



10 March 2010

## MINUTES

**MINUTES OF A FINANCE COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON WEDNESDAY 10 MARCH 2010, COMMENCING AT 7.29PM****F1. OPENING OF MEETING**

The Executive Manager Finance & Administration declared the meeting open and declared the first item of business was the election of a Presiding Member.

**F1.1 Present**

Mayor A Ferris

Cr R Olson Presiding Member

Cr B de Jong

Cr S Martin

Cr M Rico

Mr J Roberts Executive Manager Finance & Administration

**F2. ELECTION OF PRESIDING MEMBER**

The Executive Manager Finance & Administration sought nominations for the position of Presiding Member.

Cr de Jong nominated Cr Olson for the position.

Following a request from the Executive Manager Finance & Administration, Cr Olson provided written confirmation of his acceptance of the nomination.

Given there were no further nominations, the Executive Manager Finance & Administration declared Cr Olson elected as Presiding Member of the Finance Committee for a two year term.

Cr Olson assumed the Chair.

**F3. WELCOME TO GALLERY**

There were no members of the public in the gallery.

**F4. APOLOGIES**

Cr Rico

**F5. CONFIRMATION OF MINUTES****F5.1 Finance Committee – 14 October 2009**

Mayor Ferris - Cr Olson

That the Minutes of the Finance Committee held on 14 October 2009, and adopted at the Council Meeting held on 20 October 2009 be confirmed. CARRIED

**F6. CORRESPONDENCE (LATE RELATING TO ITEMS IN AGENDA)**

Nil.

**F7. REPORTS OF OFFICERS****F7.1 2009/2010 Budget Review**

By John Roberts, Executive Manager Finance & Administration, on 27 February 2010

**PURPOSE**

The purpose of this report is to facilitate consideration of the 2009/10 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 December 2009 and projected estimates to 30 June 2010. Included is a detailed breakdown of each program showing projections to 30 June 2010. It is proposed that budget amendments be made where the material variances have been listed in the budget reallocation column

### 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 12 April 2009 Council meeting.

### Summary

The review of the 2009/10 Budget has identified an estimated projected surplus of \$1,096,316 at 30 June 2010. As indicated in this report the main elements of this surplus are as follows:

#### **Operating Revenue**

Income of \$188,933 under budget, primarily as a consequence of capital grants not being received due to delays in projects being undertaken and a reduction in fees and charges income offset by a favourable variance in Grants Commission and Investment interest.

#### **Operating Expenditure**

Expenditure savings of \$227,448, under budget, primarily derived from savings in employees costs due to positions being vacant during the year, Town Planning administrative projects not starting, lower than budgeted administrative costs, offset by an overspend in reserve maintenance.

#### **Capital Expenditure**

A favourable expenditure variance. There are projected savings on Capital Works projects of \$739,479, primarily due mainly to the deferment of the Preston Point Rd projects to 2009/10 and a delay in Town Hall repairs.

#### **Surplus brought forward**

The actual surplus brought forward from 2008/2009 is \$285,499 greater than estimated in the 2009/2010 adopted budget.

### Projected Surplus

It is important to recognise that the projected surplus includes amounts that relate to projects that may be carried forward to 2009/10. These projects are:

Capital Projects including Preston Point Rd and Town Hall: Net CFWD amount: \$549,163

Town Planning operating Projects: Net CFWD amount:\$145,479

Community events funding: \$60,000



Excluding these projects from the projected surplus leaves a free projected surplus of \$346,230.

### **New Budget Requests**

New budget item requests are as follows:

1. New TORO Z Master Turn Mower. \$21,100 less a trade-in of \$2,000. The trade-in mower requires \$5,000 in maintenance work. It is therefore more advantageous to put the funds toward a new unit.
2. A new underbody wheelchair for the HACC bus. \$12,718. A funding application has been made to the Dept of Health and appears likely to be successful. The work is urgent but will not be undertaken until the grant has been received.
3. Historical archiving of the Town's Minute Books onto microfiche by the City of Fremantle Local History Librarian. \$3,000
4. Foreshore Stabilisation Project. Grant received from the Swan River Trust. \$13,700.
5. Locke Crescent resurfacing works. An additional project \$21,500. It is intended to fund this from savings in the Preston Point Road project that will receive additional grant funding of \$176,300 under the Auslink program.

After allowing for the above CFWD projects and new budget items, the projected surplus at 30 June 2009 is \$302,630. It is suggested this surplus will be included in the 2010/2011 Draft Budget calculations.

### **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 surplus of \$45,230 at 30th June 2010, due to:

1. Lower than expected rates raised on property improvements and associated fee income offset by:
2. Additional interest on invested funds as a result of increasing interest rates.
3. Grants Commission income brought to account in 2009/10

### ***Governance***

This program represents income for general administration

There is a projected income surplus of \$95,900 at 30th June 2010, due to an increase in Sundry Income of \$91,000 due to the reimbursement of legal fees previously paid by the Town.

### ***Law, Order and Public Safety***

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

There is no projected income surplus at 30th June 2010.

### ***Health***

This program represents income in relation to environmental health control.

There is no projected income surplus at 30th June 2010.

**Education & Welfare**

This program represents income for pre-school, HACC and the Glyde-In centre. There is a projected income surplus of \$16,810 at 30th June 2010, due to an increase in Health Department funding of a new wheelchair lift on the HACC bus.

**Housing**

This program represents income in relation to the Allen Street units. There is a projected income deficit of \$9,380 at 30th June 2010. This is due to periods when two of the Allen St properties were vacant during refurbishment.

**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 surplus of \$10,280 at 30th June 2010, primarily due to:

1. The recovery of over-compaction charges from the waste collection contractors.
2. A reduction of \$1,500 in compost bin sales, offset by
3. Higher than anticipated Town Planning fees.

**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 \$1,634 at 30th June 2010.

**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 \$260,693 at 30th June 2010, due to:

1. Grants of \$244,330 will not be received. These grants are for the Preston Point Rd and Marmion St projects.
2. An decrease of \$10,000 in parking fee income.

**Economic Services**

This program represents building control.

There is a projected income deficit of \$26,511 at 30th June 2010, due to:

1. An reduction of \$15,000 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. (These is collected on behalf of BCITF and are not Council funds).

**Other Property and Services**

This program represents Unclassified Expenditure.

There is a projected income deficit of \$58,868 at 30th June 2010, due to an decrease in recoverable works income.

**Expenditure****General Purpose Funding**

This program represents costs associated with the levying of rates.

There is a projected expenditure surplus of \$13,148 at 30th June 2010, due to an decrease in cost associated with levying rates.

**Governance Expenses**

This program represents expenditure for elected members and general administration

There is a projected expenditure deficit of \$69,421 at 30th June 2010, due to:

1. Members of Council surplus of \$32,000, including savings in election expenses and administration costs, offset by a
2. Reduction in General Administration costs allocated.

**10 March 2010****MINUTES*****Law, Order and Public Safety***

This program represents fire prevention, animal control, and ranger services.

There is a projected expenditure surplus of \$19,962 at 30th June 2010, due to:

1. Animal control. A saving in operating costs, \$9,000.
2. Ranger Services. A saving in operating costs, \$9,600.

***Health***

This program represents expenditure in relation to environmental health control.

There is a projected expenditure deficit of \$7,723 at 30th June 2010, due to a saving in general operating costs, \$3,500.

***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. Savings of \$2,260 in JP MacKenzie maintenance costs.

***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 \$245,045 at 30th June 2010, due to:

1. Savings in waste and recycling collection costs. \$60,022
2. Uncompleted town planning projects. \$145,479.

The town planning projects referred to:

- TPS3 completion
- Municipal Inventory
- Design Guidelines
- Strategic Urban Plan (Town Centre)

A lack of progress on TPS3 amendments is mainly due to planning resource issues.

The Design Guidelines project was put on hold due to a contractual dispute. Various reasons, including the need to clarify some legal issues and elected member debate on how best to proceed, delayed plans for the Municipal Inventory.

***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 deficit of \$77,002 at 30th June 2010, due to:

1. Savings of \$3,530 in mooring pen maintenance costs.
2. Overspend of \$110,560 in Parks and Gardens maintenance primarily due to remedial turf works on reserves.
3. Increased cost associated with providing Library services. \$15,000
4. Savings in the East Fremantle Community Events and Art Awards \$60,000.

***Transport***

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

There is a projected expenditure deficit of \$1,610 at 30th June 2010.

***Economic Services***

This program represents building control.

There is a projected expenditure surplus of \$23,501 at 30th June 2010, due to:



1. A decrease in BCITF levies. (These are collected and paid on behalf of BCITF and are not Council funds).
2. Savings in general operating activities.

#### **Other Property and Services**

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

There is a projected expenditure surplus \$56,134 at 30th June 2010, due to:

1. An decrease in recoverable works and general property maintenance expenses.
2. A decrease in rent payable to the National Trust for the Old Royal George Hotel.

#### **Capital Expenditure**

There are a number of projects that will not be completed this financial year which has contributed to a projected surplus of \$739,479. However, 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 2010/11. Total Project budget \$457,693. Municipal funds contribution of \$228,363.
- The Preston Point Road project has not proceeded to date due to unanticipated technical difficulties, in particular involving issues associated with a large Telstra pit at the Preston Point Road/Pier Street intersection. It is recommended this project be held over to 2010/11.
- Pier Street. See above comment. \$45,000.
- Cycleway – Marmion St/Stirling Highway. Project budget \$35,000. Municipal funds contribution \$21,800. Resourcing and issues with Main Roads have prevented this project from proceeding. It is recommended this project be held over to 2010/11.
- Town Hall remedial works. \$189,000. The scope of this project is yet to be finalised.
- Plympton Steps. The project has not yet been scoped. \$45,000. Additional funding may be required for this project.

The remaining surplus is derived from savings on projects that will be completed by 30<sup>th</sup> June 2010.

#### **Detailed budget reallocations**

The following is a detailed list of projected budget variances. It is intended to undertake budget reallocations as per the amounts shown in the attached report by 31 March. The March Financial Activity Statement will show the revised budget against which budget variances will be calculated.

#### **RECOMMENDATION**

That Council:

1. maintain the materiality threshold for each program of activity at 10% or \$10,000, whichever the greater.
2. adopt this Budget Review report for 2009/10 financial year.
3. approve amendments to the Adopted 2009/10 Budget, in line with the financial projections to 30 June 2010 as detailed in the attached schedule.
4. approve the additional budget items as identified in this report.
5. incorporate the remaining surplus into the 2010/11 Budget deliberations.

#### **Cr Olson - Mayor Ferris**

That Council:

1. **maintain the materiality threshold for each program of activity at 10% or \$10,000, whichever the greater.**
2. **adopt this Budget Review report for 2009/10 financial year.**
3. **approve amendments to the Adopted 2009/10 Budget, in line with the financial projections to 30 June 2010 as detailed in the attached schedule.**



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4. approve the additional budget items as identified in this report.
5. incorporate the remaining surplus into the 2010/11 Budget deliberations.

CARRIED

F7.2

**Plan for the Future of the District***By John Roberts, Executive Manager Finance & Administration on 4 March 2010***PURPOSE**

To present a draft plan for the Future of the District in line with statutory requirements.

**REPORT****Background**

The Local Government Act 1995 (as amended) requires "a local government to plan for the future of the district". The provisions require a local government to ensure that these plans are in accordance with any regulations made about planning for the future. The relevant Regulations are 19C and 19D of the Local Government (Administration) Regulations 1996

The regulations prescribe as follows:

**"19C Planning for the future s.5.56**

- (1) *In this regulation and regulation 19D Plan for the future~ means a plan made under section 5.56.*
- (2) *A local government is to make a plan for the future of its district in respect of the period specified in the plan (being at least 2 financial years).*
- (3) *A plan for the future of a district is to set out the broad objectives of the local government for the period specified in the plan.*
- (4) *A local government is to review its current plan for the future of its district every 2 years and may modify the plan, including extending the period the plan is made in respect of.*
- (5) *A council is to consider a plan, or modifications, submitted to it and is to determine\* whether or not to adopt the plan, or the modifications, as is relevant.*

*\*Absolute majority required.*

- (6) *If a plan, or modified plan, is adopted by the council then the plan or modified plan is to apply to the district for the period of time specified in the plan.*
- (7) *A local government is to ensure that the electors and ratepayers of its district are consulted during the development of a plan for the future of the district, and when preparing any modifications of a plan.*
- (8) *A plan for the future of a district is to contain a description of the involvement by the electors and ratepayers in the development of the plan, and any modifications of the plan.*
- (9) *A local government is to ensure that a plan for the future made in accordance with this regulation applies in respect of each financial year after the financial year ending 30 June 2006.*

*[Regulation 19C inserted in Gazette 31 Mar 2005 p.1033.]*



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**19D Notice of plan to be given**

- (1) *After a plan for the future, or modifications to a plan, are adopted under regulation 19C the local government is to give local public notice in accordance with subsection (2).*
- (2) *The local public notice is to contain*
- (a) *notification that*
- (i) *a plan for the future of the district has been adopted by the council and is to apply to the district for the period specified in the plan; and*
- (ii) *details of where and when the plan may be inspected;*
- or*
- (b) *where a plan for the future of the district has been modified*
- (i) *notification that the modifications to the plan have been adopted by the council and the plan as modified is to apply to the district for a the period specified in the plan; and*
- (ii) *details of where and when the modified plan may be inspected.*

*[Regulation 19D inserted in Gazette 31 Mar 2005 p. 1033-4.]*

**Comment**

The Town's Plan for the Future was last reviewed in 2008. Since that time a new Strategic Plan has been adopted by Council. It is becoming increasingly important that the strategic direction of the Town of East Fremantle is sustainable in the longer term. Council officers have incorporated the Key Result Area initiatives into the revised Plan for the Future to enable Council to assess the ongoing financial implications of key initiatives.

The draft 2010 to 2020 Plan for the Future of the Town of East Fremantle is attached for Council's consideration. It is important to note, that the draft plan is a framework document for Council to refer to when considering its annual budgets. The document identifies discretionary funds that Council will have available each year for strategic initiatives and capital expenditure projects. Council officers have projected operating expenses and operating revenue for a ten year period using the 2009/2010 adopted budget as a base, and the net surplus position is then available, as discretionary funds, for use on initiatives and capital projects.

**ATTACHMENT****Inflation**

It is important to note that all values contained in the Plan have been increased from the base 2010 adopted budget values by an estimated inflation factor. This has been done to highlight that a pragmatic approach to longer term financial planning can increase discretionary funds. The Plan will be reviewed every two years and as a result, a revision of estimates can be expected in response to actual inflation and other price variations, beyond the control of Council.

**Strategic Initiatives**

The strategic initiatives are projects taken from the Key Result Areas of the 2008 to 2012 Strategic Plan. The estimated initial cost of each project has been included. If the project is to undertaken on an ongoing basis its costs are then treated as recurrent expenditure in future years but still shown in the KRA section. This is to show the ongoing costs associated to strategic initiatives. The initiatives that have been identified as ongoing are highlighted in darker green on the attached report.

**Capital Expenditure**

The major capital expenditure projects included within the plan are provision for funding of the following:

- Roadworks program





- Footpath improvements
- Kerbing replacement
- Street Tree replacement
- Drainage improvements
- Parks, gardens & reserves improvements
- Playground improvements
- Plant & light vehicle replacement
- Major and minor buildings improvements

### Highlights of the Plan

The following are the major areas identified in the Plan to place Council in a position where it will be financially sustainable for the future.

- Elimination of all current debt by 2015. A word of caution here that debt can be an important funding mechanism particularly with the current low interest rates. It is important that current ratepayers only fund services they are utilising. It is inequitable that current ratepayers may be funding future benefits that they may not be able to take advantage of. The program identifies funds to be transferred to a civic building reserve fund to support the 10 year strategic building management plan that has been developed.  
The Executive Manager of Finance and Administration believes it is appropriate for Council to borrow money for major infrastructure projects such as a new hall or building; capital works that are seen to recur every five to twenty years but not for operating items.
- Funding of infrastructure renewal works from Council's own resources and grant funding.
- Provision of a Plant replacement program provided through annual cash transfers from Council's own resource funding to the Plant Replacement Reserve.
- A major cash pool dedicated to the refurbishment of civic buildings which can be used to attract funding and income streams to repay any future debt.
- It is recognised that IT expenditure is a significant investment and that an annual allocation to the Office Reserve is to provide for future upgrades.
- The building assets have been notionally increased to insurance valuations. This has been done to ensure future expenditure on the assets matches the annual usage allocation through depreciation.
- A 15 year footpath management plan has been developed to prioritise and quantify future expenditure requirements.
- A 10 year road management plan has also been developed utilising ROMAN to prioritise and quantify future expenditure requirements.

The Plan for the Future is a discussion document to be received by Council and then advertised to the local community. The basis of the Plan is to be utilised for Council to consider when preparing an annual budgets.

### Statutory Requirement

Local Government Act 1995 (as amended) Section 5.56.

Local Government (Administration) Regulations 1996, Regulations 19C and 19D.

### Relevant Council Policies

N/A

### Strategic Plan Implications

The draft Plan for the Future is to be utilised as one of Council's strategic planning documents. The draft plan has been linked to the 2008 to 2012 Strategic Plan by including Key Result Area initiatives.



**Financial/Resource/Budget Implications**

The draft Plan for the Future sets up Council's financial parameters for the next ten years. The Plan is to be used as a reference document when considering the annual budget.

**CONCLUSION**

The attached draft Plan for the Future of the district is a framework document and requires Council's consideration.

**RECOMMENDATIONS**

That Council note the draft Plan for the Future of the district 2010 to 2020.

Discussion took place regarding a review of the current Strategic Plan, future measurement and reporting of the progress of initiatives included in the Plan. Discussion also on the process of linking the review to the production of the Plan for the Future.

**Cr Martin - Mayor Ferris**

**That Council:**

1. **note the draft Plan for the Future of the district 2010 to 2020.**
2. **review the draft Plan for the Future in conjunction with the Strategic Plan at the review workshop(s).**
3. **forward to the Executive Manager Finance & Administration any amendments to the draft Plan for the Future, following the review workshop(s), to enable the advertising and placement on the Town's website of the draft Plan, for public comment by 30 April 2010.**
4. **require a written report, to be prepared by the CEO, on performance of outcomes and progress of initiatives included in the 2008 – 2012 Strategic Plan. This report is to be circulated to Elected Members prior to 23 March 2010.**

CARRIED

**F8. CLOSURE OF MEETING**

There being no further business, the meeting closed at 9.40pm.

*I hereby certify that the Minutes of the meeting of the **Finance Committee** of the Town of East Fremantle, held on **10 March 2010**, Minute Book reference **F1. to F8.** were confirmed at the meeting of the Committee on*

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**Presiding Member**