variance of +0.3% in total operating revenue, with the following categories exceeding the 10% material variance threshold:

Description	Variance %	Variance \$000's
Operating Grants, Subsidies and Contributions	+14%	+\$501
Interest Earnings	+42%	+\$793
Non-Operating Grants, Subsidies and Contributions	-17%	-\$1,335
Profit on Asset Disposal	+31%	+\$5

### **Operating Grants, Subsidies and Contributions (+\$501K)**

The current variance on operating grants, subsidies and contributions is primarily attributable to:

- Office of the CEO revenue is favourable to budget by +\$40k. This is mainly attributable to +\$38k revenue received for the CapeRoc project allocations and management studies and +\$2k silver funding sponsorship for the Busselton Skate park opening (Sunday 13<sup>th</sup> December 2015).
- Operations Services Works revenue is favourable to budget by +\$46k. This is mainly attributable to the reimbursement of workers compensation funds which offsets expenditure that has already been incurred.
- Financial Services revenue is favourable to budget by +\$72k. This is attributable to the receipt of an unbudgeted distribution from the Local Government Insurance Scheme (LGIS) for the 2015 scheme member dividend. A total of \$6m was redistributed to members, with the City's share amounting to +\$37k. The City also received from LGIS an additional +\$24k in insurance recoup claims attributable to the Busselton Hockey Club and the Busselton Horse and Pony Club. These funds were then on-forwarded to these community groups to offset expenditure already incurred. The remaining +\$11k is for the receipt of funds associated with parental leave payments. This additional revenue also offsets expenditure already incurred by the City.
- Fire Prevention Services revenue is favourable to budget by +\$103k. This is mainly attributable to the receipt of unbudgeted revenue on the finalisation of the 2014/15 DFES reconciliation of +\$66k. There is an additional \$37k that has been received over and above budget in contributions and reimbursements, \$18k relates to budget timing and is expected to reduce in June.
- Civic and Administration Centre revenue is favourable to budget by +\$228k. This is attributable to a contribution by BCG towards costs associated with the building design, as per contract negotiations. The final amount is still to be confirmed and therefore an immaterial variance may occur on the final amount received.
- Engineering Services Administration is favorable to budget by +\$40k, this is a timing variance only as two grants received in May were budgeted to be received in June. The end of year variance

will actually be unfavourable by \$26k, however the corresponding expenditure will not be spent, thus offsetting the variance and having no net impact on the City's bottom line.

- New river east loop trail Lotterywest grant favourable to budget by +\$34k.
- Legal and Compliance Services Revenue favourable to budget by +\$25k, consisting of reimbursement of legal fees +\$13k, approximately \$9k of which relates to pre-payment of potential legal costs which was ultimately not required and which will be refunded, and parenting leave payments +\$12k, which are offset against expenditure.
- Meelup Regional Park favourable to budget by +\$23k, consisting of +\$21k in grants above budget and +\$2k in insurance recoveries. Both amounts are ultimately offset by expenditure.
- Transport Fleet Management favourable to budget by +\$22k, consisting of LGIS/Zurich good driver rebate +\$11k and funding for Heavy Duty Diesel Mechanic apprentice by Rio Tinto +\$11k.
- Recreation Administration favourable to budget by +\$15k due to Kidsport funding being \$75k against a budget of \$60k.
- Naturaliste Community Centre favourable to budget by +\$15k due to unbudgeted grant from Department of Local Government and Community.
- Statutory Planning favourable to budget by +\$10k due to parenting leave payment received.
- Miscellaneous Bridge maintenance is below budget expectations by -\$180k. Fifty percent of the funds were received in May (\$180k), with the remaining work and funding anticipated to be carried over into next financial year.
- Other combined variances of +\$8k.

#### **Interest Earnings (+\$793K)**

The current variance on interest earnings is primarily attributable to:

- Late payment interest of +\$32k.
- Instalment plan interest of +\$3k.
- Interest on Municipal funds of -\$60k.
- Interest on reserve funds of +\$218k. The reserves balance currently includes \$15.9m loan funds for the Administration building redevelopment which is yet to be utilised. Due to the higher than anticipated balance at this time, interest earned has exceeded budget projections. It is noted of the \$218k in additional interest, \$130k is attributable to the Civic and Administration Centre Construction Reserve.
- Interest on restricted funds of +\$600k. This relates to interest on airport funds which is not budgeted for. The Airport grant agreement requires these funds be applied towards the Airport project.

#### **Non-Operating Grants, Subsidies and Contributions (-\$1,335K)**

The current variance on non-operating grants, subsidies and contributions is primarily attributable to:

- Developer contributions revenue to date is +\$102k over budget. This is partly a timing difference. This line item has no impact on the budget as all developer contributions are transferred to restricted assets accounts to be used in subsequent periods for the purpose for which they were raised.
- Bridges construction program projected revenue is under budget by -\$645k. This is attributable to;
  - Federal funding of -\$288k towards the Queen Street Bridge design and preliminary works, which has been delayed pending the Busselton Traffic Study. Although some work has commenced the grant will not be claimed this financial year;
  - Works valued at \$304k for the Metricup Road Bridge were postponed to next year due to an unacceptable impact on tourist traffic. Both these projects will be carried forward and completed in the 16/17 financial year.
- Busselton shark net revenue is +\$100k over the year to date budget. This is reflective of a timing difference with the budget revenue being allocated to June.
- Busselton Foreshore projects are on the whole -\$490k below the year to budget. The main variances are attributable to;

- Foreshore East Youth Precinct (skate park and adventure playground) revenue is +\$614k over the year to date budget, due to a budget allocation timing difference;
- Provision of Services and Auxiliary works revenue is below budget by -\$1.4m. This is due to the \$4.5m Royalties for Regions grant being pending, with likely notification in June.
- Footpath construction works on the whole is below the year to date budget by -\$212k. This is attributable to;
  - Busselton Bypass, Strelly Street to Clydebank Avenue revenue is -\$92k below budget projections. This is a timing variance only as the City can only claim the 50% grant contribution in arrears, upon completion of the project. The acquittal has been completed and payment is now pending. Approval was sought and granted to use some of the unspent grant monies against an alternative cycleway project.
  - Busselton Bypass, Fairway to Kangaroo Gully, revenue is -\$120k below budget projections. This project will represent a carry over. The final project cost will be significantly under budget and as such the grant revenue received will be reduced to the amount actually spent. The final claim is estimated to be in the order of \$20k.
- Main Roads capital road construction projected revenue is -\$215k below year to date budget. This variance is attributable to three jobs, being Strelly Street -\$80k, Layman Rd -\$100k and Peel Tce -\$35k.
  - The Strelly Street project consists of design, planning and minor preliminary works and has been delayed due to deliberations surrounding the outcomes of the Busselton Traffic Study. This project will represent a carry over into the 16/17 financial year, A progress payment will be claimed in June.
  - Stage 4 of the Layman Road drainage infill and road widening project was completed in May, the final \$100,000 in grant revenue will be received in June.
  - The Peel Terrace project consists of design, planning and minor preliminary works and has been delayed due to deliberations surrounding the outcomes of the Busselton Traffic Study. This project will represent a carry over into the 16/17 financial year. A progress payment will be claimed in June.
- Roads to Recovery road project grant revenue is +\$87k above year to date budget. Under this program the City claims the actual cost of projects as revenue, this can differ from budgeted revenue. Although the May variance is favorable the 30 June variance will be unfavourable as the collective of projects will come in under the budgeted cost and as such the revenue received will correspond to this amount and offset exactly the revenue amount.
- Road Initiative bus bays and shelters revenue is under budget by -\$60k. This is a timing variance only. The final claim valued at \$60k to be made in June.
- Other -\$2k.

#### **Profit on Asset Disposals (+\$5K)**

The current minor variance remains 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 May 2016, there is a variance of -5% in total operating expenditure, with the following categories exceeding the 10% material variance threshold:

Description	Variance %	Variance \$000's
Materials and Contracts	-16%	-\$2,236
Insurance Expenses	-10%	-\$74
Other Expenses	-15%	-\$419
Loss on Asset Disposal	+217%	+\$150

**Materials and Contracts (-\$2,236K)**

The materials and contracts operating expenditure category comprises a wide range of expenditure types. The current variance is attributable to both favourable and adverse variances (of varying magnitudes) across a range of diverse activities. The material variances are as follows:

**Information Technology**

Information technology has a favorable variance of -\$60k compared to the year to date budget. It is anticipated that the full budget allocation will be spent prior to the end of the financial year.

**Community Recreation Centres**

Community recreation centres have an overall favorable variance of -\$69k. This is attributable to the Naturaliste Community Centre -\$44k, and the Geographe Leisure Centre -\$25k below the year to date budget. To maintain the net operating position forecast, expenditure at both the GLC and NCC is being strictly prioritised and delayed wherever possible.

**Environmental Planning**

Environmental planning is overall favourable by -\$102k. This is attributable to timing differences associated with the utilisation of contractors and the seasonality of the work that is required. It is still expected that full budget allocation will be utilised by year end.

**Busselton Jetty**

Busselton Jetty contractor costs are under the year to date budget by approximately -\$498k. The works planned for this financial year (as per the 50 year maintenance plan) consist of steel pier and superstructure corrosion protection assessment and repairs, handrail repainting, pile wrapping, light globe replacement and a \$110k contingency repair amount that has, to this point, not been required. This will be a significant under expenditure to budget associated with Jetty works at year end. A portion of these works have been re-budgeted into the 2016/17 financial year. As Jetty works are funded from the Jetty Reserve, this variance will not impact on the City's year end net financial position.

**Meelup Regional Park**

The Meelup Regional Park budget is underspent by -\$82k. This is mainly attributable to seasonal scheduling of expenditure on Meelup trail maintenance works and vegetation rehabilitation works. These works are now in progress however it is still anticipated that not all work will be complete by year end.

**Building Maintenance**

The scheduled building maintenance budget is underspent by -\$191k year to date. This is due in part to Facility staff spending a considerable amount of their time on relocating staff for the new administration building project. It is still anticipated that the variance will reduce by year end but some funds will remain unspent.

**Provence and Vasse Newtown – Parks and Gardens**

Contractor costs associated with Provence Estate maintenance are under budget by -\$213k as public open space areas within the estate is yet to be handed over and therefore the maintenance of this area is not yet the responsibility of the City. There is also a favourable variance for contractor costs totaling -\$117k attributable to Vasse Newtown with some of this offset by City employee costs. A portion of the allocated budget is funded from the specified area rates and this draw down can only occur if expenditure is within the specified areas.

**Airport Operations**

Contractor costs are under budget by -\$132k. This is predominantly the result of de scoping work as a result of the airport development project and also reducing spend to offset reductions in revenue against budget for the airport to ensure the final net current position for the airport is close to budget at the end of the year.

**Transport/Fleet Management**

Materials and Contractor costs are under budget by -\$261k. This is mostly the result of cheaper fuel prices than anticipated in the budget.

**Refuse Sites**

Refuse Sites materials and contracts are under budget by -\$226k. This is offset by overspends (predominantly wages) for the same cost codes. Additionally, as refuse sites are funded from the waste reserve there is no impact on the City's year end net financial position.

- **Bridge Maintenance**

Bridge maintenance materials and contract are under budget by -\$137k. This is offset by reductions in revenues received under Operating Grants, Subsidies and Contributions.

- **Other**

Other combined variances for the month total -\$148K.

**Insurance Expenses (-\$74K)**

The current variance associated with insurance expenses is attributable to:

- Property insurance of -\$9k.
- Plant insurance premiums of -\$47k.
- Public liability insurance of -\$14k.
- Other general insurance costs of -\$4k.

As indicated in the budget review, whilst additional insurance expenses are expected to be incurred prior to 30 June 2016 due to insurance schedule additions and amendments, along with excess payments, these are not expected to be material in value. Consequently, a favourable variance is expected by financial year end.

**Other Expenditure (-\$419K)**

The current variances associated with other expenditure is attributable to:

- Members of Council expenses of -\$117k. This variance is made up of a number of different accounts with the main variances together whether permanent or timing difference being;
  - Mayor and deputy mayor allowances -\$10k (Timing);
  - Elected members refreshment and functions -\$10k (Permanent);
  - Elected members conference and training expenses -\$15k (Permanent);
  - Elected members election and poll expenses -\$5k (Permanent);
  - Elected members sitting fees -\$26k (Timing);
  - International relationships account -\$11k (Permanent);
  - Presentations on termination policy -\$6 (Permanent).
- Community services administration expenses of -\$211k. This variance is attributable to;
  - Events, marketing and promotions is -\$147k below year to date budget. MERG Marketing funds which have not been expended as the MRBTA recharge campaign was halted due to amalgamation of GBTA/AMRTA and regional branding. Council has resolved to transfer \$150k from the commercial and industrial differential marketing funds into the Airport Marketing Reserve specifically for the marketing and support of the Airport development project, and this \$147k, along with further savings in the remainder of the financial year, will be used for this purpose. All remaining funds in the differential rate marketing fund will be transferred to the Airport Marketing Reserve (\$150k as previously endorsed by Council and the remaining \$46k as per the MERG report to Council dated the 8<sup>th</sup> June 2016);
  - Donations, contributions and subsidies of -\$37k. This relates to the timing of payments for projects funded as part of the community bids programme;
  - Events sponsorships (differential rates) of -\$26k. This relates to events that have been funded through the events sponsorship programme that either have not yet been held, or have been cancelled.
- Half Iron man events sponsorship of -\$46k. This variance is a timing difference as the event was held in early May and therefore funds will be expended before the end of the financial year.
- Public relations expenses of -\$38k. This is attributable to catering -\$13k, advertising Council pages -\$8k, community consultations and surveys -\$8k, public relations account -\$11k and long service contributions to other Local Government Authorities +\$7k. These are expected to the savings against the budget for the full year.

- Planning administration expenses of -\$25k. This is mainly attributable to the façade refurbishment subsidy account -\$20k and advertising (public/statutory) account being -\$5k below the year to date budget. With regard to the façade refurbishment, there were no suitable applications received in the first round fitting the requirements for funding. Letters have been sent out calling for a second round of applications. Although there has been a number of enquires, it now appears unlikely that the City will resolve any for payment this financial year.
- Other combined variances totalling +\$19k.

### **Loss on Asset Disposal (+\$150K)**

The loss on asset disposal represents book losses on the sale of sundry plant items and vehicles. It should be noted that this is a book entry only, and has no direct impact on the surplus/ deficit position.

### **Capital Activity**

#### ▪ Capital Revenue

As at 31 May 2016, there is a variance of -58% in total capital revenue, with the following categories exceeding the 10% material variance threshold:

<b>Description</b>	<b>Variance %</b>	<b>Variance \$000's</b>
Proceeds from Sale of Assets	-10%	-\$59
Transfer from Restricted Assets	-73%	-\$12,034
Transfer from Reserves	-37%	-\$3,010

### **Proceeds from Sales (-\$59K)**

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 has reduced significantly from April (-36% April versus -10% May) but is still trending below budget.

### **Transfer from Restricted Assets (-\$12,034K)**

The budget anticipated \$16,500k would be drawn down against restricted assets by May 31 relating to the Airport Development Project. As at 31 May 2016, expenditure for the Airport Development Project was \$842k (\$561k exclusive of City employee costs – 'the recoverable amount'). The drawdown of the recoverable amount will occur in June, resulting in a -\$16,500 variance for May.

Other restricted asset transfers that have occurred between June 2015 and May 2016 are as follows:

• Unspent Loans	\$2,610k
• Untied Grants	\$1,300k
• Contributions to Works	\$ 113k
• Trust Refunds/Payments	\$ 467k
• Others	-\$ 24k

The budget anticipated the amounts above (excluding Trust Refunds/Payments) would be drawn down in June, resulting in a timing difference to end of May amounting to \$3,999k.

The City of Busselton does not budget for Trust Refunds/Payments, as these monies are held in trust and have no impact on the Municipal funding surplus or deficit. Actual receipt of these funds to May 31 has resulted in a \$467k variance against budget.

### **Transfer from Reserves (-\$3,010K)**

The variance is mostly attributable to the less than anticipated budget transfer of -\$3,900k associated with the new Civic and Administration Centre building. This is the result of the following:

- 1) The first part of the construction has been less expensive than originally anticipated in the budget. Construction remains on schedule.
- 2) Delays between completing physical work by the contractor and acceptance of invoice by the City have resulted in a timing difference which will be carried over to the next financial year.

Offsetting these amounts are the following timing variances:

- +\$327k associated with payment for trucks from the waste management facility and plant reserve.
- +\$300k yearly payment from the Waterways Management Reserve and paid in accordance with the Port Geographe Deed Agreement.
- +\$252k payment made from the Plant Reserve which will balance out in June.

- Capital Expenditure

As at 31 May 2016, there is a variance of -35% in total capital expenditure, with the following categories exceeding the 10% material variance threshold:

Description	Variance %	Variance \$000's
Land and Buildings	-66%	-\$11,146
Plant & Equipment	-34%	-\$854
Furniture and Equipment	-33%	-\$182
Infrastructure	-39%	-\$10,204
Transfers to Restricted Assets	+68%	+\$1,127

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

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

In respect of the other classifications, an overview of the year to date financial performance is provided as follows:

#### **Transfers to Restricted Assets (+\$1,127K)**

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. 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 favourable financial year to date variance of approximately +\$1,127k is primarily attributable to:

- The receipt of developer contribution payments in excess of budget totalling +\$102k.
- The receipt of unbudgeted interest associated with the Airport funds of +\$600k.
- The City salaries attributable to the Airport development project of -\$246k. It has been confirmed that in-kind salaries are not recoverable from project funds.
- The receipt of bond and deposit payments totalling approximately +\$671k.

The performance in this category generally does not impact on the closing surplus/deficit position with the exception the non-recovery of City's salaries from the Airport Development project. Part of



the interest earned on certain restricted asset funds do contribute to the City's municipal interest earnings.

## **CONCLUSION**

The Net Current Position as at 31 May 2016 of \$2.8m is \$0.3m lower than 31 May 2015. The Net Current Position is impacted by many factors and consistent with prior years, is expected to fluctuate significantly as we move towards the end of financial year.

In terms of the annual budget review, completed as at 29 February 2016, a surplus closing position of approximately \$360k was projected as at 30 June 2016 (excluding any re-list items). Whilst there have been favourable and unfavourable variances that have arisen during the month, these do not warrant an amendment to the current projected surplus. The level of fluctuation expected over June highlights the increased necessity to closely monitor financial performance over the remainder of the current financial year.

## **OPTIONS**

Nil

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

Not Applicable.

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

**F1607/039** Moved Councillor T Best, seconded Councillor G Bleechmore

That the Council receives the statutory financial activity statement reports for the period ending 31 May 2016, pursuant to Regulation 34(4) of the Local Government (Financial Management) Regulations.

**CARRIED 5/0**

**7. GENERAL DISCUSSION ITEMS**

The Presiding Member thanked the Financial Accountant and the Financial Services team for the work they have done this financial year and in creating the budget.

**8. NEXT MEETING DATE**

Thursday, 4 August 2016

**9. CLOSURE**

The meeting closed at 10.04am.

THESE MINUTES CONSISTING OF PAGES 1 TO 18 WERE CONFIRMED AS A TRUE AND CORRECT RECORD ON THURSDAY, 4 AUGUST 2016.

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