

1.1: AUDIT AND FINANCE COMMITTEE

Proponent : City of Albany
Attachment :

- Confirmed Minutes of the Audit and Finance Committee Meeting held on 11 March 2013.
- Draft Long Term Borrowing Policy

Responsible Officer : Acting Chief Executive Officer (G Foster)

ITEM 1.1: COMMITTEE RECOMMENDATION 1 VOTING REQUIREMENT : SIMPLE MAJORITY

THE CONFIRMED minutes of the Audit and Finance Committee meeting held on 11 March 2013, as previously distributed, be RECEIVED.

ITEM 1.1: COMMITTEE RECOMMENDATION 2 VOTING REQUIREMENT: SIMPLE MAJORITY

THAT:

1. The disposal of two Isuzu Giga Trucks be delayed until they are replaced as per the 10 year Financial Plan for Plant; and
2. One Isuzu Giga Truck be reallocated to the Waste Management operations area and the current Nissan Prime Mover - AL13324 (P8) be disposed of.

ITEM 1.1: COMMITTEE RECOMMENDATION 3 VOTING REQUIREMENT: ABSOLUTE MAJORITY

THAT:

1. Provision is made in the 2013/2014 budget for the City's contribution to the Centennial Park redevelopment project of \$3 million in cash and \$1million in kind.
2. Instruct the Chief Executive Officer to submit an application to Regional Development Australia for the Centennial Park Sporting Precinct redevelopment project for an amount to be determined upon the receipt of an independent cost report.

ITEM 1.1: COMMITTEE RECOMMENDATION 4 VOTING REQUIREMENT: ABSOLUTE MAJORITY

THAT Council ADOPT the Long Term Borrowing Policy.



Council Policy

LONG TERM BORROWING

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Version Control

Version	Date	Status	Distribution	Comment
01	28 March 2013	Draft	EDCS	Reviewed by EDCS & CEO

1. Policy Statement

Whilst the preferred policy position of the City of Albany (City) is to minimise debt (except for Self Supporting loans), the City recognises that the acquisition, renewal or construction of assets, it may require the prudent use of loan borrowings, debt instruments or other finance or capital raising methods from time to time. The following principles are to be applied when considering undertaking borrowings or other asset financing.

(a) Operating Expenditure.

The City will **not** borrow money (other than by way of Excluded Borrowings) to fund operating expenditure. This type of expenditure should be funded through operating revenue streams such as rates, fees and charges or operating grants

(b) Recurrent Capital Expenditure.

The City will **not** borrow money or obtain debt finance (other than by way of Excluded Borrowings) to fund the acquisition, replacement or renewal of assets that is expected to occur on an annual or similar basis at approximately the same level each year i.e. recurrent capital works. Examples of this type of expenditure are road resurfacing, plant replacement, information technology and office equipment acquisitions and replacement.

This type of expenditure shall be funded through operating revenue streams such as rates and fees and charges.

(c) Borrowing Term

The term of the Borrowing or Other Financial Accommodation shall be set having due regard to the Economic Life of the asset being acquired or constructed. Should the City decide to borrow funds, the term of the borrowing shall generally not be greater than half of the Economic Life of the asset being acquired or constructed. This is to enable the City to use the remaining economic half life to set sufficient funds aside in a sinking or reserve fund in order to renew or replace that asset, should that be required, at the end of its Economic Life.

The City will **not** generally borrow funds (other than by way of Excluded Borrowings) to acquire an asset that has an economic life of less than five (5) years.

(d) Borrowing Ratios.

Prior to undertaking any borrowing the City shall assess its capacity to pay, to ensure that the community is not burdened with unnecessary risk. The City will report on its capacity to pay on an annual basis and publish the results in its annual report. When assessing the borrowing ratios, consideration will be given to the economic earnings potential of the asset being acquired or constructed. The City will **not** borrow funds when such borrowing does not meet the following financial ratio requirements:

- The Debt Service Cover Ratio of is outside of the band between 200% and 500% (DLG Guideline band is between 200% and 500%) projected over the next 5 years. This is a statutory ratio that is required to be reported in the Annual Financial Accounts. This ratio indicates the City's ability to service debt. Lower the ratio, higher the risk that the City will be unable to service debt repayments.
- The Net Debt (Gross Debt less cash assets) to Operating Revenue Ratio exceeds 45% (WA Treasury Corp Guideline is 50%) projected over the next 5 years. This is a management ratio used by WATC. This ratio indicates the extent to which net debt could be met by its operating revenue.

(e) Circumstances for Which Long Term Borrowing/Financing Will Be Considered

The Council will give consideration to borrowing money for the acquisition or construction of an asset where:-

- The asset to be acquired is a new addition to the City's asset base or replaces an existing asset with one that is significantly larger and has an economic life of greater than 5 years; or
- All alternative options for undertaking the project without borrowing, have been investigated and proven less advantageous to the City; or
- The net income stream and cost savings can be taken into account from the asset to be acquired or constructed exceeds the cost of borrowing over the life of that asset; or
- Repayments will be met by a third party e.g. self supporting loans ; or
- The index of the cost of acquisition or construction is increasing at a rate that exceeds the cost of borrowing i.e. to "save" for the acquisition or construction will result in the actual cost being greater than the cost of borrowing the money and acquiring or constructing the asset today.
- As a general rule the benefits received (cost savings or income earned) from undertaking the borrowing should be greater, over the life of the borrowing, than the costs of borrowing.
- Proper and detailed analysis of the costs and benefits of the borrowing has been undertaken and documented.

2. Objective

To affirm that the preferred policy position of Council is to minimise debt, and should that not be practicable, to set out the circumstances in which the Council may consider Borrowings or Other Financial Accommodation to fund the acquisition, renewal or construction of specified assets and to provide guidance as to the appropriate terms of any such borrowing.

3. Scope

This Policy relates to forms of financing which create a liability for future repayment. It does not include those financing methods shown in Excluded Borrowings below, or the funding of asset purchases via ongoing operational funding mechanisms such as Rates, fees and charges and grants.

4. Legislative and Strategic Context

Any borrowings will be conducted in accordance with relevant statutory requirements as contained in the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996. Local government loan application guidelines published by the Western Australian Treasury Corporation from time to time will also limit the amount of borrowings that can be undertaken.

5. Review Position and Date

Chief Executive Officer to review on or before 30 June 2016.

6. Definitions

List here all key terms and acronyms used in the policy, and their definitions.

External Borrowings	includes raising and obtaining, in any way money, credit and other financial accommodations from sources external to the City.
Other Financial Accommodation	includes (a) Finance leases primarily to raise amounts to buy, or to finance the purchase of, property the subject of the leases; and (b) Guarantees, letters of credit and any other form of undertaking, provided by a financial institution or other person to meet the liabilities or obligations of the City; and (c) Structured property finance, including sale and lease back and asset swaps for longer dated funding associated with potential developments of City owned real property.
Excluded Borrowings	includes money, credit or other financial accommodation obtained in the ordinary course of the City performing its function such as - (a) An operating lease for plant and motor vehicle, office furniture/equipment or information technology assets ; (b) A credit or purchase card facility; (c) A short-term bank loan/overdraft required to balance daily cash flow requirements or as a result of a set-off arrangement; (d) A hire-purchase agreement.
Gross Debt	all debts owing by the City including self supporting loans.
Self Supporting Loans	Loans taken out by City the repayments of which are made by a third party e.g. club, organisation or sporting group
Net Debt	Gross debt less cash assets.
Economic Life	The estimated period during which an asset is expected to be economically usable by one or more users, with normal repairs and maintenance. It should therefore be noted that the economic life of an asset may be considerably less than the physical life of that asset. This may be due to the fit for use life being less than the physical life of the asset. e.g. A building may suit a particular use but when that use is no longer required it may not be suitable for another use. A swimming pool is an example of a specific use asset.
DLG	Department of Local Government
Debt Service Cover Ratio	Annual operating surplus before interest and depreciation divided by principal and interest.

**** DISCLAIMER ****

This information contained in this document is a guide only. Verification with original Local Laws, Acts, Planning Schemes, and other relevant documents is recommended for detailed references. The City of Albany accepts no responsibility for errors or omissions.



AUDIT & FINANCE COMMITTEE

MINUTES

For the meeting to be held 11 March 2013
 In the Margaret Coates Boardroom, City Office, North Road, Albany

(File Ref: FM.MEE.1/AM1329649)

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:	
G Stocks	Member (Chair)
R Hammond	Member
Y Attwell	Member
S Bowles	Member
D Dufty	Member
G Gregson	Member
C Holden	Member
A Hortin	Member
V Calleja	Member
C Dowling	Member
D Bostock	Member
Staff:	
Chief Executive Officer	G Foster
Executive Director Works & Services	M Thomson
Executive Director Community Services	C Woods
Executive Director Corporate Services	G Adams
Manager Compliance and Community Safety	S Jamieson
Manager Finance	D Olde
Manager Tourism Development and Services	M Bird
Business Analyst/Management Accountant	D Harrison
Minute Taker	E Hubble
Apologies/Leave of Absence:	
R Sutton	Member

2.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

ITEM 2.0: RESOLUTION

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

The unconfirmed minutes of the Audit Committee meeting held on Monday 17 December 2012, as previously distributed, be confirmed as a true and accurate record of proceedings.

CARRIED 12-0

DISCLOSURE OF INTEREST

3.0 STANDING ITEMS FOR DISCUSSION

3.1 MONTHLY FINANCIAL REPORT

Reporting Officer: Executive Director Corporate Services

Discussion

- Financial Report for month ending January 2013 distributed to committee with agenda – Executive Director noted the figures were from January 2013 not February as stated in agenda.
- Cash Back Reserves Albany Regional Airport particular high – Capital works scheduled to be completed in the 12/13 budget have not yet been undertaken, funded from reserve, work to be now carried over to 13/14 budget.
- \$361K outstanding rates – to be reduced with instalment date with in week of 11 March 2013. 90 days outstanding has been distorted due to the non-payment of 1 major debtor, SkyWest.

ITEM3.1: RECOMMENDATION

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

THAT the Monthly Financial Report be NOTED.

CARRIED 12-0

3.2 CAPITAL WORKS AND UNSCHEDULED WORKS REPORT

Reporting Officer: Executive Director Works and Services

Discussion

- From report, Group Projects soon to commence. Soon to see expenditure to works account.
- Emu point car park to be redesigned – consults have commenced with a community group leader. Consideration for cost effective solutions to be included into next budget.
- Suggestion of funding to be sought after from Department of Transport.

ITEM 3.2: RECOMMENDATION

**MOVED: COUNCILLOR GREGSON
SECONDED: COUNCILLOR HOLDEN**

THAT the Capital Works and Unscheduled Works Report be NOTED

CARRIED 12-0

Discussion

- Request of transfer of funds from the Unscheduled Works account for the following reasons;
 - Peace Park Electrical Box not suitable for wet weather
 - Cape Riche BBQ upgrade due to fault
 - Middleton Beach action group purchased sculptures, installation required.
 - Mills Park successful with funding, upgrade to play equipment.

AGENDA ITEM 1.1 REFERS

- Mills Park project was questioned by Councillor Bostock in regards to the money from the Harmony Rise. This money could be used for this upgrade purpose.

ACTION: Executive Director Works and Services/ Manager Finance to investigate money left in the account. .

ITEM 3.2 RECOMMENDATION

MOVED: COUNCILLOR GREGSON
SECONDED: COUNCILLOR DUFTY

THAT Council

- **APPROVE the offer of funding totalling \$52,200 from Lotterywest for the upgrade of Mills Park; and**
- **AUTHORISE the transfer of \$61,155 from job 3157 Unscheduled Works to:-**
 - **The Peace Park Electrical Box Upgrade – (budget \$8,150);**
 - **Cape Riche Camp Grounds BBQ Upgrade – (budget \$13,000);**
 - **Middleton Beach upgrade (CoA contribution \$4,785);**
 - **Upgrade of Mills Park (CoA contribution \$35,220).**

CARRIED 12-0

4.0 ITEMS FOR DISCUSSION

4.1 ANNUAL COMPLIANCE AUDIT RETURN 2012

Reporting Officer: Manager Compliance and Community Safety

Discussion

Committee advised of the areas of concern in the Compliance Audit Return (CAR):

- That the delegations made under Division 4 of Part 5 of the Act must be reviewed by the delegator (Council) at least once during 2011/2012 financial year. Delegations were only reviewed at Committee level.
- Council minute's detail that members who disclosed an interest in a report item before council still participated in the discussion and vote. Council by default has accepted participation by members who have declared an interest. Under the
- Manager Compliance & Community Safety, clarified that the Council appointed an Acting Director of Works and Services and advised that the acting role was not classified a designated employee of council. It has been confirmed that the employee in this role did not have any power of duties delegated under Division 4 of the Act.

ITEM 4.1: RECOMMENDATION

MOVED: COUNCILLOR HORTIN
SECONDED: COUNCILLOR GREGSON

THAT:

1. **The Compliance Audit Return for the City of Albany for the period of 1 January 2012 to 31 December 2012 be ADOPTED; and**
2. **The Certificate contained within the Compliance Audit Return be ENDORSED by the CEO and Mayor and be SUBMITTED to the Department of Local Government before 31 March 2013.**

CARRIED 12-0

4.2 ADOPTION OF THE BUDGET REVIEW FOR THE PERIOD ENDING 31 JANUARY 2013

Reporting Officer: Executive Director Corporate Services

Discussion

- Summary provided of all adjustments made, line item break down in report.

ITEM 4.2: RECOMMENDATION

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

THAT Council ADOPT the Budget Review for the period ending 31/01/2013.

CARRIED 12-0

4.3 UPDATE ON CDO RETURNS AND ACTIONS

Reporting Officer: Executive Director Corporate Services

Discussion

- \$2.375m returned to the City within the last 2 years. \$1.65m outstanding, legal action still out on this amount and is under appeal. If judgement not over turned, expecting to get back approximately \$750K.

ITEM 4.3: RECOMMENDATION

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

THAT Council ENDORSE the investment of these funds in accordance with the Investment of Surplus Funds Policy until such time as a decision has been made as to what they should be applied to.

CARRIED 12-0

4.4 ESTIMATE OF EXPECTED COST INCREASES FOR THE 2013/14 BUDGET

Reporting Officer: Executive Director Corporate Services

ITEM MARKED AS CONFIDENTIAL

ITEM 4.4: RESOLUTION

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

THAT Estimate of Expected Cost Increases for the 2013/14 Budget be NOTED.

CARRIED 12-0

4.5 INSURANCE, LEGAL AND RISK UPDATE

Reporting Officer: Executive Director Corporate Services

ITEM MARKED AS CONFIDENTIAL

ITEM 4.4: RESOLUTION

**MOVED: COUNCILLOR HOLDER
SECONDED: MAYOR WELLINGTON**

THAT Insurance, Legal and Risk Update be NOTED.

CARRIED 12-0

4.6 ALBANY VISITOR CENTRE

Reporting Officer: Manager Tourism Development and Services

Discussion

- City received a letter from the Albany Chamber and Commerce Industry (ACCI), indicating an interest to take over the Albany Visitors Centre. Meeting with representatives from the ACCI and City.
- Mayor informed the committee that ACCI have also approached other tourist attractions in the City to also take over management (i.e Whaleworld, Treetop Walk)
- ACCI identified as one possible appropriate party, if the City was to look at this approach, City in no position to subsidise money towards the new party and would have to be put out to tender.
- No money value to be put on the change of hands.

ITEM 4.4: RESOLUTION

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

THAT the following recommendation regarding Albany Visitor Centre be NOTED;

CARRIED 12-0

Recommendation

THAT Council to be open to divesting direct management responsibility of the Albany Visitor Centre but to only consider this decision in the context of what may be proposed for a new industry-led Local Tourism Organisation model. That is, at this point in time the ACCI may or may not necessarily be the appropriate entity in which to divest the Visitor Centre and Council should delay any divesting decision until all options can be fully considered.

5 GENERAL DISCUSSION

6.1 RATES FOR THE NEXT BUDGET YEAR (Councillor Bostock)

- Councillor Bostock raised concern and wishes to see no increase in rates for the new budgeted year. People's expectations rise but Cr believes rates should not increase; support was given by Councillor Holden.

6.2 CAMPER VAN/MOTORHOME RALLY 2015 (Councillor Calleja)

- Councillor Calleja along with ACCI CEO has approached the motor home committee of Australia to hold the 2015 Rally in Albany. More information to be presented to Committee at future meetings.

6 DATE OF NEXT MEETING

8 April 2013

7 CLOSURE OF MEETING

Meeting Closed at 8.32pm