

AUDIT & FINANCE COMMITTEE

MINUTES

for the meeting held from 5.30pm on Monday 28 May 2012,
in the Margaret Coates Boardroom, City Office, North Road, Albany

(File Ref: FM.MEE.1)

Terms of Reference: *The Committee is established under section 7.1A of the Local Government Act 1995 (the Act) and its Regulations. The Committee does not have any delegated authority from Council.*

1.0 ATTENDANCE

Mayor	D Wellington (Deputy Chair)
Councillors:	
R Hammond	Member
Y Attwell	Member
S Bowles	Member
V Calleja	Member
D Dufty	Member
G Gregson	Member
C Holden	Member
A Hortin	Member
G Stocks	Member (Chair)
R Sutton	Member
C Dowling	Member
D Bostock	Member
Staff:	
Chief Executive Officer	F James
Executive Director Works & Services	S Grimmer
Executive Director Community Services	L Hill
Manager Finance	D Olde
Risk Management/Insurance Officer	E Aslett
Senior Property Officer	T Catherall
Minute Taker	J Williamson
Apologies/Leave of Absence:	

Andrew Smith and Craig McClure of Hester Property Solutions gave a thirty minute presentation to Council on "Generating Income from Council Owned Land and Reserves".

2.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

ITEM 2.0: RESOLUTION

MOVED: MAYOR WELLINGTON
SECONDED: COUNCILLOR BOWLES

The unconfirmed minutes of the Audit Committee meeting held on Monday 23 April 2012, as previously distributed, be confirmed as a true and accurate record of proceedings.

CARRIED 13-0

3.0 DISCLOSURE OF INTEREST

[Elected members of Council and staff are asked to use the forms prepared for the purpose, aiding the proceedings of the meeting by notifying the presiding member prior to the conduct of the meeting]

DISCLOSURE OF INTEREST		
Name	Item	Nature
Councillor Attwell	4.4	Impartiality. One of the listed persons is a family member.
Councillor Attwell	5.2	Impartiality. Councillor Attwell is a leaseholder of a property at Cheynes Beach.
Councillor Attwell	5.11	Impartiality. Councillor Attwell has a family member associated with AD Contractors Pty Ltd.
Councillor Attwell	5.12	Impartiality. Councillor Attwell has a family member associated with AD Contractors Pty Ltd.

4.0 STANDING ITEMS FOR DISCUSSION

- 4.1 Monthly Report-Airport Masterplan**
Reporting Officer: Executive Director Community Services

- 4.2 Monthly Capital Works-Works and Services Projects Spreadsheet**
Reporting Officer: Executive Director Works and Services

- 4.3 Monthly Risk Register**
Reporting Officer: Chief Executive Officer

- 4.4 Quarterly Legal Register Table (next due May 2012)**
Reporting Officer: Chief Executive Officer

- 4.5 Quarterly Major Projects Spreadsheet (Due June 2012)**
Reporting Officer: Manager Asset Planning and Major Projects

- 4.6 Expenditure for Anzac Centenary**
Reporting Officer: Chief Executive Officer

5.0 ITEMS FOR DISCUSSION

5.1 Financial Implications of Fog Seal Works
Reporting Officer: Executive Director Community Services-verbal update

5.2 Commercial Leasing Policy
Reporting Officer: Senior Leasing Officer

5.3 Amount and Type of Reporting to Audit and Finance Committee
Reporting Officer: Chief Executive Officer

5.3.1 Budget Overruns (10% or \$10,000, whichever is greater)
Reporting Officer: Chief Executive Officer

5.4 Lockyer Avenue Freehold Lot
Reporting Officer: Executive Director Planning and Development Services

5.5 Costs of Henderson Power and Associates
Reporting Officer: Chief Executive Officer

Henderson Power and Associates have withdrawn due to family illness. Mayor Wellington advised that he is currently waiting on quotes from another service provider.

5.6 Delegations

5.7 Purchase of CSBP Land
Reporting Officer: Executive Director Works and Services

5.8 Verbal Update on Australia v China Basketball Event
Reporting Officer: Executive Director Community Services

5.9 Regional Visit from CCC 18/19 June 2012

5.10 Budget to Actual Financials-Paper Attached
Reporting Officer: Manager Finance

5.11 Carryover of Works-Lower Denmark Road, Elleker
Reporting Officer: Executive Director Works and Services

5.12 Carryover of Works-Pfieffer Road, Manypeaks
Reporting Officer: Executive Director Works and Services

5.13 Unscheduled Works Register
Reporting Officer: Executive Director Works and Services

5.14 Emu Point Boat Pens-Handover to Department of Transport

Reporting Officer: Executive Director Works and Services

5.15 CDO

Councillor Calleja brought forward discussion regarding CDOs. Councillor Calleja then moved the following motion:

ITEM 5.15: RECOMMENDATION

**MOVED: COUNCILLOR CALLEJA
SECONDED: COUNCILLOR GREGSON**

THAT any return on CDO investment be applied to debt reduction and kept in a separate Reserve to reduce debt as it becomes due.

CARRIED 13-0

6.0 ITEMS TO BE DISCUSSED AT FUTURE MEETINGS

- 6.1 Better Practice Review**
- 6.2 Investment Strategy with Community Banks**
- 6.3 Emergency Management Services-Risks and Treatment**
- 6.4 CDOs**
- 6.5 Buy Local Policy**
- 6.6 OSH Risks and Treatments**

7.0 GENERAL DISCUSSION

8.0 DATE OF NEXT MEETING: 7 June 2012

9.0 CLOSURE OF MEETING There being no further business the Presiding Member declared the meeting closed at 7.57pm.

**ITEM 4.1: MONTHLY REPORT ON ALBANY AIRPORT SECURITY UPGRADE
PROJECT – MAY 2012**

Reporting Officer: Linda Hill, Executive Director, Community Services

Objective

To provide the Audit and Finance Committee with an update on the project.

Background

At September Special Council Meeting Council awarded the tender to AECOM Australia Pty Ltd (AECOM) to prepare the Albany Regional Airport Security Upgrade and Future Airport Development Master Plan, with the provision that monthly reports be provided to the Audit Committee (now Audit and Finance Committee), so that they are fully apprised of the progress of the project.

The following is a summary of major activities undertaken in the month of May 2012.

Discussion**1. Master Planning**

- Project consultancy AECOM supplied the first draft of the Master Plan report and presented a summary presentation to the City of Albany Project Control Group. Members of the project control group have provided initial feedback and this is currently being collated for formal response to AECOM.
- It is planned to release the draft of the Master Plan for wider stakeholder review and feedback only once the City has undertaken a rigorous internal review.

2. Security Upgrade: Equipment, Authority and Provision, Communication

- The City of Albany is required to deliver security screening as a Category 5 airport from 1 July 2012 and a timeline of becoming Category 4 by February 2013.
- Based on this designation and timeline, the City advertised a security equipment tender to reflect this formal OTS designation and Council awarded this contract to L3 Communications at a Special Council Meeting held 3 April 2012. L3 Communications advise that the walk through and hand held metal detectors are in stock in Australia and that the two ETD machines are currently being manufactured with a planned shipping date ex USA of 25 May. The delivery of all required Category 5 equipment on site to Albany is 8 June. The delivery date for additional Category 4 xray equipment is mid July.
- Council voted to outsource Security Screening Authority and Provider roles and awarded this contract to MSS Security at a Special Council Meeting, 3 April 2012. MSS Security have and continue to provide tremendous value to the security upgrade process.
- The City with assistance from AECOM prepared the draft of the Transport Security Program (TSP). The TSP is a regulatory obligation and covers all aviation security related activities that occur at Albany Airport. The TSP was formally submitted to OTS and is currently being considered for approval.

- The Screening Authority submission was prepared by MSS Security with assistance from the City and has also been submitted to OTS for consideration and approval.
- A communication plan has been developed and is being implemented to inform the community and airport users of changes to the Airport. Fortnightly articles continue to be published in local media along with proactive media releases regarding the Airport along with the Albany Airport micro site ouralbanyairport.com.au. New signage in the airport terminal car park and a large moveable sign within the terminal have recently been implemented advising passengers on the necessity for additional screening at the Airport and what this will entail.
- Additional communication tools will be utilised in the lead up to the 1 July security commencement deadline including posters, informational brochures distributed to terminal users as well as associated industry sectors such as local travel agents, taxi drivers, and the local visitor centre. An informational session is also planned on site where these user groups will be invited closer to the 1 July security commencement date.

3. Terminal Upgrade and Building Works

- Considerable work has been undertaken in the consultation and consideration of the most appropriate approach to comply with the terminal redesign and upgrade. Value for money, operational functionality and passenger/terminal user amenity were the key considerations in evaluating the various options.
- In order to comply with the Federal legislation there will be considerable modifications to Albany Airport requiring changes to terminal infrastructure and operational management.
- Funding to achieve the changes required has been sourced from the State (awarded through the Regional Aviation Development Scheme (RADS)) with a matched contribution by the City of Albany. RADS and matched City funding will be used to achieve all changes to infrastructure and all further works required at the Airport in order to comply with Civil Aviation Security Authority requirements, building compliance issues and to expand the terminal in future.
- The design solution needed to meet the recently determined OTS requirements, as well as ensuring customer amenity and minimal abortive works. Working with consultants AECOM initially, several design solutions were determined with finalisation of the preferred solution in March. The construction would have related to internal terminal works for a screening point, establishing a sterile lounge and an office fit out.
- A Design and Construct tender was developed by the City, advertised early April. While a lot of interest was shown, only one tender was submitted by ISIS Construction. Protracted negotiations with the tenderer could not be concluded satisfactorily, with the City determining the cost for the works proposed by ISIS was too high, no guarantee of delivery by 1 July deadline and potential to trigger building compliance issues that could not be rectified in the time frame.
- A new approach was determined by City staff to place a prefabricated building outside the terminal, adjacent to the current terminal lounge for the screening point and sterile lounge. ISIS were asked to quote as were other firms (local and Perth based) who had shown an interest in tendering for the initial Design and Construct tender.

- The prefabricated building will house the security screening equipment and a security screened lounge able to cater for up to 100 passengers (25 seated and 75 standing).
- Modifications required within the current terminal included the fit out of a currently unused office adjacent to the Hertz and Skywest checkin counters. These fit out works are being undertaken by City of Albany Works and Services.
- A Special Elected Member Workshop was held Monday 7 May to inform Council of the change in approach and the improved outcomes as they related to value for money, operational functionality and passenger/terminal user amenity. One of the major benefits of the external prefabricated approach is the minimisation of disruption to the current terminal, passengers and terminal business lessees.
- Stage 1 - the prefabricated security installation external to the current building has been designed to provide a workable solution to enable implementation of Band 5 by the 1 July 2012 deadline as well as handle passenger growth and terminal needs over the medium term.
- Stage 2 works will be reliant on achieving sufficient funding. AECOM have done initial scoping and design for Stage 2 with works to include: construction of a larger sterile lounge and waiting area; provision of greater commercial space; relocation of the screening point; and upgraded passenger and baggage check in (reflecting the ultimate move to Band 3). The AECOM Master Plan will provide trigger indicators relating to passenger and aircraft type growth to determine when airport terminal expansion should be undertaken.

Attachments for Information

- Albany Airport Site Context Plan_Proposed Security Upgrade (01 July 2012)
- Albany Airport Terminal Context Plan_Proposed Security Upgrade (01 July 2012)

ITEM 5.2: PROPERTY MANAGEMENT – LEASES AND LICENCES POLICY

Reporting Officer: Chief Executive Officer

Objective

To provide the Committee with an overview on the revised *Property Management – Leases and Licences* Council Policy and have the Committee finalise the Policy.

Background

In April 2008 Council adopted the Property Management – Leases Policy which provided the framework for managing the City's Leasing Portfolio. The current City of Albany leasing portfolio consists of 232 leases over land owned and/or managed by the City of Albany.

This year, after staff became concerned about some of the practical applications/implications of that Policy, work has been undertaken to review the Policy to bring it in line with current leasing terms and conditions and to remove inconsistencies. The Policy document sets out the "in principle" terms on which the City enters into new leases and licences. The Policy will provide prospective Lessees and Licensees with a good understanding of the obligations for both parties to ensure a clear relationship is established between the City and its Lessees.

The Policy is supported by Council Procedures for leases and licences which provide detailed processes for City staff in the development and implementation of all categories of leases and licences.

Discussion

In reviewing the Policy, staff were concerned to ensure the principles of objectivity, fairness and equity, consistency, transparency and administrative efficiency were applied.

The draft Policy has been reviewed by the Executive Management Team with comments incorporated into the Policy and Procedures.

It is recommended that the revised Policy terms and conditions apply to all new leases and licences, commencing after the Policy has been endorsed by Council. Therefore, the Policy would not affect existing leases and licences until they were renewed.

It is noted that approximately 34 community leases are due to expire in the next five years giving the City the opportunity to apply the new Policy provisions.

Should Council make a decision that new Policy terms and conditions are to take effect once adopted then the lease may only be varied by agreement with Lessee, in writing. Formal written exchange of correspondence or Deed of Variation would be required to vary the terms of the lease.

1. Lease and Licence Categories

Lease and Licences are grouped into the following three categories:

- A Commercial
- Caravan and holiday parks
 - Holiday accommodation
 - Cafes, restaurants and function centres
 - Car hire (Airport)
 - Airline
 - Airport hangars
 - Advertisers (Airport)
 - Fuel supplier (Airport)
 - Energy providers
 - Marine services, retail and storage
 - Seafood farming and sales

- Cheyne Beach holiday accommodation
- Cheyne Beach commercial fisherman's accommodation
- Telecommunications
- Coin operated binoculars
- Government bodies
- Wreckers

B Community benefit

- Community halls
- Service clubs
- Rural resource centre
- Youth camp facilities
- Emergency services and marine rescue
- Sporting and recreation
- Senior Citizen services
- Lotteries House
- Educational – kindergartens, pre schools, university
- Business incubator
- Museums
- Landgate Satellite Station (Airport)

C Residential

- Airport house

The key principles of the revised Policy are:

1. Council Owned/Managed Leased Buildings Schedule 1

This Schedule has been compiled to identify Council owned/managed buildings that are currently or have previously been subject to a lease and/or licence agreement. It is recommended for properties listed in the Schedule that building maintenance and insurance obligations and rental amounts (Policy principles 28 & 49) be adopted.

2. Planning Scheme Consent (Policy principle 4)

The new provision that Planning Scheme Consent (if required) must be gained prior to a request to lease or licence has been included to eliminate the granting of leases where the Lessee is unable to obtain approval to use the land for the proposed lease purpose.

For example, the Albany Motorcycle Club seeking a lease over land that planning was unable to approve the land use.

3. Maintenance (Policy principles 28-30)

The City will be responsible for structural maintenance and electrical wiring of Council owned/managed leased buildings listed in Schedule 1. Lessees will be responsible for all other maintenance of City owned buildings.

Lessees will be responsible for all maintenance of buildings that **are not** listed in Schedule 1.

4. Environmental and Works (Policy principles 31-33)

These new provisions (requested by the City's Reserves team) ensure that all Lessees are clearly aware of their environmental obligations on City owned or managed land.

5. Costs (Policy principle 40)

This provision requires Lessees to reimburse the City for all reasonable costs associated with the development and implementation of the Lease or Licence.

The Committee may wish to consider a subsidy of costs relating to the development and implementation of Leases or Licences for community groups.

The 2011 amended *Commercial Tenancy (Retail Shops) Lease Agreements Act 1985* provides that local government Lessors can no longer pass on costs relating to the preparation, negotiation or execution of a "retail shop" lease including any extension of a lease.

However, the Lessor can still claim reasonable costs associated with the preparation of an assignment of lease or sublease.

A "retail shop" lease applies where the total retail/commercial floor area is up to and no greater than 1000 square metres and tenanted by private businesses (not public companies).

6. Commercial Leases Rent Reviews (Policy principle 43)

The revised Policy allows for rent reviews, by market valuation, to be conducted at three yearly intervals with Consumer Price Index (CPI) for intervening years.

It is noted that as "retail shop" leases do not contain a ratchet clause so the lease must allow the rent to rise and fall according to market valuation. Therefore, for "retail shop" leases, the rent review by market valuation every three years will apply so rent could potentially be reduced.

Under the existing Policy, commercial lease rent reviews are by market valuation at five yearly with CPI for intervening years.

7. Commercial Leases Bank Guarantee or Bond (Policy principle 44)

This new provision requires a commercial Lessee to either provide the City with a bank guarantee or a bond.

For a bank guarantee the Lessee will make an arrangement with their bank to hold aside the required amount of money (three months rent is considered reasonable) in a separate account that the Lessee cannot access while the bank guarantee is in place. The City can then produce the bank guarantee to the bank for payment should the Lessee default under the Lease.

For a bond the Lessee will pay the amount to the City which will be held in an account during the term of the lease. The City will draw on these funds should the Lessee default under the Lease.

For example, had such a provision been in place when the Calamari's lease was in default then the City could have drawn upon the guarantee or bond amount to remedy at least somewhat the default and minimise its financial risk.

8. Commercial Fishing Accommodation Leases and Licences (Policy principle 45)

Potentially significant coastal erosion has been identified at Cheyne Beach and Cosy Corner in the vicinity of existing leases and licences. It is recommended that in balancing environmental protection and prevention of degradation of coastal foreshores and in the absence of a City strategic coastal management plan, that any leases and licences on waterfront land not be renewed on expiry of the term. However other suitable land to offer the Lessee or Licensee could be considered.

Currently there is one lease at Cheyne Beach (expiry 11/2012) and two licences one at Cheyne Beach (open - expiry with three months notice) and one at Cosy Corner (open - expiry with three months notice) that will be affected by this new Policy provision on expiry of the term. There are currently vacant blocks at the rear of the existing Cheyne Beach lease and licence that the Lessee could relocate to.

The City is working towards a strategic approach for management of coastal foreshores to improve the condition and amenity of these areas.

9. Cheyne Beach Holiday Accommodation Leases (Policy principle 46)

Council resolution 19 October 2010 Item 2.7 granted new short term Cheyne Beach holiday accommodation leases for terms of up to five years to 31 December 2015. The rent of those properties is based on unimproved land value not occupied for more than three months in any one calendar year.

The short term leases (term agreed by LandCorp) would allow the City to submit an application for the Regional Development Assistance Program to undertake feasibility assessments into expanding residential land and associated services onto Crown land at Cheyne Beach and the possibility of converting existing leases to freehold land. This application was submitted in March 2011.

LandCorp have recently confirmed that the Board determined that the application would not be funded last year but would remain as an 'active' application. The application will be presented to the Board again (June/July 2012) for a decision. Its assessment will be influenced by the outcome of the Department of Health Country Towns Sewerage Policy and WA Planning Commission's Lower Great Southern Strategy.

Subject to the outcome of the Regional Development Assistance Program application, new principles (should new Cheyne Beach Holiday Accommodation leases be offered, on expiry of the term on 31 December 2015) could be incorporated in future Policy review.

10. Community Leases (Policy principle 47)

A Community lease has been defined as a legally binding agreement granted to community, sporting, recreation and/or other organisations that provide services solely for the benefit of the community.

The definition brings together community, sporting and recreation groups under the one category.

There are currently 76 community leases.

The current Policy makes the distinction between community and sporting groups when determining rent.

11. Community Lease Rent (Policy principle 49)

The table provides rent options with indicative income implications.

Options		No of leases	Rent		Total Income pa	Current Income pa	Difference Income pa
1	Community groups leasing land (Lessee's buildings)	59	Peppercorn	\$10+GST = \$649	\$14,861	\$32,875	-\$18,014
	Community groups leasing land and City buildings	17	Minimum rate	\$760+GST = \$14,212			
2	Community leases	76	Peppercorn	\$10+GST	\$836	\$32,875	-\$32,039
3	Community leases	76	50% of Minimum rate	\$380+GST	\$31,768	\$32,875	-\$1,107
4	Community leases	76	Minimum rate	\$760+GST	\$63,536	\$32,875	\$30,661

At the time of this report the minimum rate is \$760. The City has proposed the minimum rate for the 2012/13 financial year be \$820.

Option 1 provides for a fair and equitable rental arrangement given that the Lessee on a peppercorn rent fully maintains those buildings at no cost to Council. Lessee's leasing land and City buildings will pay a rental the equivalent to the minimum rate as the City undertakes structural maintenance and electrical wiring of the City leased building.

The Committee is required to determine which rent option for Community leases it wishes to pursue.

12. Submissions

The City has received several submissions including the minutes from the community groups meeting on Saturday 28 April 2012, one submission from Councillor Gregson with the remaining submissions being received from community groups (mainly rural community halls) regarding the review of community leases. Attachment 2 provides all of those submissions.

In summary the majority of the submissions support retaining peppercorn rent for Community leases over a term of 21 years and particularly for rural community halls or alternatively adopting a three tier rent rating system based on the Lessees ability to attract membership and a more commercial position.

It is noted that rent for Commercial leases is based on Market Valuation.

Recommendation

ITEM 5.2: RECOMMENDATION

**MOVED: COUNCILLOR ATTWELL
SECONDED: COUNCILLOR HAMMOND**

THAT this matter lay on the table until a Special Audit and Finance Committee meeting is called.

CARRIED 10-3

Record of Vote

Against the Motion: Mayor Wellington, Councillor Stocks and Hortin

ITEM 5.2: RECOMMENDATION

THAT the Committee:

1. Considers the revised Property Management – Leases and Licences Policy and provides direction on final terms.
2. Instructs the CEO to modify the Policy in line with Committee feedback and seek legal advice on the terms of the Committee finalised Policy to ensure property law (leasing) legislative and common law compliance.
3. Once the above legal advice is obtained (and any necessary changes made to Policy to comply with law) the draft Policy be sent to City of Albany Lessees and other stakeholders potentially impacted by the Policy for stakeholder feedback.
4. The draft Policy be re-presented to the Committee in July 2012 for finalisation and recommendation to Council.

Attachments

1. Draft Property Management – Leases and Licences Policy
2. Submissions
3. Council Procedures - Leases and Licences

ITEM 5.7

AUDIT AND FINANCE
COMMITTEE MINUTES
28/05/2012**ITEM 5.7: PURCHASE OF CSBP LAND, 198 HANRAHAN ROAD, MOUNT
ELPHINSTONE****Reporting Officer: Executive Director Works and Services****Background**

The City of Albany faces significant fines and penalties from DEC if the leachate issue identified on the Hanrahan Road tip site is not addressed by January 2013.

To address these problems the cost effective solution is to purchase and develop the CSBP land adjacent to the site. Negotiations commenced early this year and we received a non bonding proposal from CSBP on 27th April 2012 outlining the terms and conditions associated with this sale. This letter along with our response is **attached** to this item.

The most recent valuation completed just over twelve months ago indicated the land is worth \$360,000.00 exclusive of GST. CSBP have offered the sale at \$440,000.00 exclusive of GST.

I have made phone contact with CSBP who appear committed to the sale. The COA would not be able to resolve the leachate issue on any other site.

Financial Implications

- While we would be paying above market rates we have no choice but to secure this land as failure to do so could lead to fines of up to \$10,000 per day from January 2013.
- The other option we researched was to lease the land from CSBP but this was rejected due to risks associated with an investment budgeted at \$1,000,000 on land we would not own.

Risk Management

We sent the offer from CSBP to our consultants for an assessment of the environmental conditions outlined in the CSBP offer. The following is an excerpt from their email response:-

"I've discussed the correspondence the City of Albany (the City) from CSBP with our specialists in Contaminated Land and Planning. They have raised concerns regarding the potential for legal repercussions for the City arising from agreeing to the indemnification as requested. This is particularly in relation to CSBP's request for indemnification for offsite impacts from the existing contamination, and potential for cumulative impacts from the installation of leachate ponds into existing contamination. In addition, a request for subdivision will trigger referral to DEC for advice and the standard clause (model text) attached to approval for subdivision from WAPC in relation to contamination is "*prior to the commencement of site works, investigation for soil and groundwater contamination to be carried out to the specifications of the Department of Environment*".

ITEM 5.7

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The City will now seek professional advice from a lawyer experienced in contaminated sites

Recommendation

ITEM 5.7: RECOMMENDATION

**MOVED: COUNCILLOR ATTWELL
SECONDED: COUNCILLOR GREGSON**

THAT the City progress negotiations by addressing the conditions outlined in the letter received from CSBP, with a view to tabling an item at the July OCM.

CARRIED 12-1

Record of Vote

Against the Motion: Councillor Bostock

ITEM 5.10: BUDGET TO ACTUAL FINANCIALS

Reporting Officer: Duncan Olde, Manager Finance

Objective

To provide the Committee with an overview on year to date financial information.

Background

Management regularly review actual to budget, at account, subfunction/business unit, and overall level. The attached report is shown at the subfunction/business unit level.

Discussion

1. The Finance team is currently preparing the budget for 2012/13. This involves reviewing the current year (11/12) and comparing budgeted amounts to actual. The attached management finance report shows the variances year to date at subfunction/business unit level.
2. Many of the variances will be reviewed during the preparation of the Year End accounts, and accounting adjustments made, per LGA requirements, and to various accounting standards.
3. I refer to the Note column in the report attached.
 - a. CPR- CEO Major projects reflects the restructure for 12/13, with some minor expenses relating to 12/13 projects being allocated.
 - b. DD. Economic Development shows a significant underspend. This is a timing issue, as the City will be paying the contribution to the AEC in June. This would be expected to be on budget.
 - c. LDE. Land subdivisions. During June the loan attached to the subdivision will become due (\$3.3 million). As per the Q3 review, due to lower sales, the City will be refinancing \$2.3 million of this, due in late June.
 - d. 31D. Recreation Services. This is the employee costs that have previously been carried under ALAC. This reflects the structure going forward.
 - e. 42B. Community Development Youth. This shows a significant amount of income due to receipt of Kidsport grant, which will not be fully expended by year end. Any unspent grant will be carried forward to 12/13.
 - f. 45. Day Care Centre. This is, in large part, a timing issue, as the report includes expenses to date, but income for May has not yet been allocated. This is a month end process.
 - g. 48. AVC Operating. This is, in large part, a timing issue, as the report includes expenses to date, but income for May has not yet been allocated. This is a month end process.
 - h. CA. Airport Capital. This is the capital upgrades being undertaken at the airport. Most of this will now be in the 12/13 budget year; therefore this will not be to budget. In the year end adjustments done after year end, this will be carried forward to the 12.13 budget.
 - i. 36A. Emu Point. At year end this is balanced back to nil, by way of transfer to Emu Point Reserves.
 - j. AIT. Information Tech. Capital. This budget area has been underspent, some purchases are occurring at the moment, for year end this will be closer to budget.
 - k. XLA. Loans Renegotiated. The loans fall due this week, and 2 more during June. Timing issue. Actuals should be to budget.
 - l. 72. Waste Minimisation. This is a timing issue in the billing for waste pickup from Cleanaway. Would expect this to be close to budget by end of the year.

- m. CPL. Plant Replacement. Timing issue. The option of leasing will be investigated.
- n. CRS. Road safety. Timing of capital works. Work is being undertaken at the moment.
- o. CW Construction waste. This is largely the construction of the leachate at Hanrahan Rd tip. This will not be undertaken this year, so will not be to budget. Has been carried forward to 12/13.
- p. MRO. Roads Masterplan capital. Timing of major capital works. As the end of the year approaches, as part of the budget process all capital works are reviewed for any work to be carried forward to 12/13, or if it will be complete in this year (11/12).

Conclusion

This time of the financial year we are likely to see some large variances. As part of the budget process these are all examined for any carried forward projects.

Recommendation

ITEM 5.10: RECOMMENDATION

**MOVED: COUNCILLOR BOWLES
SECONDED: COUNCILLOR CALLEJA**

THAT the Audit and Finance Committee NOTE the variances and any questions should be forwarded to Council Liaison to arrange a response.

CARRIED 13-0

Attachments

City of Albany Management Financial Report by Business Unit - Actuals Year to Date 27 May 2012.

ITEM 5.11: CARRYOVER OF WORKS-LOWER DENMARK ROAD, ELLEKER**Reporting Officer: Executive Director Works and Services****Background**

Lower Denmark Rd has been upgraded in stages to current road standards since 2002. This involves the widening and reconstruction of 2.7 km's of road as well as the construction of a footway through the Elleker town site between Old School Road and the Elleker store. As well as the footway piped drainage is also being installed through the town section. The construction work is being undertaken by AD Contractors and the City has engaged OPUS consulting to act as the Superintendent for the work. The Contract value is \$1,114,765 with \$551,274 dollars funded through the Regional Road Group (RRG) and \$40,970 funded through Royalties for Regions funding. The drainage portion of the contract is nearing completion and the ripping up of the existing seal is due to start.

Implications

There is a significant risk that due to the inclement/cooler weather that the road will not be able to be constructed to the required specifications. Approximately 75% of the footway is to be constructed directly adjacent to the roadway. The construction methodology dictates that the roadway must be constructed first, with the kerb then being placed onto the new road surface. The footway is then constructed up against the newly laid kerbline.

The Contractor and Site Superintendent have submitted a request that the commencement of construction of the road section as well as the majority of the footway be postponed until spring 2012 when warmer/drier weather can be expected, providing ideal conditions for road construction.

Financial Implications

- There was a risk that the \$40,970 R4R funding of the pathway would not be able to be carried over into the 2012/2013 financial year but this has now been resolved with the GSDC;
- The Regional Road Group has been advised that 60% of the funding or \$330,764 will be carried over until the 2012/13 financial year;
- Around \$300,000 of COA funds allocated to this project will need to be carried over until the 2012/13 financial year. The actual figure will be known once invoices for 2011/12 works have been processed.

Risk Management

- Proceeding with construction would open the road to the winter elements and is likely to result in not being able to achieve the necessary compaction or dry back of the pavement layers.

ITEM 5.11

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- Communication with the Elleker community is essential so that they understand the reasons for the delay and the timetable for the completion of works. This will be done via email with an offer of a visit.

Recommendation

ITEM 5.11: RECOMMENDATION

**MOVED: COUNCILLOR GREGSON
SECONDED: COUNCILLOR DUFTY**

THAT funds be carried over, and that reconstruction of the roadway and adjacent lengths of footway be postponed until spring 2012.

CARRIED 13-0

ITEM 5.12: CARRY OVER OF WORKS-PFIEFFER ROAD, MANYPEAKS**Reporting Officer: Executive Director Works and Services****Background**

Pfeiffer Road is located approximately 37 kilometres northeast of Albany off South Coast Highway and is an important timber haulage route providing access to a number of timber plantations. Some lengths of Pfeiffer Road have previously been upgraded. This is one of the remaining sections still to be addressed. The upgrading of this sealed section of Pfeiffer Road includes the widening and reconstruction of 1.4 kilometres. The construction work is being undertaken by AD Contractors and the City has engaged OPUS consulting to act as the Superintendent for the work. The Contract value is \$499,000 with \$120,000 dollars funded through the Timber Industry Roding Evaluation Study (TIRES) funding. The contract is of 14 weeks duration, and is currently in week 8.

Implications

Due to the risk of inclement/cooler weather the Contractor proposed a construction methodology whereby the project was split into 2 shorter 700m sections, with each section being constructed separately. This reduces the risk of having too great a length of road unsealed and therefore at a risk of being open to the elements and not being able to achieve the necessary compaction or dry back of the pavement layers.

Completion, including sealing, of the first 700m section is due this week. Continuing with the construction of the second 700m section is due to start thereafter. The Contractor and Superintendent are requesting that the commencement of construction of the second 700m section be postponed until spring 2012 when warmer/drier weather can be expected, providing ideal conditions for road construction.

Financial Implications

- The Regional Road Group who manage the TIRES fund has been advised that 20% of the funding or \$24,000 will be carried over until the 2012/13 financial year;
- Around \$200,000 of COA funds allocated to this project will need to be carried over until the 2012/13 financial year. The actual figure will be known once invoices for 2011/12 works have been processed.

Risk Management

- Proceeding with construction would open to the road to the winter elements and is likely to result in not being able to achieve the necessary compaction or dry back of the pavement layers;
- Communication with affected rural residents is essential so that they understand the reasons for the delay and the timetable for the completion of works. This will be done via a letter drop.

ITEM 5.12

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Recommendation

ITEM 5.12: RECOMMENDATION

**MOVED: COUNCILLOR GREGSON
SECONDED: COUNCILLOR DUFTY**

THAT the funding for this project be carried over and works to complete the second 700 metre section of Pfeiffer Road be postponed until Spring 2012.

CARRIED 13-0

ITEM 5.13

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ITEM 5.13: UNSCHEDULED WORKS REGISTER
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Reporting Officer: Executive Director Works and Services**Background**

The Works and Services Directorate receive regular requests from Councillors, City Staff and ratepayers to improve City infrastructure. Up until now many of these requests have not been responded to and this has led to frustration and complaints.

As these requests come in different forms it is essential they are logged in a central register, investigated (including land tenure, heritage and SWALS approvals) and where approved costed and scheduled within the Capital Works Program.

Implications

The Unscheduled Works Register and process map which is **attached** look to provide a systematic approach to logging and responding to all requests received. The tabling of this report at council meetings will demonstrate to councillors the number and type of capital requests we receive each year.

To accommodate these requests \$300,000 has been set aside in next year's budget for unscheduled works and it is anticipated that priorities will be drawn from this register. This is likely to include rectification works to COA facilities to meet OSH obligations. It is becoming increasingly clear that there are many "OSH building issues" that have been raised by staff over previous years that have not been addressed. This ranges from simple things like improved screening of windows and doors to serious faults such as electrical wiring and structural safety.

Recommendation

ITEM 5.13: RECOMMENDATION

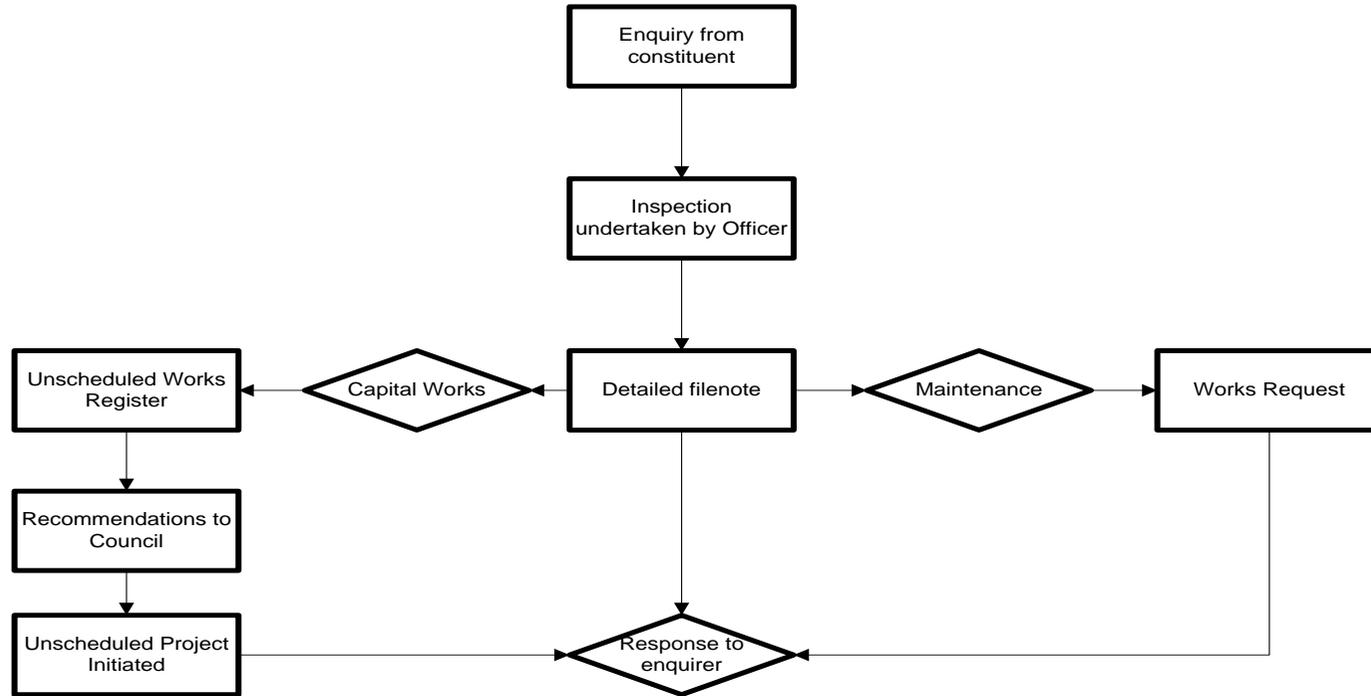
MOVED: COUNCILLOR SUTTON
SECONDED: COUNCILLOR GREGSON

THAT the process map be ADOPTED and the Unscheduled Works Register be presented quarterly to the Audit and Finance Committee for review and recommendation of unscheduled works to be undertaken in the following quarter.

The only exception would be priority one items where there is an immediate safety (including OSH) or financial risk to the City of Albany. These issues would be approved by the Executive Director Works and Services and reported back to Council via the Unscheduled Works Register.
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CARRIED 13-0

UNSCHEDULED WORKS PROCESS MAP



RECORDS REQUIRED

ACTION	RECORD
Request	Synergy letter or Customer Service Request
Site Inspection	Filenote
Registration	Unscheduled Works Register
Feedback/Response	Letter or Email

ITEM 5.14

AUDIT AND FINANCE
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**ITEM 5.14: EMU POINT BOAT PENS-HANDOVER TO DEPARTMENT OF
TRANSPORT**

Reporting Officer: Executive Director Works and Services

Background

Attached is an email from The Department of Transport (DOT) in response to a request from the COA to investigate the transfer of the management of the Emu Point Boat Pens to the Dept of Transport I have also received a report from our consultants indicating the expenditure required to maintain the boat pens over the coming years. The current income for these pens is well short of what we require to maintain and eventually replace this asset.

I have subsequently spoken to Kim Davis who confirmed DOT interest with both parties agreeing that it would make sense for DOT to manage all boat pens in the COA municipality.

As indicated in the DOT email below this is a contentious issue. The City has initiated negotiations with DOT for the transfer of these boat pens three times in the past and each time it is been the City who have curtailed these negotiations because of the backlash from boat pen holders.

Financial/Risk Implications

- Only \$25k of the \$150k allocated for boat pen maintenance has been spent this year. The remainder has been set aside until negotiations are progressed.
- Transfer to DOT would result in a significant increase in boat pen rental fees resulting in a backlash from pen holders. However it should be noted that the DOT fees more accurately reflect the cost of maintaining boat pen facilities.

Recommendation

ITEM 5.14: RECOMMENDATION

**MOVED: COUNCILLOR DUFTY
SECONDED: COUNCILLOR HOLDEN**

THAT:

1. Further analysis is carried out to compare boat pen income with associated costs to determine rental required to cover costs and eventual replacement based on whole of life asset management principles.
2. Negotiations are progressed with the DOT to determine the viability of the transfer of the boat pens.
3. The \$125,000 remaining in the 2011/12 Boat Pen maintenance budget is carried over until 2012/13 until the financial analysis and negotiations have been progressed.

CARRIED 13-0