
Shire of Kalamunda

Special Council Meeting Minutes

Monday 26 March 2012

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MINUTES

1.0 OFFICIAL OPENING

1.1 The Chairman opened the meeting at 6.30pm and welcomed Councillors and Staff.

2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

2.1 Attendance

Councillors

Donald McKechnie	(Chairman, Shire President)	North Ward
Margaret Thomas		North Ward
Justin Whitten		South West Ward
Allan Morton		South West Ward
Noreen Townsend		South West Ward
Frank Lindsey		South East Ward
Geoff Stallard		South East Ward
John Giardina		South East Ward
Bob Emery		North West Ward
Dylan O'Connor		North West Ward

Members of Staff

James Trail	Chief Executive Officer
Rhonda Hardy	Director Corporate and Community Services
Clayton Higham	Director Development and Infrastructure Services
Darrell Forrest	Manager Governance
Rajesh Malde	Manager Financial Services
Peter Hayes	Manager Business and Strategy
Gerard Thomas	Manager Technology and Corporate Support
Meri Comber	Governance Officer

Members of the Public Nil

Members of the Press Nil

2.2 Apologies

Councillors

Martyn Cresswell	North West Ward
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2.3 Leave of Absence Previously Approved

Sue Bilich	North Ward
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3.0 PUBLIC QUESTION TIME

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of this Committee. For the purposes of Minuting, these questions and answers are summarised.

3.1 Nil.

4.0 MATTERS FOR WHICH MEETING MAY BE CLOSED

4.1 Nil.

5.0 DISCLOSURE OF INTERESTS**5.1 Disclosure of Financial and Proximity Interests**

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Sections 5.60B and 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the *Local Government Act 1995*.)

5.1.1 Nil.

5.2 Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

5.2.1 Nil.

6.0 REPORT TO COUNCIL

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

Declaration of financial / conflict of interests to be recorded prior to dealing with each item.
01. Budget Review for the Seven Months to 31 January 2012

Previous Items	N/A
Responsible Officer	Director Corporate and Community Services
Service Area	Finance
File Reference	
Applicant	N/A
Owner	N/A
Attachment 1	Amended Rate Setting Statement
Attachment 2	Amended Income Statement by Nature and Type
Attachment 3	Summarised Report of Amendments
Attachment 4	Statement of Amended Reserve Account movement and balances

PURPOSE

1. To allow Council to consider some amendments to the originally adopted budget and also some variations/inclusions to the adopted budget based on Operations to 31 January 2012.

BACKGROUND

2. The Shire is required to do a statutory review of its budget against actual position during a financial year and the presented comments and reports are to assist elected members in their considerations.
3. The Budget Review for Seven Months to January 2012 is the second review undertaken in the current financial year with the main objective of ensuring that the Shire's finances are in a healthy state and operations are fully funded without going to deficit.
4. The Audited Financial Report for Year ending 30 June 2011 highlighted a reduction in two of the six Shire's financial ratios as follows:

Current Ratio

5. It is generally accepted that this ratio should be greater than 1:1. The Shire's position at 30 June 2011 was 0.13:1. Given the strong focus on fiscal management that the Shire has placed on its budget during 2011/2012 the Shire is confident it will return a positive ratio as at 30 June 2012.

Untied Cash to Unpaid Trade Creditors Ratio

6. The Shire's position for this ratio was 0.00:1 as at 30 June 2011. It is again expected that the results being posted as a result of the mid-year review will return this ratio to be greater than 1:1 as at the 30 June 2011.

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7. In order to address the Liquidity Ratios of the Shire during 2011/2012 a number of strategies are being deployed.
- The Sale of Land assets is expected to return a cash flow of just under seven million dollars with further sales in 2012/2013.
 - Expenditure is being closely monitored and savings retained wherever possible.
 - Quarterly Budget review processes have been initiated to ensure cost control is maximised.
 - Cash flow analysis will be tightened and monitored to ensure Cash at Bank is retained in surplus and not deficit by year end.

Repayment of overdraft facility.

8. An overdraft facility of up to \$1.5 million dollars was established in May 2011 to facilitate the development of the East Welshpool Rd land known as Smokebush Estate.
9. Currently the overdraft balance stands at \$1,494,273 which will need to be offset in due course.
10. The budget review has recognised savings identified be offset to pay off the balance due which is projected to be at \$971,739 by the end of the financial year. This action will reduce any interest charges and alleviate the burden of paying down the balance in one year.
11. It is proposed that in the ensuing five months further savings that become available be utilised to further repay the overdraft. This reduction will be referred to Council for budgetary amendment approval.
12. The 2012/13 financial year will see the projected savings on employment costs and the fact that there will be no major deficit at year end which was the position at the beginning of this year i.e. \$(1,481,865) be used to pay down the balance remaining on the overdraft.
13. The property reserve balance as at this budget review will stand at \$1,659,664 with further land sales to occur when Edney Rd and old Forrestfield Library sites are developed in 2012/13 onwards. This positive balance will provide a financial buffer against any future unforeseen matters that may arise.

DETAILS

14. The Operating Surplus per the Rate Setting Statement as at 31 January 2012 is \$12,370,209 which is in line with Budget projections will be utilised in the next five months to fund the balance of Operational and Capital expenditure leaving a small surplus of \$61,442

at the end of the financial year. Great care needs to be taken to 30 June 2012.

15. The Swimming Pool over-expenditure, partial spend on the Amenities building and increases in budget for the electrical audit and Kalamunda club has been funded by savings identified in the operating areas and the deferment of some capital expenditure shown in attachment 2.

Reserve Account Adjustments

Land and Property Reserve

16. There has been an adjustment to the Land and Property Reserve with the transfer to Reserve increasing by \$1,673,326 as a result of projected sales of:
- 27 Lots in the Smokebush Estate in Welshpool
 - 39 Maida Vale road
 - 43 Boonooloo Road
 - 21 Andrews Street

Revaluation Reserve

17. A transfer of \$100,000 recommended in the October review to partially fund the cost of revaluation of rateable land effective 1 July 2011 has been reduced by \$38,599 as 2/3rd of the amount paid will be treated as a pre-payment and expensed of in the respective years it relates to.

Environmental Reserve

18. Transfer to this reserve has been increased by \$31,543 from original budget amount of \$153,125 as it has been determined that the commitment to transfer 2.5% was added by Council to purchase the first batch of Reserves GS49 and includes the sale of the Smokebush estate.

Local Government Elections Reserve

19. Transfers to and from reserves have been reduced from \$100,000 to \$44,719 to reflect actual costs incurred.

Plant & Equipment Reserve

20. Net transfers to reserves of \$70,000 have now been deferred pending a review by Uniqco on current assets in this category.

Revaluation Reserve

21. Transfers from reserves have been reduced from \$100,000 to \$61,401 as the accounting treatment of the amount paid for the revaluation exercise done by Landgate has been corrected in line with accruals concepts resulting in less expenditure for the current year

STATUTORY AND LEGAL IMPLICATIONS

22. Section 6.8 (1)(b) of the *Local Government Act 1995* requires an absolute majority decision by Council for any budget amendments.

POLICY IMPLICATIONS

23. Nil.

PUBLIC CONSULTATION/COMMUNICATION

24. Nil.

FINANCIAL IMPLICATIONS

25. The amendments require no further funding from the Property Reserve and total Reserve holding has increased by \$1,408,469 to \$2,897,269.
26. The Rate Setting Statement shows the Shire is projected to be in a surplus position at the end of the financial year.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Planning Implications

27. Nil.

Sustainability Implications

Social implications

28. Nil.

Economic Implications

29. Nil.

Environmental Implications

30. Nil.

OFFICER COMMENT

31. The amended Rate Setting Statement following the budget review in column 4 (2011/2012 Proposed Budget Review) reveals a balanced Budget estimate for 30 June 2012 with a surplus of \$61,442.
32. It needs to be noted that the Land and Property Reserve has been increased from \$153,215 to \$1,659,664 as Shown in Attachment 3. This is due to the projections noted in 8(i). It is noted that we have so far sold the following:
- 20 Lots in the Smokebush Estate in Welshpool
 - 43 Boonooloo Road
 - 21 Andrews Street
- Although there is general downturn in the market conditions and sales have slowed down, we are optimistic in selling 7 more lots in the Smokebush estate and 39 Maida Vale Rd.
33. The key to addressing the Shire's ongoing liquidity will be in its land sales, property rationalisation program and closely monitoring of actual spend against budgets allocated. The Council needs to be resolved in its decision making to continue with this policy otherwise the Council will need to make major decisions about service reduction if it is to be sustainable in the longer term and meets its asset management requirements.
34. In light of this Budget Review all future Financial Reports presented to Council for adoption will include adjustments to the current Budget and amendments based on operations and new information.
35. The Attachment 1 being the amended Rates Setting Statement incorporates all the above into an acceptable format and reveals a balanced budget.

RECOMMENDATION

That Council:

1. Note the 2010-2011 Budget Review Explanation and Summary (Attachment 1).
2. Authorises the Chief Executive Officer to amend the 2011/2012 current Budget to reflect the changes summarised in the Amended Rates Setting Statement (Attachment 1).

Moved: **Cr John Giardina**

Seconded: **Cr Noreen Townsend**

Vote: **CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (10/0)**

7.0 MEETING CLOSED TO THE PUBLIC

7.1 Nil.

8.0 CLOSURE

There being no further business, the Chairman declared the meeting closed at 6.32pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: _____
Chairman

Dated this _____ day of _____ 2012