



11 March 2009

MINUTES

MINUTES OF A FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON WEDNESDAY 11 MARCH 2009, COMMENCING AT 6.35PM**F1. OPENING OF MEETING**

The Presiding Member declared the meeting open.

F1.1 Present

Mayor A Ferris

Cr R Olson Presiding Member

Cr B de Jong

Cr M Rico

Mr J Roberts Executive Manager Finance & Administration

F2. WELCOME TO GALLERY

There were no members of the public in the gallery.

F3. APOLOGIES

Cr Dobro

F4. CONFIRMATION OF MINUTES**F4.1 Finance Committee – 15 October 2008**

Mayor Ferris – Cr de Jong

That the Minutes of the Finance Committee held on 15 October 2008, and adopted at the Council Meeting held on 21 October 2008 be confirmed.

CARRIED

F5. CORRESPONDENCE (LATE RELATING TO ITEMS IN AGENDA)

Nil.

F6. REPORTS OF OFFICERS**F6.1 2008/09 Budget Review**

By John Roberts, Executive Manager Finance & Administration, on 27 February 2009

PURPOSE

The purpose of this report is to facilitate consideration of the 2008/09 Budget review.

BACKGROUND

Local Governments are required to conduct a budget review between 1 January and 31 March each financial year in accordance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 (as amended). The results of the budget review are to be submitted to Council within 30 days of the review [FM Regulation 33A (2) and (3).] A copy of the review and Council's recommended solutions are to be forwarded to the Department of Local Government within 30 days of the Council meeting (Financial Regulation 33A(4)).

REPORT

This report, together with the financial information attached, form part of the budget review. A review has been carried out using actual figures as at 31 January 2009 and projected estimates to 30 June 2009. Included is a detailed breakdown of each program showing projections to 30 June 2009. It is proposed that budget amendments be made where material variances have been identified.

ATTACHMENT

In respect to material variances, Council is required to establish materiality levels either as a percentage and/or dollar value as per Financial Management Regulation 34(5). These materiality levels are to be used in the preparation of monthly Financial Activity



Statements and undertaking the annual Budget review. Council adopted materiality levels of 10% or \$10,000 whichever the greater, at the 18 March 2008 Council meeting.

Summary

The review of the 2008/09 Budget has identified a projected surplus of approximately \$601,212 at 30 June 2009 – a favourable variance of \$596,047. Whilst the projected surplus appears significant it is important to note this includes a net projects amount of \$364,700 that is likely to be carried forward to 2009/10, resulting in a more accurate operating surplus of approximately \$236,512. This operating surplus is primarily from savings in George Street roadworks, underspending in Governance and Town Planning employee, administration, consultant and legal costs, and a larger than budgeted 2007/08 bfwd surplus. The main elements of this surplus are as follows:

Operating Revenue

Income is projected to be \$393,241 under budget, primarily as a consequence of capital grants not being received due to a deferral of the Preston Point Road project until 2009/10 (\$286,662), a reduction in fees and charges income, and a fall in investment interest rates.

Operating Expenditure

Expenditure is projected to be \$346,836, under budget, this is primarily derived from savings in Governance and Town Planning administration expenditure and to a lesser degree, in maintenance works. It is important to recognise that this projected surplus also includes amounts relating to outstanding Town Planning projects amounting to \$115,579.

Capital Expenditure

Expenditure is projected to be \$607,450, under budget. There are projected underspends on Capital Works projects, primarily due to the deferment of the Preston Point Rd project to 2009/10 - \$440,793, savings of \$83,690 in the George St project, and a deferment of the Pier St Limestone works of \$50,000.

Proceeds on Disposal of Assets

Due to an anticipated completion of the fleet replacement schedule proceeds are estimated to be in line with budget estimates.

PROGRAM REVIEW

The following review, program by program, summarises the variances in Council's Operational and Capital Budgets.

Revenue

General Purpose Funding

This program represents Rates, Interest earned on investments and General Purpose grants received from the West Australian Grants Commission.

There is a projected income deficit of \$17,641 at 30th June 2009, due to:

1. lower than expected interim rates raised on property improvements and associated fee income, offset by
2. additional interest on invested funds as a result of a larger pool of investment funds and higher than budgeted interest rates early in the financial year.

Governance

This program represents income for general administration

There is a projected income deficit of \$4,000 at 30th June 2009, due to:

1. an lower than anticipated number of rate enquiries.

Law, Order and Public Safety

This program represents fire prevention, animal control, and Ranger Services.

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There is a projected income deficit of \$4,000 at 30th June 2009, due to:

1. animal control. Lower than budgeted dog registrations.

Health

This program represents income in relation to environmental health control.

This is projected to be in line with budget projections.

Education and Welfare

This program represents expenditure for Pre-School and Kindergarten maintenance, the Home and Community Care program and the Glyde-In Centre.

This is projected to be in line with budget projections.

Housing

This program represents income in relation to the Allen Street units.

This is projected to be in line with budget projections.

Community Amenities

This program represents income associated with the collection of household refuse and recycling; town planning, and community amenities.

There is a projected income deficit of \$5,175 at 30th June 2009, primarily due to:

1. a reduction of \$14,250 in Commercial Service charges and
2. overcompaction charges \$10,000 not previously budgeted for.

Recreation and Culture

This program represents swimming areas and rivers, general parks and reserves, and the East Fremantle Festival.

There is a projected income deficit of \$5,355 at 30th June 2009, due to:

1. an decrease of \$15,100 in mooring pen fee income as a result of ensuring pens are let on an annual basis, offset by
2. an increase in fee income of \$9,745 in Festival income

Transport

This program represents income associated with road and footpath works, parking facilities and the sale of road plant.

There is a projected income deficit of \$245,670 at 30th June 2009, due to:

1. grants of \$317,106 will not be received. This grant is for the Preston Point Rd and Marmion St cycleway projects offset by a
2. an increase of \$33,000 in parking fee income.

Economic Services

This program represents building control.

There is a projected income deficit of \$33,150 at 30th June 2009, due to:

1. an reduction of \$20,000 in building fee and verge licence income. This is due to decreased activity in the volume of building licence applications.
2. an decrease in BCITF levies. (This is collected on behalf of BCITF and is not Council funds).

Other Property and Services

This program represents Unclassified Expenditure.

There is a projected income deficit of \$78,519 at 30th June 2009, due to:

1. an decrease in recoverable works income.

OPERATING EXPENDITURE**General Purpose Funding**

This program represents costs associated with the levying of rates.

There is a projected expenditure surplus of \$3,500 at 30th June 2009, due to:

1. an decrease in costs associated with levying rates.

**Governance Expenses**

This program represents expenditure for elected members and general administration
There is a projected expenditure surplus \$72,146 at 30th June 2009, due to:

1. members of Council surplus of \$12,930, including savings in insurance and public relations.
2. governance: Saving in general administration costs of \$59,216, including \$25,000 in salary costs.

Law, Order and Public Safety

This program represents fire prevention, animal control, and ranger services.
It is anticipated this program will be in line with budget estimates.

Health

This program represents expenditure in relation to environmental health control.
There is a projected expenditure surplus of \$11,040 at 30th June 2009, due to:

1. a saving in Swimming pool inspection fees \$7,690.
2. savings of \$3,050 in conferences and equipment purchases.

Education and Welfare

This program represents expenditure for Pre-School and Kindergarten maintenance, the Home and Community Care program and the Glyde-In Centre.

1. a deficit of \$6,927 primarily for building maintenance costs for the Glyde In centre.

Community Amenities

This program represents the collection of household refuse and recycling; the contribution to the South Metropolitan Regional Council, town planning, regional development and community amenities.

There is a projected expenditure surplus of \$160,307 at 30th June 2009, due to:

1. savings in waste and recycling collection costs. \$7,371
2. uncompleted town planning projects. \$115,479. Note these projects may yet be completed in 2008/09 or CFWD to 2009/10.
3. savings in Town Planning of \$53,905 in salaries, consultancies and legal fees.

Recreation and Culture

This program represents swimming areas and rivers, general parks and reserves, library and the East Fremantle Festival.

There is a projected expenditure surplus of \$10,620 at 30th June 2009, due to:

1. savings of \$10,000 in mooring pen maintenance costs.
2. savings of \$24,330 in Parks and Gardens maintenance primarily due to staff shortages and contractor resourcing issues.
3. savings in the East Fremantle Festival \$2,000, offset by
4. increased costs associated with providing Library services. \$16,710

Transport

This program represents road and footpath maintenance, parking facilities and the purchase of road plant.

There is a projected expenditure surplus of \$28,703 at 30th June 2009, due to:

1. savings in roads, footpath and street maintenance due to staff shortages and contractor resourcing issues earlier in the financial year.

Economic Services

This program represents building control.

There is a projected expenditure deficit of \$12,780 at 30th June 2009, due to:

1. an increase in BCITF levies. (This is collected and paid on behalf of BCITF and is not Council funds).

***Other Property and Services***

This program represents public works overheads, plant operation costs and unclassified expenditure.

There is a projected expenditure surplus \$55,962 at 30th June 2009, due to:

1. an decrease in recoverable works and general property maintenance expenses.

CAPITAL EXPENDITURE

There are only a small number of projects that will not be completed this financial year contributing to a projected surplus of \$607,450. It is important to note that most of the surplus relates to grant funded projects. Major projects not being undertaken are as follows:

- Preston Point Road: it is recommended this project be carried forward to 2009/10 to benefit from Blackspot funding now scheduled for 2009/10. The total project expenditure budget is \$440,793 with a Council contribution of \$154,131.
- Cycleway – Marmion St/Stirling Highway: Project budget \$35,000. Municipal funds contribution \$20,000.
- Pier Street Limestone works: \$50,000.

Additional expenditure is required to complete the following projects:

- Lee Park – This project will require a \$22,000 additional allocation to include fencing. It is proposed this to be funded by a transfer from the Plympton Steps restoration project.

Detailed budget reallocations

The following is a detailed list of projected material budget variances. It is intended to undertake the budget reallocations as per the following amounts by 31 March 2009. Budget reallocations will only be made where these material variances have been identified.

Operational Program***Revenue***

<u>General Purpose Funding</u>		17,464
Interim Rates	20,000	
Rates	(14,536)	
Interest on investments	(11,000)	
Reserve investments	23,000	
<u>Community Amenities</u>		4,250
Commercial Service Charges	14,250	
Over-compaction Charges	(10,000)	
<u>Recreation & Culture</u>		15,100
Mooring Pens Fees	15,100	
<u>Transport</u>		(15,000)
Cycleway Grant	15,000	
Parking fees	10,000	
Fines & Penalties	(40,000)	
<u>Economic Services</u>		32,500
Building Control – Permit Fees	20,000	



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BCITF commission	12,500	
<u>Other Property & Services</u>		83,519
Recoverable works income	73,319	
George St rental	10,200	
Sub-Total – Operational Revenue reallocations		137,833
<i>Expenditure</i>		
<u>Governance</u>		(25,000)
Employee costs	(25,000)	
<u>Law Order & Public Safety</u>		10,000
Community Policing	10,000	
<u>Community Amenities</u>		(34,340)
Domestic Refuse Collection	36,824	
Over-compaction Charges	10,000	
Domestic/Commercial Recycling	(11,488)	
Annual bulk collections	(17,158)	
SMRC Greenwaste	(12,187)	
Town Planning Salaries	(25,331)	
Consultants	(15,000)	
<u>Recreation & Culture</u>		(11,052)
Raceway Park	(12,712)	
Riverside Road Cliff Management Plan	(15,000)	
Library	16,660	
<u>Transport</u>		(12,876)
Footpath maintenance	20,730	
Verge maintenance	19,858	
Pruning St Trees	29,580	
Tree replacements	23,925	
Street Tree Watering	(106,969)	
<u>Economic Services</u>		(12,500)
BCITF payments	(12,500)	
<u>Other Property & Services</u>		(58,963)
Recoverable works expenditure	(58,963)	
Sub-Total – Operational expenditure reallocations		(144,731)
Capital Program		
<u>Infrastructure</u>		(118,690)
Cycleway – Marmion St/Stirling Highway	(35,000)	
George Street	(83,690)	
<u>Land & Buildings</u>		(0)
Lee Park	22,000	
Plympton Steps	(22,000)	
<u>Plant & Equipment</u>		19,000
Truck	19,000	



Sub Total – Capital expenditure reallocations _____ (99,690)

Total amount of budget reallocations _____ (106,588)

RECOMMENDATION

That Council:

1. maintain the materiality threshold for each program of activity at 10% or \$10,000, whichever the greater.
2. adopt the Budget Review report for 2008/09 financial year.
3. amend the 2008/09 Budget in line with the financial projections to 30 June 2009 as detailed above.
4. incorporate any remaining surplus into the 2009/10 Budget deliberations.

Discussion took place regarding:

- the impact of current legal costs resulting from the Left Bank
- the impact of SMRC gate fee increases
- the status of capital works projects particularly completion of works by 30 June 2009
- the status of the Lee Park upgrade
- cultural events
- the level of library costs.

Cr de Jong – Mayor Ferris

That Council:

1. maintain the materiality threshold for each program of activity at 10% or \$10,000, whichever the greater.
2. adopt the Budget Review report for 2008/09 financial year.
3. amend the 2008/09 Budget in line with the financial projections to 30 June 2009 as detailed above.
4. incorporate any remaining surplus into the 2009/10 Budget deliberations.
5. request the Chief Executive Officer review the Lee Park project. CARRIED

F6.2 2009/10 Budget

Discussion took place regarding 2009/10 budget parameters.

The Executive Manager Finance & Administration advised work would commence on the 2009/10 budget during March and the following parameters based on 2008/09 activity levels would be used for the initial draft budget:

- Revenue increases – 4%
- Investment interest – 2.5%
- Expenditure increases – 4% except for electricity – 25%

During the budget preparation all activity levels will be reviewed for potential service delivery efficiencies.

F7. CLOSURE OF MEETING

There being no further business, the meeting closed at 7.44pm.

*I hereby certify that the Minutes of the meeting of the **Finance Committee** of the Town of East Fremantle, held on **11 March 2009**, Minute Book reference **F1. to F7.** were confirmed at the meeting of the Committee on*

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Presiding Member

