



Town of Port Hedland

**NOTICE OF MEETING
AND
AGENDA**

FOR THE

**FINANCE COMMITTEE
OF THE TOWN OF PORT HEDLAND COUNCIL**

TO BE HELD ON

MONDAY 14 NOVEMBER 2005

COMMENCING AT 8:00 AM

**IN COUNCIL CHAMBERS
McGREGOR STREET, PORT HEDLAND**

Chris Adams
Chief Executive Officer

Our Commitment

To enhance social, environmental and economic well-being through leadership and working in partnership with the Community.

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NOTE: The Chief Executive Officer is to preside at the meeting until the position of Chairperson is elected in accordance with section 5.12.1 of the Local Government Act 1995.

5.12. Election of presiding members and deputies

- (1) *The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule ³/₄*
 - (a) *to }office~ were references to }office of presiding member~*
 - (b) *to }council~ were references to }committee~*
 - (c) *to }councillors~ were references to }committee members~.*
- (2) *The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2 as if the references in that Schedule ³/₄*
 - (a) *to }office~ were references to }office of deputy presiding member~*
 - (b) *to }council~ were references to }committee~*
 - (c) *to }councillors~ were references to }committee members~*
 - (d) *to }mayor or president~ were references to }presiding member~."*

ITEM 1 OPENING OF MEETING

1.1 Opening

The Chief Executive Officer declared the meeting open at _____am and acknowledged the traditional owners, the Kariyarra people.

ITEM 2 RECORDING OF ATTENDANCE AND APOLOGIES

2.1 Attendance

Mayor S R Martin
Cr A A Carter
Cr S F Sear
Chief Executive Officer
Acting Manager Finance

2.2 Apologies

Nil.

2.3 Approved Leave of Absence

Nil.

ELECTION OF CHAIR AND DEPUTY CHAIR (File no.: ADM-035)**Election of Chairman**

The Chief Executive Officer will preside over the meeting for the election of the Chairman of the Town of Port Hedland Finance Committee. Nominations will be called. The elected Chairman will proceed to chair the meeting.

Election of Deputy Chairman

Nominations may be called for the position of Deputy Chairman.

ITEM 3 RESPONSE TO PREVIOUS QUESTIONS - ON NOTICE

Nil.

ITEM 4 PUBLIC TIME**4.2 Public Statements****ITEM 5 QUESTIONS FROM MEMBERS WITHOUT NOTICE****ITEM 6 DECLARATION BY MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING****ITEM 7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

Nil.

7.1.1 *Matters Arising*

Nil.

ITEM 8 ANNOUNCEMENTS BY CHAIRMAN WITHOUT DISCUSSION**ITEM 9 PETITIONS/DEPUTATIONS/PRESENTATIONS/ SUBMISSIONS**

Nil.

As a result of the September review a number of budget modifications have been identified. The modifications include a combination of income and expenditure items. The proposed changes have been tabled below:

Account Number	Account Description	Budget 2005/06	Actual 30/09/05	Proposed Revision Amount	Revised Budget 2005/06	Rationale	Impact on Council Resources
Operating Expense							
301276	Rates Written Off	\$0	\$7,759	+\$7,900	\$7,900	05/06 Budget omission: Rates were written off: Minutes 6.2.2.1 (8 Jul '05) and 10.3.1.4 (24 Aug '05).	+\$7,900
402257	Corporate Support	\$22,700	\$0	-\$4,700	\$18,000	New projected spend figure.	-\$4,700
405243	Telstra Expense	\$0	\$0	+\$5,000	\$5,000	New Operating account. Transfer Telstra costs from Computer Support 405250.	+\$5,000
405249	Computer Software Support	\$0	\$0	+\$24,000	\$24,000	New Operating account. 05/06 Budget omission: Computer accounting and web site support (journal transfer from 405250).	+\$24,000
405250	Computer Support	\$33,000	\$44,098	-\$5,000	\$28,000	Transfer Telstra costs to 405243.	-\$5,000
407241	Printing and Stationery	\$45,000	\$4,194	-\$15,000	\$30,000	New projected spend figure.	-\$15,000
809221	Staff Housing Rent	\$5,200	\$1,856	+\$5,200	\$10,400	Rent expense offset by BHP Housing Contribution \$10,400 (see 809325).	+\$5,200
809285	Consumable Items	\$39,000	\$8,756	-\$5,000	\$34,000	Transfer \$5,000 to new account 809287 Consumables – Day Care.	-\$5,000
809287	Consumables – Day Care	\$0	\$0	+\$5,000	\$5,000	New Account to identify Day Care expense	+\$5,000
811253	Black Rock - Community	\$0	\$0	+\$11,159	\$11,159	2004/05 income not carried forward.	+\$11,159
812227	Artist Payments with GST	\$2,000	\$0	+\$4,000	\$6,000	Artist payment increase to reflect artwork sales with GST – 812327 2005/06 Budget is \$6,000.	+\$4,000
1002278	L/Fill Strategic Plan	\$40,000	\$0	-\$10,000	\$30,000	New projected spend figure.	-\$10,000
1005277	Litter Collection Contract	\$152,000	\$0	-\$5,000	\$147,000	New projected spend figure.	-\$5,000
1006269	Pilbara Sustain Living Proj.	\$12,000	\$19,357	+\$8,300	\$20,300	Additional expenses supported by additional contributions – see 106335.	+\$8,300
1109327	Water Corporation Charge	\$8,750	\$7,909	+\$8,250	\$17,000	Under budgeted 2005/06. 2004/05 Actual was \$17,006.	+\$8,250
1110277	Effluent Pump Facility	\$42,576	\$15,513	+\$12,424	\$55,000	New projected spend figure.	+\$12,424
1111287	Golf Course Effluence Mtce	\$7,500	\$8,684	+\$79,000	\$86,500	Traditionally Council has provided water and costs for the Golf Club. While the budget indicated that the service would be reviewed, no change to this service has been arranged/discussed at this time.	+\$79,000

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	Copper Shed Loan Interest	\$83,025	\$0	-\$83,025	\$0	New projected spend figure. Project cancelled.	-\$83,025
1211251	Aircon Terminal	\$12,000	\$3,971	+\$10,000	\$21,000	New projected spend figure.	+\$10,000
1211259	Fire Appliances	\$2,000	\$560	+\$13,000	\$15,000	New projected spend figure.	+\$13,000
1211264	Depot Supplies	\$10,000	\$0	-\$5,000	\$5,000	New projected spend figure.	-\$5,000
1211265	Pavement Repairs	\$15,000	\$5,943	+\$7,000	\$22,000	New projected spend figure - \$7,000 for Friction Testing.	+\$7,000
1211282	Public Relations	\$20,000	\$1,656	-\$10,000	\$10,000	New projected spend figure.	-\$10,000
1301264	Boodarie Bowls	\$0	\$0	+\$21,000	\$21,000	2005/06 Budget omission - \$21,000 is equivalent to Council's 2004/05 Budget contribution.	+\$21,000
						Nett Impact on Operating Expense	+\$78,508
Capital Expense							
New 503	Dog Pound Construction	\$40,000	\$0	-\$10,000	\$30,000	New projected spend figure.	
901415	Staff Housing Refurbish	\$86,500	\$10,753	+\$50,000	\$136,500	Due to budget constraints over the past 2-3 years, there has been little capital or maintenance expenditure on Council staff housing stock. While much of the stock is relatively new and requires little maintenance, some housing is aging and requires upgrades. Council has allocated \$86000 in the current budget for housing upgrades. While this budget could be met, further expenditure in this area would significantly improve Councils assets and would assist in attracting and retaining staff.	+\$50,000
1004499	T/F to Landfill Site Reserve	\$38,178	\$1,600	+\$288,500	\$326,678	This transfer to reserve will offset additional projected income – see 1004328.	+\$288,500
1117412	PH Library Upgrade	\$0	\$0	+\$14,000	\$14,000	2005/06 Budget omission – repaint interior and replace floor coverings as per May 2005 Council Minute 9.1.1.1 Budget Amendment	+\$14,000
Blank Row							

Account Number	Account Description	Budget 2005/06	Actual 30/09/05	Proposed Revision Amount	Revised Budget 2005/06	Rationale	Impact on Council Resources
1118421	Matt Dann Theatre Upgrade	\$0	\$0	+\$50,000	\$50,000	New Capital account. ToPH's commitment to South Hedland High School's upgrade of the facility.	+\$50,000
1201478	Reseals	\$605,000	\$69,591	+\$26,532	\$631,532	New projected spend figure.	+\$26,532
1203440	Flood Pump Refurbishment	\$150,000	\$0	-\$75,000	\$75,000	New projected spend figure.	-\$75,000
1210440	Plant & Equipment	\$90,000	\$0	+\$20,000	\$110,000	Purchase of new Paint Machine v's contract painting @ \$40,000 – \$20,000 expense off-set by increase revenue from passenger charges (see 1210325).	+\$20,000
1210498	T/F to Airport Capital Reserve	\$480,802	\$5,302	+\$85,000	\$565,802	New projected transfer figure – surplus from passenger charges (1210325) after operating expense adjustments.	+\$85,000
	Copper Shed Construction	\$2.7m	\$0	-\$2.7m	\$0	New projected spend figure. Project cancelled.	-\$2.7m
	Copper Shed Loan Principal	\$99,763	\$0	-\$99,763	\$0	New projected spend figure. Project cancelled.	-\$99,763
1407491	Port Hedland Enhancement	\$0	\$0	+\$35,000	\$35,000	New Project. Pilbara Development Commission Funded upgrade in Wedge St – see Capital Income 1407336	+\$35,000
						Nett Impact on Capital Expense	-\$2,594,231
Operating Income							
301305	Rates Interim Levies	\$22,500	\$190,890	+\$187,500	\$210,000	Due to a computer software error, the rates on 13 commercial properties were incorrectly sent out as minimum rates.	+\$187,500
301306	Rates Legal Charges	\$15,000	\$16,786	+\$28,000	\$43,000	Income from legal charges should reflect the cost of collecting (301260) Council's rates.	+\$28,000
808329	Operational Subsidy	\$258,000	\$71,070	+\$24,000	\$280,000	New projected income figure confirmed.	+\$24,000
809396	Grant - HACC	\$513,000	\$158,659	+\$27,499	\$540,499	New projected income figure confirmed.	+\$27,499
814315	Grant – Volunteer Aust	\$26,600	\$0	-\$13,000	\$13,600	New projected income figure – reflects a 2004/05 prepayment carried forward.	-\$13,000
1002392	Grant – Landfill Study	\$20,000	\$0	-\$10,000	\$10,000	New projected income – BHP Contribution,	-\$10,000
1004328	General Tipping Fees	\$711,500	\$334,369	+\$288,500	\$1m	New projected income figure.	+\$288,500
1005New1	Grant – Litter Collection	\$70,000	\$0	-\$5,000	\$65,000	New projected BHP Billiton income figure.	-\$5,000

Account Number	Account Description	Budget 2005/06	Actual 30/09/05	Proposed Revision Amount	Revised Budget 2005/06	Rationale	Impact on Council Resources
1006326	Town Planning Fees	\$110,000	\$8,745	-\$50,000	\$60,000	New projected income figure.	-\$50,000
1006335	Pilbara Sustain Living Proj.	\$12,000	\$0	+\$8,300	\$20,300	Increased support from BHP and other sources has been secured.	+\$8,300
1210325	Passenger Service Charge	\$1.45m	\$290,894	+\$120,000	\$1.57m	New projected income figure.	+\$120,000
1302324	Licences - Building	\$200,000	\$24,190	-\$80,000	\$120,000	New projected income figure.	-\$80,000
	Copper Shed Rent	\$21,712	\$0	-\$21,712	\$0	New projected income figure. Project cancelled.	-\$21,712
	Shed Venture Contribution	\$0	\$0	+\$50,000	\$50,000	Copper Shed Joint Venture contribution	+\$50,000
						Nett Impact on Operating Income	+\$554,087
Capital Income							
New503a	Contribution – Dog Pound	\$20,000	\$0	-\$10,000	\$10,000	New projected BHP Billiton income figure.	-\$10,000
	Copper Shed Loan	\$2.7m	\$0	-\$2.7m	\$0	New projected income figure. Project cancelled.	-\$2.7m
1203New	Flood Pump Refurbish	\$75,000	\$0	-\$75,000	\$0	New projected BHP Billiton income figure.	-\$75,000
1407336	Misc Expenditure Recouped	\$0	\$0	+\$35,000	\$35,000	New Project. Pilbara Development Commission Funded upgrade in Wedge St	+\$35,000
						Nett Impact on Capital Income	-\$2,750,000

A decision was made to make this review conservative in nature with only those changes that we were 100% certain of occurring being listed. While many other budget adjustments are likely, they are not certain at this point in time. These items will be re-reviewed during the December Budget with appropriate adjustments being recommended at that time.

Consultation

The Chief Executive Officer has met with relevant Managers to discuss projected budget income and expenditure.

Statutory Implications

Section 6 of the Local Government Act specifies how a local government must manage its finances. Of particular relevance to this matter is the following clause:

“6.8 Expenditure from municipal fund not included in annual expenditure

1. *A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure –*
 - a) *is incurred in a financial year before the adoption of the annual budget by the local government*
 - b) *is authorised in advance by resolution; or*
 - c) *is authorised in advance by the Mayor in an emergency.”*

Policy Implications

Council's Budget Amendment Policy (Policy 2/001) states:

“2/001 BUDGET AMENDMENTS

- i) *Wherever budget versus actual cost savings become reasonably likely or definitely do occur, Manager Finance Services shall place the proposed necessary budget amendment before Council prior to it being actioned. Council shall permit by resolution only, carried by absolute majority, that budget amendments may occur. Such amendments will appear on the monthly statements under Current Year Estimates and will be cross referenced to a master sheet attached to the back of the statements. Any proposed budget amendment placed before Council shall be self-balancing in that the additional income or cost saving shall equate to the additional expenditure or loss of income.*
- ii) *Before over-budget expenditure is incurred on the premise of likely or definite savings in other cost areas, the officer concerned shall approach and discuss the matter with the Manager Finance Services or if unavailable, the Chief Executive Officer. On no account can "windfalls" or budget savings be expended on any subject without Council*

ratification. The Manager Finance Services shall place the proposed necessary budget amendment before Council prior to it being actioned.”

Strategic Planning Implications

The quarterly reviewing of the Financial Statements will allow a greater focus on ensuring that the Council's resources are being expended on key items within the Town's Strategic Plan.

Budget Implications

This report recommends modifications to the 2005/06 Budget. The nett impact of the proposed changes is a projected surplus of \$319,810 (after depreciation and opening cash).

While this amount would seem unusually high, it is consistent with previous practice at the Town of Port Hedland. While the Town has budgeted for operating deficits in previous years, in reality, it has achieved operating surpluses due (primarily) to unfilled staff positions and incompleting projects. In the 2004/05 year a deficit budget was forecast but a surplus of some \$3.2m was achieved. The intent of the quarterly reviews is to identify budget surpluses and/or over-expenditures early rather than at the end of the Financial Year

	2005/06 Revenue	2005/06 Expense	2005/06 New Total Deficit	2005/06 New Surplus after Depreciation & Opening Cash
Total Budget Operating	\$18,996,656	\$19,484,274		
Add/Less Review Impact	\$554,087	+\$78,508		
Subtotal	\$19,550,743	\$19,562,782		
Total Budget Capital	\$7,729,479	\$13,391,049		
Add/Less Review Impact	-\$2,750,000	-\$2,594,231		
Subtotal	\$4,979,479	\$10,796,818		
TOTAL	\$24,530,222	\$30,359,600	-\$5,829,378	\$319,810

Options for the use of these savings have been included in the Officer's Comments (next page).

Officer's Comment*General*

As a general comment, Council's 2005/06 Budget is currently well underspent. This under expenditure is largely due to the relative lateness of the adoption of the budget. While the budget operates from 1 July – 30 June, it was not adopted down under the end of August. This essentially means that two months of programming and construction timeframe has been lost due to an inability to expend money due to no formal budget being adopted. Managers are currently putting programs into place to ensure that the scheduled capital works projects are undertaken as promptly as possible

Savings Options

Assuming that the budget modifications are accepted by Council, the impact on the financial position of the Council is a saving of \$319,810. Council has several options to manage this including:

Option 1 - Identifying additional projects/services

Council could potentially spend this surplus on providing additional facilities and/or services to the community. While this is an attractive option, selecting projects and/or services at this time is somewhat premature as there has been little analysis on what

Option 2 - Transferring the projected surplus to reserves

During the Council 's budget process Councillors were advised that while funding reserves were in place for some projects, the Council needs to progressively build up its cash reserves to pay for large infrastructure upgrades in the future. The projected accumulated surplus could be used for this purpose.

Option 3 - Holding the surplus till Dec Council review.

To date, Council is yet to commence many of the capital projects that are projected for the 2005/06. Given rising construction, labour and materials prices there is a possibility that some of these projects could potentially come in over budget. The projected surplus funds could be used to cover any project shortfalls if they were to arise. If no shortfalls were to occur by the December budget review, the funds could be allocated to new projects and/or reserves.

Officer's Recommendation

That:

- i) the following budget modifications be approved by Council:

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1211259	Fire Appliances	\$2,000	\$560	+\$13,000	\$15,000	New projected spend figure.	+\$13,000
1211264	Depot Supplies	\$10,000	\$0	-\$5,000	\$5,000	New projected spend figure.	-\$5,000
1211265	Pavement Repairs	\$15,000	\$5,943	+\$7,000	\$22,000	New projected spend figure - \$7,000 for Friction Testing.	+\$7,000
1211282	Public Relations	\$20,000	\$1,656	-\$10,000	\$10,000	New projected spend figure.	-\$10,000
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	Copper Shed Loan Principal	\$99,763	\$0	-\$99,763	\$0	New projected spend figure. Project cancelled.	-\$99,763
1407491	Port Hedland Enhancement	\$0	\$0	+\$35,000	\$35,000	New Project. Pilbara Development Commission Funded upgrade in Wedge St – see Capital Income 1407336	+\$35,000
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1002392	Grant – Landfill Study	\$20,000	\$0	-\$10,000	\$10,000	New projected income – BHP Contribution,	-\$10,000
1004328	General Tipping Fees	\$711,500	\$334,369	+\$288,500	\$1m	New projected income figure.	+\$288,500
1005New1	Grant – Litter Collection	\$70,000	\$0	-\$5,000	\$65,000	New projected BHP Billiton income figure.	-\$5,000

Account Number	Account Description	Budget 2005/06	Actual 30/09/05	Proposed Revision Amount	Revised Budget 2005/06	Rationale	Impact on Council Resources
1006326	Town Planning Fees	\$110,000	\$8,745	-\$50,000	\$60,000	New projected income figure.	-\$50,000
1006335	Pilbara Sustain Living Proj.	\$12,000	\$0	+\$8,300	\$20,300	Increased support from BHP and other sources has been secured.	+\$8,300
1210325	Passenger Service Charge	\$1.45m	\$290,894	+\$120,000	\$1.57m	New projected income figure.	+\$120,000
1302324	Licences - Building	\$200,000	\$24,190	-\$80,000	\$120,000	New projected income figure.	-\$80,000
	Copper Shed Rent	\$21,712	\$0	-\$21,712	\$0	New projected income figure. Project cancelled.	-\$21,712
	Shed Venture Contribution	\$0	\$0	+\$50,000	\$50,000	Copper Shed Joint Venture contribution	+\$50,000
						Nett Impact on Operating Income	+\$554,087
Capital Income							
New503a	Contribution – Dog Pound	\$20,000	\$0	-\$10,000	\$10,000	New projected BHP Billiton income figure.	-\$10,000
	Copper Shed Loan	\$2.7m	\$0	-\$2.7m	\$0	New projected income figure. Project cancelled.	-\$2.7m
1203New	Flood Pump Refurbish	\$75,000	\$0	-\$75,000	\$0	New projected BHP Billiton income figure.	-\$75,000
1407336	Misc Expenditure Recouped	\$0	\$0	+\$35,000	\$35,000	New Project. Pilbara Development Commission Funded upgrade in Wedge St	+\$35,000
						Nett Impact on Capital Income	-\$2,750,000

and

- ii) Council consider the use of the anticipated \$319,810 budget surplus as a component of the December Budget review.

NOTE: ABSOLUTE MAJORITY VOTE REQUIRED

ITEM 11 LATE ITEMS AS PERMITTED BY CHAIRPERSON/COUNCIL

ITEM 12 MOTIONS OF WHICH PREVIOUS NOTICE HAVE BEEN GIVEN

Nil.

ITEM 13 CONFIDENTIAL ITEMS

Nil.

ITEM 14 APPLICATIONS FOR LEAVE OF ABSENCE

Nil.

ITEM 15 CLOSURE

15.1 Date of Next Meeting

The next Finance Committee Meeting of Council will be held on _____, commencing at _____.

15.2 Closure

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

Declaration of Confirmation of Minutes

I certify that these Minutes were confirmed by the Council at its Ordinary Meeting of _____.

CONFIRMATION: _____
MAYOR

DATE