

SHIRE OF KOJONUP



Special Council Minutes

2nd June 2006

APPROPRIATE NOTICE WAS GIVEN THAT THE PURPOSE OF THE MEETING WAS TO CONSIDER

The Appointment of the Manager of Corporate Services

The Draft Plan for the Future

The Financial Activities Report and proposed budget amendments

MINUTES

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF GUESTS

The President opened the meeting at 7.00pm and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

The President read the following statement:

Disclaimer

No person should rely on or act on the basis of any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

The Shire of Kojonup expressly disclaims liability for any loss or damage suffered by any

person as a result of relying on or acting on the basis of any advice or information provided by a member or officer, or the content of any discussion occurring, during the course of the meeting.

Where an application for an approval, a license or the like is discussed or determined during the meeting, the Shire warns that neither the applicant, nor any other person or body, should rely upon that discussion or determination until written notice of either an approval and the conditions which relate to it, or the refusal of the application has been issued by the Shire.

2. **ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE**

Cr Jill Mathwin Shire President

Cr Jane Trethowan Deputy Shire President

Cr John Benn

Cr Pat Bunny

Cr Will Carrington-Jones

Cr Rosie Hewson

Cr Ernie Graham

Cr Greg Marsh

Cr Geoff Thorn

Mr Stephen Gash Chief Executive Officer

Miss Melissa Wilson Environmental Development Manager

APOLOGIES

Cr Frank Pritchard Leave of Absence

3. **PUBLIC QUESTION TIME**

Nil

4. **SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE**

Nil

5. **APPLICATIONS FOR LEAVE OF ABSENCE**

71/06 MOVED Cr Thorn that leave of absence be granted to Cr Frank Pritchard for the
2nd June 2006.

CARRIED 9/0

6. **CONFIRMATION OF MINUTES**

Not applicable

7. **ANNOUNCEMENTS by the Presiding Member without discussion.**

Nil

8. **PETITIONS, DEPUTATIONS & PRESENTATIONS**

Nil

9. **DECLARATIONS OF INTEREST**

Nil

10. **FINANCE**

10.1 FINANCIAL MANAGEMENT – MONTHLY STATEMENT OF FINANCIAL ACTIVITY

AUTHOR: John Crothers – Acting Financial Manager

DATE: 29 May 2006

FILE NO 06.15.01

DECLARATION OF INTEREST

Nil

SUMMARY

Preparation and presentation to Council of Monthly reports are a statutory requirement, with specific items needing to be included in such reports. This has been done for all prior months, as per the requirements. However, this is the Detailed Budget Review, which details all the individual accounts, and requests Council's approval.

There are also separate attachments to this report, which also give the 'overview' information as to the position of Council's finances.

A formal Budget Review was carried out at the half year, and adopted by Council on 31 January 2006. This is a further step, and involves adjusted projections to the end of the year. Council's formal adoption of those proposals is herein requested.

Staff continue to be mindful of ensuring that the results for the year do not take Council's budget liquidity position into deficit.

BACKGROUND

The new reporting requirements came into force from 1st July 2005. The reports attached comply with the new Financial Management Regulations.

COMMENTS

There are a number of attachments to this report, and they are as follows:

1.1 Bank Reconciliations

2.1 Rates Report

3.1 Net Current Asset Position [NAP]

3.2 Explanations/Comments on Net Current Assets Position

3.3 Ratios

3.4 Committed Assets Details [NOTE: Not dissected at this time]

3.5 Restricted Assets Details

3.6 Reserves Details

4.1 Status Report – Finance and Accounting Work

5.1 Statement of Financial Activity – Summary

6.1 Capital Expenditure Listing

7 Plant Purchases and Disposals, and other Asset disposals

8 Operating Statement – Detailed dissection [only produced each quarter]

At its meeting of 22 August 2005 Council adopted a "Material" Variance figure of either \$500 or 8%, whichever is the greater, for each individual account. Variations, in broad terms, are included each month. A detailed Operating Statement includes all the relevant information, and every dollar variation, are normally presented to Council at the end of each Quarter, with this occasion being to 26th May, 2006. This detailed report includes the final projections to the end of the 2005/06 year, and will form the basis of forming Council's budget for the forthcoming year.

As stated previously, this year remains "extremely" tight financially, and Council and staff remain mindful of having to exercise both restraint and discipline to the end of the 2005/06 year. All involved are aware that a great deal of caution will also be needed for the following, 2006/07, year.

Attachment 1.1 to this report gives details of Council's Bank Reconciliations, and Investments. Monthly production of this item shows to Council that this very important task has been completed, and that things are up-to-date. If sufficient government monies, and other large debtors, are recouped over the next month then the level of any overdraft will be negated, or at least able to be minimised.

Attachment 2.1 gives details of Council's Rates details. The last Instalment on Rates was due on 7th March 2006. Final notices were sent out for all amounts owing. The Rates Report shows that the collections have significantly increased. As attachment 2.1 shows, as at 12 May 2006 the total outstanding, excluding the Pensioner Rebates due from the State Government, was some \$89,845 which represents 3.44% of the amount collectable. If the collection efforts show further success, then the total outstanding at the end of June 2006 could be some \$70,000 [or possibly less], which is 2.68% of the amount collectable. At the end of the previous year it was

8%. Outstanding amounts of less than 5% are considered a quite good result.

For the information of Councillors, we have finalised our investigations of the Main Roads Debtor and the amounts listed as revenue for the 2005/06 year from them. Adjustments have now been made to all of those, with the final outcome being that we propose some reductions to income items, but no major change to the Debtor account. Therefore the previous proposal of increasing the provision for doubtful debts has now been reduced from \$22,000 down to \$1,700. Given all of the changes, this is a relatively good result, and rectifies anomalies of many years past.

Attachment 3.1 provides details of Council's Net Current position. It is important that Council retains a Surplus position [shown in light green on the attachment].

Item 3.2 lists the few brief Explanatory notes, while item 3.3 shows details of Ratios which are broad indicators of Council's financial positions.

Rarely does Council receive funds in advance, but these are listed separately where necessary, in items 3.4 or 3.5 to this report. Such payments in advance are termed "Committed Assets".

Attachment 3.5 relates to "Restricted Assets", which involves funds received in advance in prior years, which should be treated as "Restricted" until the expenditures associated with such purposes have been incurred. Transfers are then made after that time. On this occasion we have included in this section 4 new items, which are "Committed Monies" for the current year [IE: Over the next month], but these will become "Restricted Monies" from July 2006, for the 2006/07 financial year.

Attachment 3.6 shows Council's Reserves Accounts, including movements to and from such accounts for the year. A greater level of transfer from the Employees Leave Entitlements Reserves has been needed.

Attachment 4.1 is the monthly Status Report with regard to significant Finance and Accounting work, so that the Council is kept informed as to the position of various items in this area. As can be seen, virtually all areas are up-to-date, with the "Major Areas of Emphasis" for the next month being listed in the right hand column.

Two important systems are that of the Public Works Overheads [PWO] distribution, and the Plant Operating System [POS] Costs distribution. Both systems are updated fortnightly. Both the PWO and the POS systems will have net costs at the close of the year. The level of charge outs will be reassessed for the 2006/07 budget year.

Attachment 5.1 is the Statement of Financial Activities for the year. This is basically a "Sources and Applications of Funds" Statement, and is a summary of figures of the original budget, amendments adopted to date, actual figures transacted to date, as well as our projections, in dollar terms, of the likely/expected outcomes for the year. Also included are figures as to the variances to those previously approved, being compared to the last budget review figure.

As previously advised, the projected financial result for the Aged Care service has been of the most concern. While a loan for the capital items was previously considered, efforts are being made to avoid this, wherever possible. It has been verbally mentioned before that such action may be needed, so as to secure Council's 'bottom line, closing balance' position for the current year. A loan of \$40,000 is currently envisaged, and discussions will be held at the meeting of 2nd June 2006.

Also advised, it would be in Council's best interest to renegotiate loan 130, being for the Grader purchase. Its term should be extended a further 4 years. This matter will have ramifications for the new budget, and subsequent financial years.

As we are all aware, Council's financial records have had problems in past years, and we are working to correct as many of those during the 2005/06 year as possible.

A further issue is that of Assets. Adjustments between various categories will be needed. Further, revaluation of Council's Roads and other Infrastructure are proposed, with these to become effective from 30th June 2006. A report on these items will be submitted to a Council meeting in June 2006.

As previously advised, another area of major adjustment is that of Stock. A thorough examination of items previously listed as stock has been undertaken. A new control procedure will apply, including introduction of a proper Stock Control system on Council's main financial system. Certain items have now been 'expensed' to cost accounts, and new stock calculations have been made. The resulting 'expensed' net amount totals \$18,563. This has now been included in the detailed Operating Statement, and the end-of-year projections.

The overall End-Of-Year projected result for all of Council's finances is expected to have a very low 'Closing' position, after all the adjustments are affected. As previously advised, we have had to defer certain survey works, totalling some \$27,000, as they are not immediately needed. Savings are needed, so as to 'protect the bottom line'.

As we are all aware, Council's finances were in dire straits 2 and 3 years ago. Remedial actions were commenced in 2004/05, with significant gains being made in the current financial year. There is every possibility that Council may have a "Book" value overdraft at the end of June, although the 'actual' amount at the bank is expected to be surplus, due to the 'restricted' monies relating to the forward payment by the Federal Government for the Roads to Recovery program.

Notwithstanding the above, it needs to be appreciated that years of poor financial management cannot be fixed overnight. The large rate increase in the 2004/05 year only provided funds for catching up on costs increase of an operational nature. It has not provided any additional funds for the replacement of assets. Further, the taking up on a large "General Purpose" loan only went towards reducing the overdraft position. The action merely moved debt from an Overdraft position to a Loan position. Large repayments are still needed to liquidate that debt.

For the information of elected members, and readers, the Local Government Cost Index for WA has been calculated at running at 6.63% increase over the past year.

Past years have seen Council involved in a wide array of new things, without reference to the depletion/deterioration of its existing assets. Serious consideration of a "Back to Basics" approach is needed, with emphasis on 'areas of Needs', above 'items of Wants'. As well, action is needed by Council to assist the area to grow by working with Land Corp to develop Residential and Industrial land.

Emphasis needs to be placed on issues of "Sustainability". These issues will be discussed in the draft proposals for the "Plan for the Future". It is important that ALL new items are considered at the same time, wherever possible, and that multiple year ramifications are taken into account. The "Big Picture" needs to be kept in mind, with Focus on the achievement of Core Objectives and the achievement of the best long term benefits for the community.

Over the next year Council should concentrate on returning its finances to a more acceptable level, and to cash back its Aged Care Service liabilities. Increased allocations towards roads and infrastructure are needed, as well as looking to those activities which will prove to be the most beneficial in the long term. It is proposed that these issues will be the subject of deliberations on Council's Plan for the Future, and its 2006/07 budget.

CONSULTATION

None necessary.

STATUTORY ENVIRONMENT

Financial Management Regulation 34 sets out the basic information which must now be included in the monthly reports to Council. These reports submitted exceed those basic requirements.

POLICY IMPLICATIONS

None applicable.

FINANCIAL IMPLICATIONS

Occasionally Council may be asked to authorise certain budget amendments/variations by way of separate Senior Officer reports, but those proposed variations will be taken into account in the monthly Financial Activities report.

STRATEGIC IMPLICATIONS

This will only occur where it involves variations to the multiple year proposals previously put

forward. Impacts to the "Closing Balance" position will also occur.

VOTING REQUIREMENTS - SIMPLE MAJORITY

OFFICER RECOMMENDATION

1. That the Monthly Financial reports, as attached, be accepted;
2. That the Variations listed in the attachments to this report be adopted.

COUNCIL DECISION

72/06 MOVED Cr Carrington-Jones

- 1. That the Monthly Financial reports, as attached, be accepted**
- 2. That the Variations listed in the attachments to this report be adopted.**

8.55pm Cr Thorn left the Chamber

8.58pm Cr Thorn returned to the Chamber

2. PLAN FOR THE FUTURE– PROPOSED DRAFT FOR PUBLIC COMMENT

AUTHOR: John Crothers – Acting Finance Manager

DATE: 29 May 2006

FILE NO: NEW

DECLARATION OF INTEREST

Nil

SUMMARY

A new statutory requirement has been brought into effect, which states that a Council must adopt a Plan for the Future, with the first of these to be considered before a

Council's budget for the 2006/07 year.

A brief draft Plan has been drawn up, and attached is a copy of such a plan, for Council's consideration. It is proposed that a "Community Consultation" meeting be held on the afternoon of 16th June 2006 to discuss the matters contained within the plan, as well as any further information and possible alternatives that may have been put forward by that date.

There are not a great deal of new items being proposed for the next 2 years, which is the relevant statutory period that the plan needs to be adopted for. It should be borne in mind that the Plan adoption is not binding, but is merely a guide of the major items under considerations for the next 2 years.

It is recommended that Council now adopt this draft, which will then be refined further over the next few weeks, and as additional information comes to hand.

BACKGROUND

Previously Councils were required to adopt a Principal Activities Plan. This has now been superseded by the requirement to prepare a Plan for the Future.

COMMENT

Discussions have been held over the past 5 months of items for possible adoption over the next 2-3 years.

As is obvious, there will little discretionary money available for the 2006/07 year, as attempting to finalise a number of financial issues are needed. The principal items are the cash backing of the Aged Care bonds.

Other items included are as per those raised at prior forum discussions. Councillors are now supplied with a summary, while certain items will be individually dissection for the public section version of the report.

CONSULTATION

It is proposed to hold a Public Meeting on the afternoon of 16th June 2006, and for written public submissions to close at 12 noon on 19th June 2006.

STATUTORY ENVIRONMENT

It is now a statutory requirement for every Council in WA to adopt a Plan for the Future before it adopts its budget for the 2006/07 year.

The new requirements also involve Councils carrying out public consultation on the proposals drawn up.

POLICY IMPLICATIONS

There are no known policy implications.

FINANCIAL IMPLICATIONS

Figures contained in any such Plan should be a guide for the items to be included in the Council's forthcoming annual budgets.

There are no fixed implications, however Council will need to have regard to its adopted Plan for the Future before it adopts its budget for the 2006/07 year.

STRATEGIC IMPLICATIONS

There are no specific implications seen as being applicable for the 2006/07 year.

OFFICER RECOMMENDATION

1. That Council adopt the proposed draft as being a Plan with items under consideration for adoption over the next 2 year;
2. That public consultation and submissions be received up until 19th June 2006;
3. That a further proposal be put before Council after 19th June 2006, and before Council formally adopts its budget for the 2006/07 year.

COUNCIL DECISION

73/06 MOVED Cr Thorn

1. That Council adopt the proposed draft as being a Plan with items under consideration for adoption over the next 3 years; subject to minor formatting and typographical changes.
2. That public consultation and submissions be received up until 19th June 2006;
3. That a further proposal be put before Council after 19th June 2006, and before Council formally adopts its budget for the 2006/07 year.

CARRIED 9/0

Reason for Change:

Council requested the plan in its first iteration include a financial plan for the next three years, during which time a ten year plan can be developed. The schedules and supporting documentation were amended to reflect this three year focus. Minor typographical changes were also suggested.

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1. CORPORATE AND COMMUNITY SERVICES REPORTS

11.1 APPOINTMENT OF MANAGER OF CORPORATE SERVICES

AUTHOR: Stephen Gash – Chief Executive Officer

DATE: 26 May 2006

FILE NO: P/F

DECLARATION OF INTEREST

Nil

SUMMARY

To consider the recommendation of the Chief Executive Officer regarding the appointment the Manager of Corporate Services.

BACKGROUND:

Council endorsed the creation of the Manager of Corporate Services position on 21 March 2006 and approved the position description, remuneration package, and that the position should be regarded as a senior employee. (Resolution 37/06)

COMMENT

The position was advertised on 25 March 2006 and applications closed 19 April 2006. Council was given a briefing on the process and status on 2 May 2006 and endorsed the selection process outlined by the Chief Executive Officer.

A confidential selection report and draft contract will be presented at the Council meeting.

CONSULTATION

The interview process was co-ordinated by the Chief Executive Officer. All the required referee checks have been completed.

STATUTORY REQUIREMENTS

Section 5.37 (2) of the Local Government Act reads:

The CEO is to inform the Council of each proposal to employ or dismiss a senior employee and the Council may accept or reject the CEO's recommendation but if the Council rejects a recommendation, it is to inform the CEO of the reasons for it doing so.

POLICY IMPLICATIONS

The appointment of Manager of Corporate Services be in accordance with policy CS 25, 26, 27, 28 and other policies covering the employment of senior employees.

FINANCIAL IMPLICATIONS

The salary and conditions of employment will be provided for within the 2006/07 Budget and represents the combining of the Finance Manager and Deputy Chief Executive Officer roles.

STRATEGIC IMPLICATIONS

The appointment of the Manager of Corporate Services to oversee the Shire's financial affairs and lead the Finance and Administration team, is an essential part of the Shire's management structure.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION

That the meeting be closed to members of the public in accordance with Section 5.23 of the Local Government Act 1995 to allow Council to discuss a matter concerning staff.

That Council endorse the Chief Executive Officer's recommendation to appoint Mr Kim Dolzadelli to the position of Manager of Corporate Services on a three (3) year contract.

COUNCIL DECISION

74/06 MOVED Cr Bunny that the meeting be closed to members of the public in accordance with Section 5.23 of the Local Government Act 1995 to allow Council to discuss a matter concerning staff.

9.15pm Miss Wilson left the Chamber

The Chief Executive Officer provided a confidential selection report.

75/06 MOVED Cr Carrington Jones that Council endorse the Chief Executive Officers recommendation to appoint Mr Kim Dolzadelli to the position of Manager of Corporate Services on a three (3) year contract.

CARRIED 9/0

The meeting was reopened to the public. No members of the public re-entered the chambers, hence the resolution above was not read aloud.

12. CLOSURE

Having considered the items that notice of the Special Meeting was given the Shire President declared the meeting closed at 9:46pm

Attachments

10.1 Budget Review - Finance Reports

1.1 Bank Reconciliations

2.1 Rates Report

3.1 Net Current Asset Position [NAP]

3.2 Explanations/Comments on Net Current Assets Position

3.3 Ratios

3.4 Committed Assets Details [NOTE: Not dissected at this time]

3.5 Restricted Assets Details

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6.1 Capital Expenditure Listing

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8 Operating Statement – Detailed dissection [only produced each quarter]

2. Draft Plan for the Future

President Date