



**Town of Port Hedland**

**MINUTES**

**OF THE**

**ORDINARY MEETING**

**OF THE**

**AUDIT AND FINANCE COMMITTEE**

**OF THE TOWN OF PORT HEDLAND COUNCIL**

**HELD ON**

**WEDNESDAY, 6 MARCH 2013**

**AT 12:30PM**

**IN COUNCIL CHAMBERS**

**McGREGOR STREET, PORT HEDLAND**

*DISCLAIMER*

*No responsibility whatsoever is implied or accepted by the Town of Port Hedland for any act, omission, statement or intimation occurring during Committee Meetings. The Town of Port Hedland disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission, and statement of intimation occurring during Committee Meetings.*

*Any person or legal entity that acts or fails to act in reliance upon any statement, act or omission occurring in a Committee Meeting does so at their own risk. The Town of Port Hedland advises that any person or legal entity should only rely on formal confirmation or notification of Committee resolutions.*

*Note: Due to a cyclonic event this meeting was rescheduled from 27 February to 6 March 2013.*

*M.J. (Mal)Osborne  
Chief Executive Officer*



**Terms of Reference**

The Audit and Finance Committee has been established in accordance with Part 7 of the Local Government Act 1995 to:

1. liaise with the Auditor(s);
2. receive Quarterly Budget Review Reports;
3. recommend Donations as per Council's Policy;
4. periodically consider alternatives for potential staff housing options;
5. receive Quarterly Financial Reports on all of the Town of Port Hedland's Managed Community Facilities; and
6. review and suggest improvements to Risk Management within the organisation.

**Membership:**

The membership of the committee be as follows:

- Mayor Kelly A Howlett;
- Councillor Arnold A Carter (Presiding Member)
- Councillor Michael B Dziombak (Deputy Presiding Member)
- Councillor Gloria A Jacob

**Quorum:**

The quorum for the Committee be a minimum of 50% of its membership.

**Delegation:**

The Town of Port Hedland Council provides delegated authority to the Audit and Finance Committee to meet annually with the Town's auditor(s) as required by Section 7.12A(2) of the Local Government Act 1995.

**Tenure:**

Ongoing

**Responsible Officer:**

Director Corporate Services

(Adopted by Council at its Ordinary Meeting held 16 November 2011)

**OUR COMMITMENT**

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

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**ITEM 1      OPENING OF MEETING**

**1.1          Opening**

The Presiding Member declared the Ordinary Meeting of the Audit and Finance Committee open at 12:30pm and acknowledged the traditional owners, the Kariyarra people.

**ITEM 2      RECORD OF ATTENDANCE**

**2.1          Attendance**

Committee:

Councillor Arnold A Carter	(Presiding Member)
Councillor Michael B Dziombak	(Deputy Presiding Member)
Councillor Gloria A Jacob	

*Officers*

Malcolm Osborne	Chief Executive Officer
Natalie Octoman	Director Corporate Services
Russell Dyer	Director Engineering Services
Eber Butron	Director Planning & Development
Gordon MacMile	Director Community Development
Josephine Bianchi	Governance Coordinator
Grace Waugh	Administration Officer Governance

**2.2          Apologies**

Councillor Gloria A Jacob

**2.3          Approved Leave of Absence**

Mayor Kelly A Howlett

**ITEM 3      RESPONSE TO PREVIOUS QUESTIONS - ON NOTICE**

Nil

**ITEM 4      PUBLIC TIME**

Chairperson opened Public Question Time at 12:30pm

**4.1          Public Question Time**

Nil

Chairperson closed Public Question Time at 12:31pm.

Chairperson opened Public Statement Time at 12:31pm.

**4.2 Public Statement Time**

Nil

Chairperson closed Public Statement Time at 12:31pm.

**ITEM 5 QUESTIONS FROM MEMBERS WITHOUT NOTICE**

Nil

**ITEM 6 DECLARATION BY MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPER PRESENTED BEFORE THE MEETING**

Councillor Carter	Councillor Dziombak
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**ITEM 7 CONFIRMATION OF MINUTES OF PREVIOUS MEETING****7.1 Confirmation of Minutes of Audit and Finance Committee of Council held on Wednesday, 29 November 2012**

**AFC201213/013 Officer's Recommendation / Audit and Finance Committee Decision**

**Moved: Cr Dziombak**

**Seconded: Cr Carter**

**That the Minutes of the Audit and Finance Committee Meeting of the Town of Port Hedland Council held on Wednesday, 27 November 2012 be confirmed as a true and correct record of proceedings.**

***CARRIED 2/0***

**ITEM 8 ANNOUNCEMENTS BY CHAIRPERSON WITHOUT DISCUSSION**

Nil

**ITEM 9 PETITIONS/DEPUTATIONS/PRESENTATIONS/SUBMISSIONS**

Nil

**ITEM 10      REPORTS OF OFFICERS****AFC201213/014      Audit and Finance Committee Decision****Moved: Cr Dziombak****Seconded: Cr Carter****That Council consider Late Item '11.1 Appointment of Auditors' as the first item on the Agenda.*****CARRIED 2/0*****10.1            Corporate Services****10.1.1        *Appointment of Auditors*****Officer****Natalie Octoman  
Director Corporate  
Services****Date of Report****1 March 2013****Disclosure of Interest by Officer****Nil****Summary**

For the Audit and Finance Committee to consider appointing Mr Michael Hillgrove, Ms Michelle Spain and Mr Patrick Warr as the Town's auditors representing Grant Thornton for a period of three (3) years from financial year ending 30 June 2012.

**Background**

In accordance with section 7.2 of the *Local Government Act 1995*, the accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

At the Audit and Finance Committee meeting held on 23 May 2012, the Committee resolved to recommend to Council that it appoints Grant Thornton as the Town's auditors for a three (3) year term commencing from financial year ending 30 June 2012. This was subsequently endorsed by Council on 23 May 2012.

**Consultation**

Nil

**Statutory Implications***Local Government Act 1995*

Part 7, Division 2, Section 7.3

**Strategic Planning Implications**

## 6.4 Local Leadership

## Strategic

Deliver high quality corporate governance, accountability and compliance.

- Fiscal accountability
- Reporting is carried out as required on the Council's legislative and organisational performance.

Deliver responsible management of infrastructure, assets, resources and technology.

- Responsible and transparent management of financial resources.

**Budget Implications**

A budget allocation has already been incorporated into the 2012/13 Budget for auditing services for the Town.

**Officer's Comment**

While the resolution of Council appointed a company to provide auditing services to the Town, section 7.3 (1) of the *Local Government Act 1995* requires that:

*A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint\* a person, on the recommendation of the audit committee, to be its auditor.*

*\*Absolute majority required*

Section 7.3 (2) of the Local Government Act 1995 allows the local government to appoint one or more person as its auditor, and the officer is recommending the appointment of 3 persons based on the request for quote submission received from Grant Thornton.

Section 7.3 (3) of the Local Government Act 1995 further requires that the local government's auditor is to be a person who is either a registered company auditor, or an approved auditor. Each of the persons that the officer is recommending have demonstrated that they are auditors registered with the Australian Securities and Investment Commission, and are therefore appropriate for appointment in accordance with the legislation.

This item is to ensure that the appointment of the auditors is undertaken in a compliant manner.

**Attachments**

Nil



**AFC201213/015 Officer's Recommendation / Audit and Finance Committee Decision**

**Moved: Cr Dziombak**

**Seconded: Cr Carter**

**That the Audit and Finance Committee recommends to Council that it appoints Mr Michael Hillgrove, Ms Michelle Spain and Mr Patrick Warr, of Grant Thornton as the Town of Port Hedland's Auditors for a period of three (3) years from financial year ending 30 June 2012.**

***CARRIED 2/0***

**10.2 Community Development****10.2.1 Courthouse Gallery Quarterly Review: October to December 2012 (File No.:20/01/0026)**

**Officer** Gordon MacMile  
Director Community Development

**Date of Report** 14 February 2013

**Disclosure of Interest by Officer** Nil

**Summary**

The purpose of this report is for the Audit and Finance Committee to review the following report for the Courthouse Gallery from FORM for the quarter: October to December 2012.

**Background**

The contract for the management of the Courthouse Gallery was agreed between the Town of Port Hedland and FORM Contemporary Craft and Design Inc. for the period 1 July 2010 to 30 June 2012. A further period of contract management has since been negotiated and endorsed by Council at OCM 27 June 2012.

Under clause 3.3.10.1 of the agreement, FORM is to provide Council with a quarterly report, including the following:

- Income and expenditure
- Statement of variations (between budget and actual)
- Patronage of programs and activities
- Customer/consumer trend analysis
- Any complaints
- Customer feedback
- Statement of repairs and maintenance undertaken
- Any capital works recommended
- Report on safety issues
- Opportunities for collaboration with the Town of Port Hedland
- Damage incurred by the Centre
- Progress on KPIs.

This report and subsequent attachments endeavor to provide the Committee with information to satisfy the requirements listed in Section 3.3.10.1 of the FORM contract.

The Council meeting of 27 June 2012 awarded the contract for the management of the Courthouse Gallery to FORM for the period of 1 July 2012 to 30 June 2015.

**Consultation**

Nil

**Statutory Implications**

Nil

**Policy Implications**

Nil

**Strategic Planning Implications**

Strategic Community Plan 2012 – 2022

6.1.3 Rich in Culture – Increase attendance and participation in arts, culture and heritage exhibits and programs.

**Budget Implications**

Council's 2012/2013 budget contains an allowance of \$380,000 per annum for the contract management of the Courthouse Gallery, payable quarterly.

**Officer's Comment**

Desired outcomes of the agreement with FORM are as follows:

- High and increasing usage of the facilities by a broad diversity of groups and individuals in keeping the integrity of the Gallery's core purpose
- High quality customer service to visitors of the Centre
- A focus on continuous improvement and service growth at the facility
- A safe, clean and hygienic environment for staff, customers and other visitors
- Strong, accountable financial management
- Clear, concise, accurate quarterly reporting on the operations of the facility
- Input into the service direction and/or capital improvement initiatives that can/should be undertaken to improve operations at the facility.

**Attachments**

1. PHCG – Quarterly Report (October to December 2012)
2. PHCG – Actual Q4 2012
3. Exhibition Feedback – 2012 Hedland Art Awards (August to December) (Under Separate Cover)
4. Workshop Feedback – Photography Camp (September 2012 Part 1) (Under Separate Cover)
5. Workshop Feedback – Photography Camp (September 2012 Part 2) (Under Separate Cover)

**AFC201213/016 Officer's Recommendation/ Audit and Finance Committee Decision****Moved: Cr Dziombak****Seconded: Cr Carter**

**That the Audit and Finance Committee notes the quarterly review report of the Courthouse Gallery from FORM Contemporary Craft and Design Inc. for the period 1 October to 31 December 2012.**

***CARRIED 2/0***



**Port Hedland Courthouse Gallery  
Quarterly Report  
1 October to 23 December 2012**

Income and Expenditure statements for the Courthouse Gallery for this reporting period.

Please see attached.

**Repairs and Maintenance**

The following repairs and maintenance were carried out:

- Pilbara Comfort Air routine air-conditioner maintenance 17.10.12
- Town of Port Hedland rodent baiting 18.10.12
- Redding Electrical repair exterior floodlights and display cabinet lights 18.10.12
- Redding Electrical repair damaged power point in Main Gallery 30.10.12
- Town of Port Hedland (Kevin) checking leaking air-conditioner in office 30.10.12
- Town of Port Hedland (Kevin) checking broken air-conditioner in front store room 30.10.12
- Town of Port Hedland (Kevin) checking broken air-conditioner in front store room 7.11.12
- ACS Air-conditioning repair air-conditioner in front store room 7.11.12
- Town of Port Hedland (Kevin) checking air-conditioner repair in front store room 8.11.12
- Town of Port Hedland (Kevin) roof maintenance 17.12.12
- Environmental Industries looked at sprinkler system between Bungalow and Gallery which was not watering the grass efficiently 11.12.12
- Environmental Industries change timing on sprinkler system between Bungalow and Gallery to ensure grass is being watered at appropriate levels 21.12.12

**Incident reporting**

No incidents to report.

**Customer feedback**

Public feedback for the following programs are included in this report:

- Exhibition feedback: *2012 Hedland Art Awards (August – December)*
- Workshop feedback: *2012 P.H.otography Workshop Program (September, November)*

**Damage to the Gallery and/or Gallery assets**

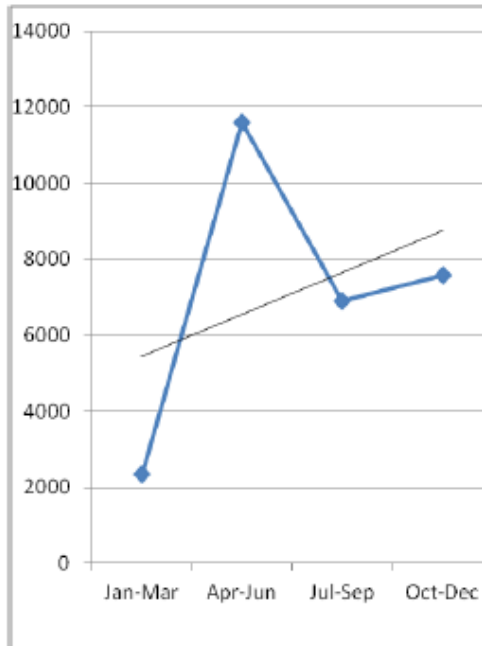
Power point in Main Gallery was damaged (front cover fell off), this has been repaired.

Gallery Attendance Figures

<b>Breakdown</b>	<b>No. of Events</b>	<b>No. of Attendees</b>
General Gallery attendance		2773
Exhibition(s)		
Function(s)	7	4092
<ul style="list-style-type: none"> <li>▪ West End Markets (27.10.12) 4000</li> <li>▪ Friends of the Gallery retail night (14.11.12) 15</li> <li>▪ South Hedland Library - Reading Out Loud (16.11.12) 5</li> <li>▪ Late night trading (28.11.12) 20</li> <li>▪ BHP Billiton Partners Lunch (5.12.12) 32</li> <li>▪ Late night trading (5.12.12) 10</li> <li>▪ Late night trading (12.12.12) 10</li> </ul>		
Visits	6	642
<ul style="list-style-type: none"> <li>▪ Radiance of the Sea cruise ship (25.10.12) 200</li> <li>▪ Wirraka Maya visit (4.10.12) 4</li> <li>▪ Radiance of the Sea cruise ship (2.11.12) 400</li> <li>▪ Strelley Community School excursion (22.11.12) 13</li> <li>▪ BHP Billiton VIP visit (22.11.12) 6</li> <li>▪ Hedland Senior High School Specialist Art excursion (6.12.12) 19</li> </ul>		
Workshops	3	72
<ul style="list-style-type: none"> <li>▪ P.H.otography Workshop: Port Hedland (10 &amp; 11.9.12) 46</li> <li>▪ Christian Fletcher Photoshop Workshop (24.11.12) 13</li> <li>▪ Christian Fletcher Advanced Workshop (25.11.12) 13</li> </ul>		
<i>Spinifex Hill Artists (external to Gallery) (approximately 10 participants 5 days per week in Apr-June)</i>		

<b>Breakdown</b>	<b>No. of Events</b>	<b>No. of Attendees</b>
Gallery Closed		
<ul style="list-style-type: none"> <li>▪ Christmas break (24.12.12 – 14.12.12) 21 days</li> </ul>		
<b>Total Events and Attendance figures</b>		<b>7579</b>

**QUARTERLY TOTAL ATTENDANCE TREND FOR PHCG**



<i>January is closed for half month - so will not give a true trend</i>	<i>Apr-Jun will have high attendance as 2 West End Market events occur this quarter</i>			
<b>2012</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>
<b>Quarterly Total Attendance</b>	2326	11589	6911	7580

Exhibitions  
 17 Feb - 13 Apr: Larry Mitchell: A Pilbara Project Exhibition  
 20 Apr - 10 Jun: Let the Country Come In/SS Koombana/Future Shelter  
 29 Jun - 9 Aug: Warayute Bannatee and Hayley Welsh  
 24 August - 17 December: Hedland Art Awards

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**PORT HEDLAND COURTHOUSE GALLERY OPERATIONS**  
**Statement of Budget and Actual Profit and Loss**  
**As at Quarter Ending 31 December 2012**

Budget Lines	2012 Quarterly Actuals Ending				2012 Actual Total \$	2012 Budget \$	Variance - Actual Less Budget \$	Notes
	March	June	September	December				
<b>Turnover</b>								
<b>Sales</b>	<b>50,588</b>	<b>93,929</b>	<b>110,294</b>	<b>149,132</b>	<b>403,942</b>	<b>350,000</b>	<b>53,942</b>	1
<b>Grants and sponsorships:</b>								
Management Fee - Town of Port Hedland	70,000	70,000	95,000	95,000	330,000	280,000	50,000	
OFTA (DEWHA) - Indigenous Exhibition Development			40,000	20,000	60,000	60,000	0	
BHP Sponsorship	100,000	237,101	10,899	0	348,000	300,000	48,000	
Hedland Art Award Partners	12,195	7,805	25,000	0	45,000	43,900	1,100	
Other Grants / Sponsorships	0	0	190,299	0	190,299	263,000	-72,701	
Sundry Income - Donations, Workshop Fees, etc.	21,896	-16,175	19,767	9,446	34,933	10,000	24,933	
<b>Total grants and sponsorships</b>	<b>204,091</b>	<b>298,731</b>	<b>380,964</b>	<b>124,446</b>	<b>1,008,232</b>	<b>956,900</b>	<b>51,332</b>	
<b>Total Turnover</b>	<b>254,679</b>	<b>392,659</b>	<b>491,258</b>	<b>273,577</b>	<b>1,412,174</b>	<b>1,306,900</b>	<b>105,274</b>	2
<b>Expenditure</b>								
<b>Cost of Sales</b>	<b>35,250</b>	<b>69,527</b>	<b>74,283</b>	<b>100,058</b>	<b>279,118</b>	<b>262,500</b>	<b>16,618</b>	3
<b>Operating expenses</b>								
<b>Programming expenses</b>								
- General Program Costs	980	1,406	19,481	0	21,867	22,000	-133	
- Exhibitions	40,017	74,084	113,007	2,523	229,632	243,500	-13,869	
- Workshops	92,436	45,532	42,245	-13,576	166,637	163,000	3,637	
- Other Programs	12,189	48,036	73,030	47,005	180,260	90,000	90,260	
<b>Total project/community costs</b>	<b>145,622</b>	<b>169,058</b>	<b>247,764</b>	<b>35,952</b>	<b>598,396</b>	<b>518,500</b>	<b>79,896</b>	4
<b>Employment costs</b>								
- Salaries and wages	68,626	55,577	107,947	64,209	296,359	308,802	-12,443	
- Superannuation guarantee levy	6,176	5,002	7,990	7,504	26,672	27,792	-1,120	
- Workers compensation insurance	1,496	1,212	2,319	1,434	6,461	6,176	285	
- Staff Development & Training		236	1,417	495	2,148		2,148	
- Staff Housing	29,836	18,000	26,000	29,686	103,521	95,130	8,391	
<b>Total employment costs</b>	<b>106,134</b>	<b>80,027</b>	<b>145,672</b>	<b>103,328</b>	<b>435,161</b>	<b>437,900</b>	<b>-2,739</b>	
<b>General administration</b>								
- Advertising and Marketing			1,641	5,864	7,505		7,505	
- Audit Fees Allocation		2,000		0	2,000	2,000	0	
- Bank charges	364	555	1,158	1,100	3,177	3,000	177	
- Postage, couriers & freight	342	327	834	1,354	2,856	2,000	856	
- Telephone & IT	1,214	307	703	3,851	6,075	6,000	75	
- Presentation and Promotion	275	599	4,591	1,764	7,229	5,000	2,229	
- Printing, stationery & consumables	4,544	1,680	3,677	6,936	16,836	5,000	11,836	5
- Minor office equipment		88		0	88	1,000	-912	
- Subscriptions			120	0	120	1,000	-880	
- Website development & hosting				0	0	3,000	-3,000	6
- Sundry Expenses			1,133	-62	1,071		1,071	
- Admin costs distribution			4,500	1,500	6,000	6,000	0	
<b>Total administration costs</b>	<b>6,739</b>	<b>5,556</b>	<b>18,357</b>	<b>22,306</b>	<b>52,958</b>	<b>34,000</b>	<b>18,958</b>	
<b>Facility costs</b>								
- Electricity	-181	2,367	937	4,667	7,789	10,000	-2,211	
- Repairs and maintenance		940	7	0	946	2,000	-1,054	
- Depreciation	438	438	452	0	1,328	2,000	-672	
- Cleaning	2,932	8,682	2,777	3,675	18,066	10,000	8,066	7
<b>Total occupancy costs</b>	<b>3,189</b>	<b>12,427</b>	<b>4,173</b>	<b>8,341</b>	<b>28,130</b>	<b>24,000</b>	<b>4,130</b>	
<b>Other costs</b>								
- Staff travel	4,689	7,082	-4,105	1,993	9,659	10,000	-341	
- Amenities	251	-975	1,719	712	1,706	5,000	-3,294	
- Insurance	1,503	1,503	2,639	1,401	7,046	15,000	-7,954	8
<b>Total other costs</b>	<b>6,443</b>	<b>7,610</b>	<b>253</b>	<b>4,106</b>	<b>18,412</b>	<b>30,000</b>	<b>-11,588</b>	
<b>Total operating expenses</b>	<b>268,127</b>	<b>274,677</b>	<b>416,219</b>	<b>174,034</b>	<b>1,133,056</b>	<b>1,044,400</b>	<b>88,656</b>	
<b>Total Cost of Sales and Operating Expenses</b>	<b>303,377</b>	<b>344,204</b>	<b>490,502</b>	<b>274,092</b>	<b>1,412,174</b>	<b>1,306,900</b>	<b>105,274</b>	
<b>Net Income / (Expenditure)</b>	<b>-48,698</b>	<b>48,456</b>	<b>756</b>	<b>-515</b>	<b>0</b>	<b>0</b>	<b>0</b>	

*Budget Variance Notes:*

- 1) 15% of sales above the \$350k budget has been achieved partially due keeping the exhibitions longer on the floor than previously and to the redirection of the Visitor Centre customers to the Courthouse Gallery.
- 2) Total turnover increased by \$105k or 8% of the budgeted \$1.3M. Sales in 1) above contributed 50% of this and the other \$50k was the adjustment of the ToPH fees to FORM for running the gallery.
- 3) The increase in sales and admin as explained in 1) and 2) above, but also Cost of Sales has tracked lower than anticipated. This means that more purchased (as opposed to goods on consignment) stock have been sold than anticipated. Purchased stock attracts a 50% GP while consigned stock attracts a 30% GP.
- 4) The growth in sales and administration fees on 1) to 3) above has catalysed growth in its programming activities by 15% of budget or \$80k.
- 5) FORM arranged for a more efficient photocopier to be installed at the Bungalow and the Courthouse Gallery both with PBE and both on a rental agreement which averages about \$1k per month.
- 6) Savings was made on the website as no external consultant was engaged to update the pages. These updates were monitored and acted on as required by FORM stc
- 7) The occasional garden maintenance had to be spent which was not budgeted for.
- 8) Savings in insurance spend was made possible by the town's subsidy in covering the premiums relating to the Courthouse Gallery.
- 9) The above actual figures are based on pre-final Dec 2012 annual closing of FORM's books of accounts.



Port Hedland Courthouse Gallery Programs  
Statement of Budget and Actual Profit and Loss  
As at Quarter Ending 31 December 2012

Budget Lines	2012 Budget \$	Cumulative Total -Actual	2012 Quarterly Actuals Ending			
			March	June	September	December
<b>Programming Budget Calendar Year 2012</b>	<b>\$</b>					
<b>Courthouse Marketing</b>						
Advertising, Marketing and other General	22,000	21,867	980	1,406	19,481	0
<b>Total Courthouse Marketing</b>	<b>22,000</b>	<b>21,867</b>	<b>980</b>	<b>1,406</b>	<b>19,481</b>	<b>0</b>
<b>Exhibition Program</b>						
Larry Mitchell Exhibition	43,000	36,242	34,608	1,523	111	0
Pilbara Project Exhibition Tour (Sofitel)	18,500	12,144	1,087	6,760	4,297	0
Warrayute Bannatee and Hayley Welsh Exhibit Let the Country Come In, SS Koombana,	28,000	29,278	7	21,173	8,098	0
Future Shelter Exhibition	31,000	42,372	4,315	37,779	278	0
Hedland Arts Award	123,000	109,595		6,848	100,223	2,523
<b>Total Exhibition Program Cost</b>	<b>243,500</b>	<b>229,632</b>	<b>40,017</b>	<b>74,084</b>	<b>113,007</b>	<b>2,523</b>
<b>Workshops</b>						
Indigenous Exhibition Development	69,000	78,084	16,380	16,525	24,283	20,896
Visual Art Dev't Workshops: Mitchell / Darbyshire Workshops		2,027	2,027		0	0
Arts Development Workshop	5,000	27,871		7,520	12,330	8,021
Visual Arts Development Workshop Camps	11,000	15,401		14,013	1,388	0
Westend Markets Development Workshops	5,000	5,600	1,000	1,027	1,500	2,073
Pilbara Stories Development		37,653	73,029	6,447	2,743	-44,566
<b>Total Workshops</b>	<b>90,000</b>	<b>166,637</b>	<b>92,436</b>	<b>45,532</b>	<b>42,245</b>	<b>-13,576</b>
		149,791				
<b>Other Programs:</b>						
Future Shorts - Film	3,000	1,804	1,708	31	43	21
Small Winns Program	10,000	0				
'Creepy' Artists Project		26,509		586	25,923	0
Westend Markets	77,000	144,191	10,481	47,418	47,064	39,228
'Girl Guide' Pamphlets		7,756				7,756
<b>Total Other Programs</b>	<b>90,000</b>	<b>180,260</b>	<b>12,189</b>	<b>48,036</b>	<b>73,030</b>	<b>47,005</b>
<b>Total Projected Programming Expenditure</b>	<b>445,500</b>	<b>598,396</b>	<b>145,622</b>	<b>169,058</b>	<b>247,764</b>	<b>35,952</b>

**10.2.2 Second Quarter Report (October to December 2012)  
YMCA Management Contract – Town of Port Hedland  
Leisure Centres (File No.: 26/13/0006)**

**Officer** Graeme Hall  
Manager Recreation  
Services and Facilities

**Date of Report** 28 January 2013

**Disclosure of Interest by Officer** Nil

**Summary**

The Town of Port Hedland has engaged YMCA Perth to manage the three leisure facilities. The contract has had an interrupted start and this is reflected in the report provided.

The Audit and Finance Committee are requested to note the quarterly report provided by the YMCA for the period 1 October to 31 December 2012. The report presented reflects the performance of the leisure centre's at the end of the second quarter.

**Background**

The contract between the Town of Port Hedland and the YMCA for the management of the leisure facilities requires the provision of monthly, quarterly and annual reports.

Section 26.3 of the contract requires the YMCA as the contractor to provide a monthly report on or before the 15<sup>th</sup> day of each month. The Audit and Finance Committee terms of reference requires reporting on the Town of Port Hedland managed community facilities. Quarterly reports are provided so that Council can remain informed as to the current operating position of the leisure facilities.

**Consultation**

Not Applicable.

**Statutory Implications**

The Town of Port Hedland Leisure Centres contract includes the following with regard to monthly reporting:

*“ 26.3 Monthly Reports - Prior to the 15th of each month of the Contract Term, the Contractor must provide to the Town comprehensive written reports concerning the operation of the Facilities during the preceding month. The monthly reports must be in a form reasonably required by the Town and include:*

- (a) *income and expenditure statements for each of the Facilities for the relevant period;*
- (b) *a statement of variations between the Operating Budgets and the actual results achieved for the year to date with explanations of variances;*
- (c) *a statement of the capital expenditure items and maintenance items in respect to the Facilities for the relevant period. All repairs and maintenance items that have been carried out during the period must be outlined and any repairs or maintenance that are recommended by the Facilities for the relevant period;*
- (d) *a statement of marketing expenses, programmes and initiatives for the Facilities for the relevant period and year to date;*
- (e) *a report on incidents in the Facilities for the relevant period for which claims are or may be made against the Town or the Contractor, and other relevant details concerning insurances;*
- (f) *advice on prevailing market conditions and the settling of fees and charges for the relevant period;*
- (g) *customer feedback received for the Facilities for the relevant period;*
- (h) *any negligent damage caused to the Facilities or the assets of the Facilities must be reported, including any damage caused by the Contractor its agents, employees and subcontractors for the relevant period;*
- (i) *reporting in relation to the KPI's established as part of the Contract;*
- (j) *reporting on the Staff Wellness Initiative; and*
- (k) *any information on the Facilities and this Contract reasonably required, and requested in writing, by the Town."*

### **Policy Implications**

The reporting on the operation of the leisure centre management contract is a requirement of the Terms of Reference for the Audit and Finance Committee:

*"1.1 Audit and Finance Committee*

*Terms of Reference*

*The Audit and Finance Committee has been established in accordance with Part 7 of the Local Government Act 1995 to:*

1. *Liaise with Auditor;*
2. *Receive Quarterly Budget Review Reports;*
3. *Recommend Donations as per Council's Policy;*
4. *Periodically consider alternatives for potential staff housing options;*
5. *Receive Quarterly Financial Reports on all of Town of Port Hedland's Managed Community Facilities;*
6. *Review and suggest improvements to Risk Management within the organisation."*

### **Strategic Planning Implications**

*6.1 Community – We are a friendly city of neighbours that is vibrant and diverse*

#### *6.1.1 Unified*

The Town of Port Hedland is an integrated community functionally, physically and culturally.

- Wider range of community groups using the Town's facilities regularly.

Keep all members of our community informed about, and involved with, the provision of Council/Town services and facilities.

- Higher utilisation of Port Hedland facilities (sporting ovals and buildings) by community.

#### *6.1.2 Vibrant*

Provide access to recreational, cultural, entertainment facilities, and opportunities.

- The Town's wide range of recreation, entertainment and event facilities are well used and attended by residents and visitors
- Higher utilisation of Port Hedland facilities (sporting ovals and buildings) by residents and visitors.

### **Budget Implications**

Table 1 below provides an overview of the financial operation of the leisure facilities up to December end of month.

*Table 1 – Town of Port Hedland Leisure Facilities - Actual versus Budget.*

Summary	Actual YTD	Budget YTD	Variance
INCOME	\$607,065	\$802,513	\$195,448
EXPENDITURE	\$1,496,834	\$1,754,365	\$257,531
TOTAL	\$889,769	\$951,852	\$62,083

Facility	Actual YTD	Budget YTD	Variance
Gratwick Aquatic Centre			
INCOME	\$167,236	\$168,387	\$1,151
EXPENDITURE	\$509,125	\$502,874	\$6,251
TOTAL	\$341,889	\$334,487	\$7,402
South Hedland Aquatic Centre			
INCOME	\$0	\$210,928	-\$210,928
EXPENDITURE	\$154,554	\$427,580	-\$273,026
TOTAL	-\$154,554	\$216,652	\$62,098
Wanangkura Stadium			
INCOME	\$439,829	\$423,198	\$16,632
EXPENDITURE	\$833,155	\$823,911	\$9,244
TOTAL	\$393,326	\$400,714	\$7,387

#### **Officer's Comment**

The YMCA commenced this contract with the Town of Port Hedland on 1 July 2012. This report pertains to the second quarter of the new contract (October 2012 to December 2012). The details provided in this report are from the end of December 2012 monthly report as provided to the Town by the YMCA.

The initial six months of the leisure facilities contract have had significant hurdles, these include:

- The need to organise and deliver a major opening event
- The closure of Wanangkura Stadium after four days of operation, for fire service modifications
- A significant number of building defects
- A significant delay in the opening of the South Hedland Aquatic Centre
- The need to establish a new staffing structure and relocate senior staff to Port Hedland
- A high turnover of key staff members
- Changes to the price of iron ore which has had a disruption on the resource companies and their staff.

Each of these matters has provided significant challenges to staff at the YMCA, as well as to Town of Port Hedland staff who are responsible for the management of the contract.

As an overall assessment the Town would have had greater expectations from the facilities at this point in the contract. In an ideal world a greater proportion of the programs and services would be available to the community after six months of operation.

Attachment 1 is the YMCA December report. Some of the major points worthy of highlight are as follows:

1. The number of participants and financial performance of the health and fitness programs is far exceeding expectations
2. Membership is currently 1,177; initial expectations were 520
3. Income from health and fitness memberships was budgeted at \$299,105; actual being \$423,298
4. Squash court rental income is higher than expected
5. General admissions to Gratwick Pool are 30,695 which exceed all prior expectations. This time last year, attendances were 17,001
6. Aquatic education programs are experiencing greater numbers, conversely their operating costs, mainly salaries, are higher than expected
7. The YMCA and their staff were integral during December to ensuring that in-term swimming was offered in Port Hedland for the first time since 2006
8. Sporting and lifestyle programs at Wanangkura Stadium have had an unsatisfactory start; participation rates are well below the expected performance indicators set within the contract

Expenditure on salaries is exceeding budget in a number of key areas. This will require addressing in the remaining two budget quarters. Areas of concern are:

- Customer Service Officers (salaries) \$54,471 overspend
  - Duty Managers (salaries) \$16,996 overspend
  - Centre Manager (salaries) \$37,349 overspend.
1. Surrounds and building maintenance are below budgeted expenditure
  2. Staffing of the facilities remains a constant battle; this is particularly the case for specialist positions such as duty managers at the aquatic centres. The limited availability of staff is costing the Town as the YMCA are required to relocate staff to Port Hedland for short term relief contracts.

With the interruptions to the commencement of the contract, there is a need to review the budget documents for all three facilities. The budget for Wanangkura was based on the facility commencing operations in May (2012 financial year) and the opening of the South Hedland Aquatic Centre was anticipated prior to be late 2012.

**Attachments**

1. YMCA December 2012 report

**Officer's Recommendation**

That the Audit and Finance Committee notes the Town of Port Hedland Leisure Facilities Monthly Report (December 2012)

**AFC201213/017 Audit and Finance Committee Decision**

**Moved: Cr Dziombak**

**Seconded: Cr Carter**

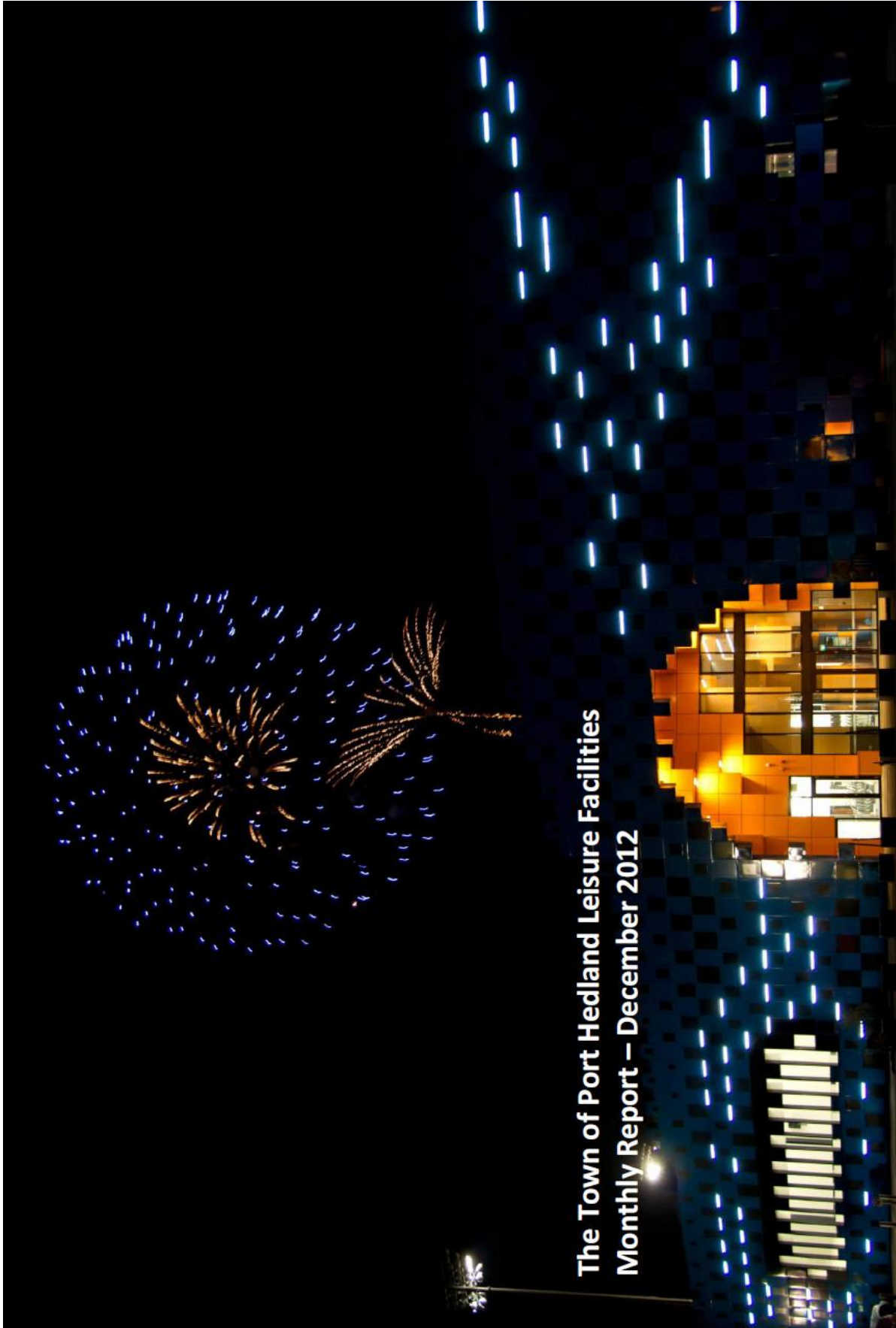
**That the Audit and Finance Committee:**

1. **Notes the Town of Port Hedland Leisure Facilities Monthly Report (December 2012); and**
2. **Requests the Chief Executive Officer, or his delegate(s), to review the balance of budget estimates.**

***CARRIED 2/0***



ATTACHMENT 1 TO AGENDA ITEM 10.2.2



The Town of Port Hedland Leisure Facilities  
 (PHL is: Gratwick Aquatic Centre, South Hedland Aquatic Centre, Wanangkura Stadium)

Monthly Report – December 2012

1. KPI CRITICAL ISSUES/HIGHLIGHTS

Port Hedland Leisure Overview & Actions from previous report(s)	
<p>The Port Hedland Leisure facilities were relatively quiet throughout December. It is a time of year where many people choose to leave Port Hedland. Particularly after Christmas and leading into the new year patronage was very slow - Wanangkura end of day takings on one particular day was \$14,30. Leading up to Christmas Gratwick Aquatic Facility was very busy with Christmas functions for number of different organisations. The Centre also hosted the first in-term swimming program Port Hedland had seen for seven years.</p>	
Facility	KPIs - Critical Issues & Action to be taken
Wanangkura Stadium	<p><b>Adult Sports Competitions</b>                      The sports competitions have had a difficult start to the year. In relation to programs hit the hardest from the closures the competitions have felt the impact more than any other program. The closure caused season dates to be cut short in conjunction to playing through the December/January period means there has been lots of forfeits this season. The Centre is looking for feedback on further developing this program for the new year. However a shift back to traditional season dates will assist the competitions moving forward.</p> <p><b>Health and Fitness</b>                      Membership is currently at 1,007. As would be expected sales and membership growth plateaued over the Christmas period. The challenge is to ensure appropriate retention strategies are introduced to ensure members are meeting their goals and renewing their membership. An item that needs to be looked at in the budget review is staffing to meet the demands of health consultations.</p> <p>There remains still a significant amount of casual visitation to the gym and group fitness classes. In the short term these visitors represent higher income per head than members however usually casual attendees have a causal commitment. The stadium needs to start converting its casual attendees into members for long term income growth.</p>

<p><b>KPIs - Highlights</b>  <b>Café/Kiosk</b>                  Despite a delayed start initial signs are that this will be a positive income contributor for the facility. The facility has not been able to set the kiosk up to its full capacity due to health regulations but despite having limited stock options the café/kiosk still remains a chance to meet income target for the end of the year.</p>	
<p><b>KPIs - Critical Issues &amp; Action to be taken</b>  <b>Café/Kiosk</b>                  Despite being \$15k ahead of actual income taken last year the centre is \$12K behind its income budget target. The indicators required to have positive kiosk sales are good attendances in family and child swim. Both these indicators are meeting targets but yet the kiosk remains behind budget. A review on stock options and a check to ensure enough stock is on hand during busy periods will be done.</p>	<p><b>Gratwick Aquatic Centre</b></p>
<p><b>KPIs - Highlights</b>  <b>Aquatic Education</b>                  Currently slightly behind target (\$881) - a number of accounts remain outstanding. The program is preparing for the next term enrolment phase and has made some more changes to ensure parents are not waiting in queues. This term existing participants can simply drop their enrolment forms off in a box at reception at Wanangkura (the forms have a space for credit card details). The program has also appointed new staff which will increase the capacity of the programs at Gratwick and South.</p> <p><b>Casual Swim</b>                  Casual swim figures for the centre are positive. The centre is ahead of income target for family, adult and child swims. The challenge still remains to develop an incentive for casual adult swimmer's to become members. However the price of a membership is slightly too high to provide a financial incentive to join. The centre is going to have add value to membership to entice swimmers to commit.</p> <p><b>WAFM Radio Christmas Function</b>                  Gratwick hosted the annual Radio Christmas Function on December 9<sup>th</sup>. The day has continually grown in its importance to assist those in the community who require support over the Christmas period. It is a free day whereby aquatic activities are operated for the children, Santa attends (with gifts) and there is a barbeque with lots of free food and other giveaways. The day attracted over 600 people to the facility.</p> <p><b>In-term swimming program</b>                  The first In-term swimming program was completed on December 9<sup>th</sup> and was an enormous success. The Education Department's In-term swimming program has not had a presence in Port Hedland for seven years. Five instructors were flown from Perth to commence the program. Their efforts and dedication to the cause was exemplary. The feedback from students and parents was all positive. Throughout their stay they were able to also train and sign off a further five YMCA staff which will further assist the</p>	

	<p>Towns Aquatic Education teacher base and hopefully prevent the need for teachers to be flown from Perth.</p>
<p><b>South Hedland Aquatic Centre</b></p>	<p><b>Critical Issues &amp; Action to be taken</b></p> <p><b>Latitube</b> The water in the Latitube system has been balanced and is ready to be tested.</p> <p><b>Aqua Tower</b> The Aqua Tower tank is balanced and ready for testing by the health department. Due to the heat in its underground tank we do plan to hypo chlorinate this before opening because of the great breeding ground the heat provides for bacteria.</p> <p><b>Leisure Pool</b> The Leisure Pool is balanced and can be tested by the health department. We have been careful not to allow this pool to fall back into its alkalinity issues from the dust storm. This has been achieved by back washing one filter daily and adding fresh water from the mains. We have also been adding PAC that bonds with particles in the water to sink to the bottom which can be easily vacuumed out. The Pac or FLOC is the darker grim that sits on the bottom of the pool.</p> <p><b>50m Pool-balancing</b> The pool has not been balanced due to a dust storm in early December and again new years eve. YMCA reported these issues to AVP who subsequently provided instructions on how to correct. The issue is with the alkalinity in the water that remains low but does not respond to the normal procedures for correcting (adding Bicarb). The YMCA has made a suggestion to AVP to hypo chlorinate the pool with liquid barrels instead of using dry or gas chlorine. Chlorine in a liquid form has a very high PH value so we are waiting on an order from Perth before we begin. The pool has been backwashed daily since the 17<sup>th</sup> of December in attempt to dilute the particles in the water that have prevented us balancing (this is how AVP were able to balance the leisure pool). We have also taken delivery on loan of two auto vacs to assist in keeping the dust out of the pool. The length of the manual vac was a hindrance in keeping the pool clean.</p> <p><b>50m Pool Plant room</b> The plant room has had teething faults since the YMCA has moved in. Since the 17<sup>th</sup> of December there have been periods of relying a single circulation pump. This has impacted on the YMCA and AVPs ability to get the water chemistry correct.</p>
	<p><b>Highlights</b> N/A</p>

2. FINANCIAL REPORT - Summary\*

PHL Summary Budget Report	Last Year Actual YTD	Actual YTD	Budget YTD	Variance
INCOME	N/A	\$607,065	\$802,513	<b>\$195,448</b>
EXPENDITURE	N/A	\$1,496,834	\$1,754,365	\$257,531
<b>TOTAL</b>	N/A	<b>\$889,769</b>	<b>\$951,852</b>	<b>\$62,083</b>
<i>Gratwick Aquatic Centre</i>				
		<i>Actual YTD</i>	<i>Budget YTD</i>	<i>Variance</i>
INCOME	N/A	\$167,236	\$168,387	<b>\$1,151</b>
EXPENDITURE	N/A	\$509,125	\$502,874	<b>\$6,251</b>
<b>TOTAL</b>	N/A	<b>\$341,889</b>	<b>\$334,487</b>	<b>\$7,402</b>
<i>South Hedland Aquatic Centre</i>				
		<i>Actual YTD</i>	<i>Budget YTD</i>	<i>Variance</i>
INCOME	N/A	\$0	\$210,928	<b>-\$210,928</b>
EXPENDITURE	N/A	\$154,554	\$427,580	-\$273,026
<b>TOTAL</b>	N/A	<b>-\$154,554</b>	<b>\$216,652</b>	<b>\$62,098</b>
<i>Wanangkura Stadium</i>				
		<i>Actual YTD</i>	<i>Budget YTD</i>	<i>Variance</i>
INCOME	N/A	\$439,829	\$423,198	<b>\$16,632</b>
EXPENDITURE	N/A	\$833,155	\$823,911	<b>\$9,244</b>
<b>TOTAL</b>	N/A	<b>\$393,326</b>	<b>\$400,714</b>	<b>\$7,387</b>
<b>COMMENTS/ACTIONS:</b>				
The YMCA Port Hedland Leisure Facilities are \$62K ahead of target. Despite being in a positive position it is a financial result, which is based upon savings in expenditure from the closure of Wanangkura Stadium and delayed opening of the South Hedland Aquatic Centre. The highlight is the income performance of Gratwick Aquatic Centre compared to the same time last year and the Wanangkura Stadium health and fitness income results. The issues with expenditure have been the Wanangkura Stadium salaries which are high due to having to cater for the higher than expected attendances.				

\* P&L REPORTS ATTACHED

3. Maintenance – Preventative/Reactive

Facility	Maintenance type (Preventative/Reactive)	Comment
Wanangkura Stadium	Reactive	<p>The front door will be replaced with an automatic door by January 21<sup>st</sup>.</p> <p>The air conditioning remains unresolved with different areas of the facility being different temperatures. This has been reported through to the ToPH who are working with the consultant team.</p> <p>The outdoor court lighting has not been working. This has also been reported to the ToPH and is currently in the process of being rectified.</p>
Gratwick Aquatic Centre	Reactive	Lap clock requires repairing. Currently negotiating the logistics with the ToPH to repair this.
South Hedland Aquatic Centre	Reactive	Car park lighting repaired.
	Preventative	Gym Care serviced the gym equipment.
	N/A	N/A

4. BUSINESS DEVELOPMENT

Facility	Promotion	Goal	Outcome
Wanangkura Stadium	3 on 3 basketball	Provide community sporting opportunities without the commitment involved with structured sports competitions	Good uptake in older groups with 8 participants, youngsters will continue to see growth with only one child for the youngest group. An incentive system was also introduced for the children's age groups to help increase numbers by rewarding children who bring friends.
Gratwick Aquatic Centre	Les Mills Launch	Increase the group fitness program attendances and introduce change for long term participants.	Classes were conducted in the stadium and had up to 60 people in a class.
Gratwick Aquatic Centre	WAFM Radio	Exposure/Cafe & Kiosk sales	Over 600 attendances with solid income results on the day.
South Hedland Aquatic Centre	N/A	N/A	N/A
<b>Business Development next month:</b>			
Wanangkura Stadium	Vacation Care	10-15 place program	
	Teen/Older Adult Memberships	Sign up 60 teens and 15 older adults.	
	Stadium Sports Launches	Mail outs/emails will commence regarding new season.	
Gratwick Aquatic Centre	BHP Super Series. Adult stroke correction.	Increase Lap Swimming.	
South Hedland Aquatic Centre	N/A	N/A	N/A

## 5. OH&amp;S

First Aid/Incident Reports			Comments/Actions (only if deemed serious)
Facility	Total		
Gratwick Aquatic Centre	3		No major incidents to report on.
South Hedland Aquatic Centre	0		N/A
Wanangkura Stadium	5		No major incidents to report on.
Hazard Identification - Gratwick Aquatic Centre			N/A
Hazard Identification – Wanangkura Stadium			Air-conditioning system remains a hazard. Group fitness participants are leaving before the class is finished due to heat exhaustion.
Hazard Identification – South Hedland Aquatic Centre			N/A



Attachments:

1. Wanangkura KPI Report
2. Gratwick Aquatic Centre KPI Report

ATTACHMENTS

1. Wanangkura KPI Report – December 2012

Wanangkura	2012/2013 KPI	Actual	CERM Benchmark	COMMENTS/ACTIONS
<b>Financial</b>				
Income (Variation of +/- 5%) Considered acceptable	\$1,020,267 per annum \$85,022 per month	\$439,829 YTD \$101,239 Month	N/A	A positive income result. For the month the result is \$18,970 better than budget (not KPI) and year to date the facility is \$16,632 ahead of the budget target. This is due to great results in the health and fitness components of the business in particular: <ul style="list-style-type: none"> <li>- Health and Fitness memberships (\$70,866 ahead of target)</li> <li>- Casual Gym (\$34,319 ahead of budget target)</li> <li>- Group Fitness (\$13,151 ahead of target)</li> </ul>
Expenditure (Variation of +/- 5%) Considered acceptable	\$1,708,449 per annum \$142,370.75 per month	\$833,155 YTD 135,339 Month	N/A	Expenditure for the month was \$3,068 under the budget target however year to date the facility \$9,244 over the budget target. The main reasons for this are due to the stadium requiring more staff resources than anticipated -particular in the areas of Customer Service and Duty Management.  There is also further worked required on why the Centre manager salaries are not operating according to budget. This issue will be investigated during the budget review.
Net Operating Result (Variation of +/- 5%)	-\$688,181	-\$393,326	N/A	The result is almost running according to budget. However there a number of concerns which suggest the facility is not in

Considered acceptable					the position the P&L reflects; <ul style="list-style-type: none"> <li>- The cleaning is under expended and has outstanding invoices to be paid.</li> <li>- The Customer Service and Centre Manager expenditure line items are tracking poorly according budgets.</li> </ul>
Expense recovery	59%	82%	88% (aspirational) CERM Benchmark		The expense recovery is better than CERM benchmark currently however as discussed above there are still some expenditure to come in and given the closure the centre potentially should be an even better position. It is expected to rectify and update all accounts for the end of month January report so as to go into the budget review with a true financial reflection.
<b>Metric</b>					
Attendances	127,966 per annum	25,872YTD	192,682		The Centres attendances are down year to date due to the closure and the severe interruptions to programming. The stadium is averaging 285 per day. To meet target the stadium requires 350 visits per day.  The stadium should soon exceed the KPI daily average with the commencement of a new stadium sports program with more teams in each competition and the introduction of the new adult programs. There will be new group fitness classes added to the timetable which will increase average attendances.
Visits per square metre (based on 4,500 sqm)	28	5.74	39		Visits per square metre are down compared to KPI and CERM benchmarks. This is due to the late opening and closure that occurred for 53 days. A breakdown of the KPI targets into a daily target would mean the facility should averaging 7 visits per square metre. It is averaging 5.74 however as discussed above there are many more programs about to be introduced which should bring this figure up.
Fitness Classes (all classes are required to be Les Mills or of agreed similar standard)	30 classes per week	28	N/A		There was a reduced timetable of 28 classes during the Christmas period. The stadium will resume the new year with 39 classes.
Personal Training	20 hours per	20 sessions	N/A		Personal training had a relatively quiet month but despite this is

	week across all three facilities	(10 hours for the month)		still tracking on budget.
Junior Sporting Competitions	3 junior sporting competitions per week  (8 teams in each competition and a minimum of one female competition)	1	N/A	3 on 3 basketball trialled with minimum success. However it is important the YMCA continue to push and keep these types programs going because they have never been offered before and it will take some time to build up continuity in these programs.  The stadium will also be starting junior Futsal. It is currently researching the best day and time for this type of program. We hope to start this program in Term 2 (March/April)
Senior Sporting Competitions	10 Senior Sporting Competitions per week  (8 teams in each competition)	4	N/A	The Stadium sports program has been the program which has been impacted more than most due to the closure of the Stadium. The season dates were changed which meant a shorter season and playing games through traditional holiday periods when breaks usually occur. This has resulted in many forfeits which negatively impacts on the image of the program (not to mention a further loss in income).  The approaching season will provide the stadium with a true reflection on the sports programs potential due to the season dates and length all coming back in line.
Junior (non sporting programs)	9 Non sporting/lifestyle/personal development programs per annum	1 (8 Gecko Sports and Fitness)	N/A	The Centre operates 8 gecko classes for children. These are purely fitness based classes targeting primary school children and encouraging them to be physically active. There are currently over 70 enrolments to these sessions.
Program specific for demographic (seniors or people with disabilities) not including adult Lifestyle personal development programs listed below.	2 programs per annum	0	N/A	There is currently no direct programming targeting this specific demographic. However the development of an Older Adults membership is underway. The stadium is liaising with organisations such as 'People with a Disability' WA in regards to developing programs.

Adult Lifestyle/Personal Development Programs	16 per annum	0	N/A	There are currently no adult lifestyle programs. However the facility is planning the following programs to be launched in February: <ul style="list-style-type: none"> <li>- Pre-natal conditioning</li> <li>- Mums and Bubs</li> <li>- Ultimate Challenge</li> </ul>
<b>Efficiency</b>				
Income per visit	\$7.97	\$17		Closure of the stadium has resulted in a low YTD attendance result yet income figures are exceeding budgets. Therefore as a result the income per visit is unusually high.
Secondary spend per visit	\$0.50	\$1.98		This figure is misleading. Not only have there been low attendances due to the closure but the kiosk did not open when the facility did due to not meeting health regulations (it required a double sink).
Subsidy per visit	\$5.38	\$15.20		The result is high due to comparing low attendances from the late closure against high income results.
Labour Costs to total receipts	112%	64%		It is clear from the salary line items that the high membership and casual visitation in the health and Fitness area have resulted in more human resources required. The budget review will be a process of deciding whether permanent changes are required to the staffing structure.
Utility Costs				Utility costs are low due to the closure of the stadium.
Energy Cost Share %	7.72%	12%		
Energy Cost per visit	\$1.03	\$2.20		
<b>Effectiveness</b>				
Mystery Shopper score – minimum of four shoppers per annum.	80% Satisfaction	84.4%		Mystery shopper score for December was above the benchmark set. However by the mystery shopper guidelines it only rates as average. The stadium has met with the customer service and duty manager team to analyse the report so as to improve next month.
Customer Service Survey – Two surveys per annum	80% Satisfaction	N/A		The facility is yet to undertake a survey. The surveys are scheduled for February.
Training costs per visit	\$0.19	\$3.30	\$0.04	Due to a late opening the attendances for year are naturally low. Therefore comparing this figure to training costs will not

Facility Audit – two facility audits per annum conducted by the Town of Port Hedland staff. (First week of March and September)	Pass/Fail	Pass	N/A	give an accurate statistic. 1 facility audit has been undertaken (October). A Pass rating was given.
Maintenance and cleaning schedule reports reviewed regularly	Pass/Fail	N/A		A (costed) preventative maintenance program will be developed based upon the service requirements from the user manual and asset registers.
<b>School Holiday Programs</b>	<b>2012/2013</b>			
Instigation of a full day school holiday program	School Holiday programs to be conducted in Port Hedland during the 2013 January and April School Holidays (programs are to cater for 40 participants per week)	Licence and child care benefit approved in January for program to operate from Wanangkur a stadium. Currently seeking qualified staff	Not applicable.	A full day care program is setup for January. Emails and advertising has gone through schools however despite this there has been limited interest. This is more than likely due to a significant amount of the family population leaving town during the Christmas holiday period.  More marketing and advertng is required for the next program. This combined with more people eligible to attend in the Town should result in a program going ahead for the first term break holiday period.

2. Gratwick Aquatic Centre KPIs –December 2012

Gratwick Aquatic Centre	2012/2013 KPI	Actual	CERM Benchmark	Comment
<b>Financial</b>				
Income (Variation of +/- 5%) Considered acceptable	\$321,847 per annum	\$167,236 YTD	N/A	Year to date the Gratwick Aquatic Centre is \$1,153 under its income target and for the month it missed income target by

	\$26,820 per month	\$36,921 monthly actual		\$872 against budget. The KPI figure has a monthly income target of \$26,820 however the December budget target was \$37,793. Casual swim attendances are the highlight however the centre is well below its kiosk target (\$11,994) despite being well ahead of last financial year's position.
Expenditure (Variation of +/- 5%) Considered acceptable	\$1,003,278 \$83,606.50 per month	\$509,125 YTD \$91,811 monthly actual	N/A	The Centre is over expended year to date by \$6,251 and for the month was over spent by \$5,162. Again the budget figure differs slightly to the KPI figure. The issue with expenditure is the allocation of the management salaries and the Aquatic Education salary line item. More extensive investigation is required for these line items. This will need to be completed in preparation for the budget review.
Net Operating Result (Variation of +/- 5%) Considered acceptable	-\$681,431	\$341,889 YTD	N/A	This figure has Gratwick Aquatic \$7,402 off target.
Expense recovery	32%	32%	47%	Big improvements will be required for the cafe/kiosk area. On a positive note the Aquatic Education program has had an injection of new staff which will see even better income result for this program. The centre is meeting the KPI. Despite this areas of the financials still require improvement e.g. salaries, cafe and kiosk
<b>Metric</b>				
Attendances	60,318 per annum	30,695 YTD	192,682	Attendances have been high and are tracking slightly higher than the target. The Centre is meeting it targets in relation to people through the door.
Swimming Lessons (both centres combined)	80 per week (1 <sup>st</sup> and 4 <sup>th</sup> terms)	80	39	Term 4 averaged 80 classes per week. Preparations are underway for next term. The injection of new staff means that the YMCA will be able to grow the program to another level.
Fitness Classes	5 classes per week. During summer operating hours.	5	N/A	Despite meeting the KPI for classes held the income target is not being met. This is more than likely due more members than casuals participating in the class.
After School Programs	2 per annum	1	N/A	The Centre partnered with Royal Life in November to promote water safety. The event targets primary school aged children

						and a number of activities involving the water are organised to aquatic education and safety around the water.
Aquatic Training/Education	3 course per annum	4			N/A	2 Lifeguard courses 1 Bronze Medallion Course 1 Pool Operators course
Programs and Events	2 per annum	0			N/A	Planning is underway for 2 events before the end of the financial year. There will be an event promoting lap swimming and targeting adults. There will also be an event involving the aquatic education program participants – with the focus on children.
Casual Aqua-Run	4 hours per week	6 hours per week			N/A	The Aqua Run sessions are conducted on Wednesdays at 1pm and Sunday and 1.30pm. Each session is 3 hours.
Income per visit	\$5.21	\$5.44			\$3.84	This is slightly higher than the KPI because the centre has a high casual usage (particularly in regards to casual swim). Therefore participant's income per head will higher when this occurs as opposed to a facility where members dominate the attendances.
Secondary spend per visit	\$1.60	\$1.10			\$0.54	As discussed a few times in this report, the GAC kiosk is well under budget target. However the kiosk is up compared to last year figures. A review on this area will be required to strike a balance on realistic targets.
Subsidy per visit	\$11.37	\$11.13			\$0.67	Visits to the centre are tracking slightly higher than the KPI and the subsidy per visit is slightly better than KPI. This is a positive result however despite being at level better than the KPI the Centre remains slight behind the budget target.
Labour Costs to total receipts	\$1.86	\$1.98			\$1.09	As discussed earlier labour costs will be a discussion point in the budget review due to running higher than anticipated in certain areas. As a consequence the KPI is not being met.
Utility Costs Energy Cost Share % Energy Cost per visit	3.61% \$0.60	\$1.53			4.1% 0.22	Utilities are over the budget target; as a consequence the centre is not meeting this specific KPI.  The main issue has been water. There was a leak identified and rectified earlier in the financial year which the centre has not been able to make up for – consequently the centre is \$9k

						over the budget for water.
<b>Effectiveness</b>						
Mystery Shopper score – minimum of four shoppers per annum.	80% Satisfaction	N/A				There was not a mystery shopper conducted in December.
Customer Service Survey – Two surveys per annum	80% Satisfaction	N/A				The facility is yet to undertake a survey. The surveys are scheduled for February.
Training costs per visit	\$0.15	\$3.69	\$0.04			This figure is very high due to the amount of training conducted this financial year. The centre has exceeded the KPI target of 3 per annum (4 conducted) and have even more training planned in February – Aust-swim, Infant Aquatics and in March will be putting staff through their Pool Operators.
Facility Audit – two facility audits per annum conducted by the Town of Port Hedland staff. (First week of March and September)	Pass/Fail	Pass	N/A			1 conducted this financial year. The Centre received a pass.
Maintenance and cleaning schedule reports reviewed regularly	Pass/Fail	Pass				As mentioned in the Wanangkura KPI report YMCA head office will be developing a (costed) preventative maintenance program for each site.



### **10.2.3 Policy 6/003 Community Funding and Donations – Review of (Draft) Policy for Advertising and Consultation (File No.: 02/05/003)**

<b>Officer</b>	<b>Gordon MacMile Director Community Development</b>
<b>Date of Report</b>	<b>18 February 2013</b>
<b>Disclosure of Interest by Officer</b>	<b>Nil</b>

#### **Summary**

Policy 6/003 Community Funding and Donations was last reviewed in January 2011.

Since that time a number of changes within the community and the processes of the Town have necessitated a review of the existing Policy.

The revised (draft) Policy endeavours to:

- Provide an increased focus on capacity building and independent sustainability within community organisations
- Reflect the new Committee and Working Group structures of Council
- Consolidate community funding requests previously considered outside of the Policy
- Provide for improved process and acquittal governance.

#### **Background**

The OCM on 27 January 2011 adopted a revised Community Funding and Donations Policy.

Since the adoption of the revised Policy the processes / structures within Council and the demand for support by community organisations has changed.

An opportunity exists to review the Policy in consultation with the community. The current Policy functions reasonably well with limitations and / or opportunities for improvement in:

- Updating the Policy to current structures within Council (Committees and Working Groups)
- Expansion and clarification of eligibility criteria
- Greater emphasis on capacity building and autonomous sustainability of community organisations
- Modifying criteria to be able to equitably support a greater number of community applications

- Incorporating and consolidating funding applications that currently operate outside of the Policy
- Incorporating accurate costing and accounting of fee waivers, in-kind contributions and updated acquittal processes.

### **Consultation**

Town of Port Hedland Staff:

- Manager Recreation Services and Facilities
- Manager Community Development
- Coordinator Recreation Services and Facilities
- Coordinator Community Development
- Senior Community Development Officer
- Club Development Officer.

### **Statutory Implications**

Nil

### **Policy Implications**

Policy 6/003 Community Funding and Donations identifies a series of community, recreation, sporting and cultural celebrations and events of significance and regularity. The purpose of the Policy is to establish a framework that facilitates collaboration with the community to support the delivery of events, celebrations and community activities which reflect the unique identity of Port Hedland.

### **Strategic Planning Implications**

*6.1 Community – We are a friendly, exciting city of neighbours that is vibrant and diverse*

#### *6.1.1 Unified*

The Town of Port Hedland is an integrated community functionally, physically and culturally.

- Wider range of community groups using the Town's facilities regularly.
- Members of the community have access to the Town's services and facilities.

#### *6.1.2 Vibrant*

Provide access to recreational, cultural, entertainment facilities, and opportunities.

- Higher utilisation of Port Hedland facilities (sporting ovals and buildings) by residents and visitors.
- Increased number of recreational facilities available.

**Budget Implications**

Within the 2012/13 budget, GL Account 813274 includes a total budget of \$113,000. This account contains annual funding allocated within the budget process, community support resolved through previous decisions of Council and discretionary funds of \$50,000 to be allocated through the Donations Policy and process.

The discretionary funds allocated within the 2012/13 budget have been expended within the first 5 months of the financial year.

**Officer's Comment**

The proposed (draft) Community Funding and Donations Policy has the following key points and structure:

1. Updated objectives – includes strengthening the capacity of community organisations and assisting in independent sustainability
2. Community Support Donations
  - Combined funding of up to \$5,000 (cash funding, in-kind support, talent development and/or waiver of fees) – reduced from \$6,000
  - Maximum of 1 application per year
  - New projects or events – maximum cash funding of \$2,000
  - Recurrent funding (for existing programs, activities or events) - maximum cash funding of \$1,000
  - In kind and fee waivers costs included in maximum support level
  - Development of talented local people criteria expanded.
3. Community Partnership Grants
  - Incorporates annual community support applications (currently part of budget process)
  - Maximum annual contributions - \$10,000
  - Maximum financial support / grant length – 3 years
  - Separation of financial support and potential ongoing in kind support (admin, marketing)
  - Applications for support outside of policy to be considered by the Audit and Finance Committee, and then Council.

Subject to Council approval, the proposed (draft) Policy will be advertised publically and subject to targeted community consultation for feedback and input. The outcomes of the consultation process will be reported to Council in April 2013.

**Attachments**

Attachment 1 – Proposed (draft) Policy 6/003 Community Funding and Donations

**AFC201213/018 Officer's Recommendation/ Audit and Finance Committee Decision**

**Moved: Cr Dziombak**

**Seconded: Cr Carter**

**That the Audit and Finance Committee:**

- 1. Endorses the advertising of proposed (draft) Policy 6/003 Community Funding and Donations for community consultation, feedback and input; and**
- 2. Notes that the outcomes of community advertising and consultation will be reported to Council in April 2013.**

***CARRIED 2/0***

## ATTACHMENT 1 TO AGENDA ITEM 10.2.3

**6/003 COMMUNITY ASSISTANCE POLICY**

The Town of Port Hedland will work in collaboration with the community to support the delivery of events, celebrations and community activities which reflect the unique identity, add to the social fabric of the Town of Port Hedland and the wellbeing of residents.

Previous Council resolutions have identified a series of community, recreation, sporting and cultural celebrations and events of significance and regularity, and accordingly determined levels of support to be provided by the Town. This information forms the later part of this Policy (section 8). The Town will encourage excellence and innovation, and inclusive community participation.

**1. Objectives**

- a. To support community initiatives that strengthen the capacity of local organisations and that deliver valuable outcomes to the Town's residents
- b. To assist in the initiation and establishment of new, independently sustainable events and programs that build capacity within the community
- c. To enable the Town to implement a consistent response to support requests received from community organisations, individuals and not for profit organisations
- d. To provide budget certainty to applicants
- e. To provide both local residents and community organisations with guidance in respect to the Town's expectations of such requests.

**2. Scope of Funding**

The Town of Port Hedland will provide assistance to the community based on the below structure:

Community Support Donations

- a. This support is limited to the consideration of requests up to a maximum of \$2,000 cash component in value
- b. This maximum value of all or any Community Support Donation within this section, whether comprised of cash funding, in-kind support, talent development or waiver of fees, is to a maximum of \$5,000 in total annually. In order to assess the value of a request, a dollar (\$) value will be estimated for the in-kind component
- c. All funding applications will be considered as part of this policy; applications outside this policy will be referred to and considered separately by Council
- d. A maximum of one (1) application per financial year per organisation or individual will be considered.

Types of Community Support include:

- Establishment funding (Cash - \$2,000 maximum) – Available to applicants running a new, one-off project, program, activity or event
- Periodical funding (Cash - \$1,000 maximum) – Available to applicants to support a community project, program, activity or event on a recurring basis or that has been funded previously. Organisations are required to fund 50% of the project's cash contribution from their own or other funding sources. Funding may be used for the purchase of equipment, uniforms etc.
- In-kind contributions – This support includes the provision of facilities, equipment and purchases

These will usually not require a significant contribution of staff time. In-kind contributions will be considered subject to their availability, the need to protect the security and value of the assets, and their use for required Council purposes

- Waiver of Fees – This support is for the waiver of fees for the hire of community facilities. Waiver costs will be in accordance with the Town of Port Hedland adopted Schedule of Fees and Charges
- Development of Talented Local People – Financial contributions may be made towards the costs associated with the initiatives by local people of all ages that develop talented individuals. A maximum contribution of \$500 in one financial year may be considered to each person who is eligible for this support. These initiatives may include:
  - Travel and attendance at competitions, educational tours or recognised State level (or above) training usually located elsewhere in Western Australia or beyond. The person concerned must have been invited to attend on the basis of exceptional sporting, artistic or other talent
  - Hosting of a talent development initiatives (incl. coaching courses)

#### Community Partnership Grant

- a. This Partnership support is limited a maximum period of 3 years
- b. The maximum value of all or any Community Partnership support within this section whether comprised of cash funding, in-kind support or waiver of fees is to a maximum of \$10,000 in total annually. In order to assess the value of a request, a dollar (\$) value will be estimated for the in-kind component and / or fee waiver
- c. All funding applications will be considered as part of this policy; applications outside this policy will be referred to and considered separately by Council
- d. A maximum of one (1) application per financial year per organisation or individual will be considered.

The Partnership Fund has three main aims:

1. To increase community access to essential programs and services through the development of partnerships between the Town and not for profit community organisations
2. To provide assistance to not for profit community organisations with the capacity to assess community need to develop essential community services or programs which are consistent with the Town of Port Hedland's strategic objectives and programs, but not directly operated by the Town
3. To provide initial support for significant community, sport, recreation and cultural events and to ensure these activities build independent capacity and reduced reliance on Town funding over a set period of time

The table below identifies in-kind assistance and fee waiver support that will be provided on an ongoing basis:

Event	Key Partner	Council Support
Sports Group Forums	Department Sport and Recreation WA	<ul style="list-style-type: none"> <li>- Use of Council Venues</li> <li>- Advertising, photocopying and postage</li> <li>- Contribute to hosting event</li> </ul>
Port Hedland Cup Day	Port Hedland Turf Club	<ul style="list-style-type: none"> <li>- Provision for 20 extra bins</li> <li>- Waiver of all stall fees and street trading ground hire for one day</li> <li>- Ground hire</li> <li>- Use of Council Flag to fly at event</li> </ul>
Premier Regional Lawn Bowls	PHTBA Main Street Committee Port and South Hedland Bowling Clubs	<ul style="list-style-type: none"> <li>- Staff member on Committee</li> <li>- Advertising/photocopying, fax and postage</li> </ul>
Nindji Nindji Festival	Bloodwood Tree Association	<ul style="list-style-type: none"> <li>- Use of Council Venue</li> <li>- Provision for up to 20 extra bins</li> </ul>
Pilbara Music Festival	Pilbara Music Festival	<ul style="list-style-type: none"> <li>- Patron at Festival</li> <li>- Use of Council Venue</li> <li>- Provide administrative and photocopying assistance</li> </ul>
Australia Day Breakfast	Soroptimist International	<ul style="list-style-type: none"> <li>- Administration/organisation of Premier's Australia Day Active Citizen Awards</li> <li>- Use of Council equipment and facilities</li> <li>- Advertising and photocopying of events proceedings</li> <li>- Free Pool Open Day at Gratwick</li> </ul>
NAIDOC Week	Pundulmurra Campus EPCT	<ul style="list-style-type: none"> <li>- Council display</li> </ul>
Chamber of Commerce Business of the Year Awards	Chamber of Commerce	<ul style="list-style-type: none"> <li>- Additional trophies for Community of the Year Award Categories</li> </ul>
Carols by Candlelight	Ministers Fraternal	<ul style="list-style-type: none"> <li>- Use of Council venue</li> </ul>
ANZAC Day Ceremony	RSL	<ul style="list-style-type: none"> <li>- Use of Council venue and Council Chamber</li> <li>- Wreath</li> <li>- Advertisement</li> </ul>

The table below identifies financial support that will be provided (maximum of \$10,000 annually for a period of up to 3 years):

Event	Key Partner	Council Support
Premier Regional Lawn Bowls	PHTBA Main Street Committee Port and South Hedland Bowling Clubs	- Provide sponsorship towards event of a maximum of \$5,000 annually for a period of up to 3 years
Australia Day Breakfast	Soroptimist International	- Provide sponsorship towards event of \$1,000 annually for a period of up to 3 years.
Nindji Nindji Festival	Bloodwood Tree Association	- Provide sponsorship towards event of \$1,000 annually for a period of up to 3 years.

#### What will not be funded?

- Commercial activities
- Retrospective costs
- Associations with outstanding debts to the Town of Port Hedland
- Non-incorporated organisations, unless prior written approval by Council resolution
- Core organisational operating costs i.e. a permanent position for ongoing work

#### 5. Application Process

- a. Requests for assistance will be made in writing through completion of an application form. Form A is to be completed by Individuals and Community Organisations. Form B is to be completed by Not For Profit Organisations
- b. Applications to be made in response to Town of Port Hedland advertising and within specified deadlines
- c. Application forms are available on the website or from the Customer Service Counter. Applications must provide all required information
- d. The Audit and Finance Committee will make recommendations to the next Ordinary Meeting of Council in regard to the approval or otherwise of applications received.
- e. Four (4) funding rounds will be held annually, timed to allow for consideration at the quarterly Audit and Finance Committee.

#### 6. Selection Criteria

In considering the relative merits of applications, the Town will apply the following criteria:

- a. The positive contribution the event or project will make to the Hedland community
- b. The information requested meets the requirements of this policy
- c. The applicant certifies within the application that they are authorised to apply for Town of Port Hedland support and to represent the applicant organisation
- d. The applicant certifies that the information contained within the application is true and accurate, with commensurate evidence / documentation able to be provided on request from the Town
- e. Sufficient financial information has been provided to clearly identify the items on which monies will be spent, their discrete costs and their importance to the success of the event or project



- f. The level of resource contribution to be made by the applicant, relative to their capacity to do so, as well as the accessibility of funds from other sources.

**7. Acquittals**

Successful applications will be required to provide a brief report / acquittal containing information including:

- Measuring qualitative aspects, such as the success of the activity
- Financial information, such as receipts accounting for the expenditure of monies.

DRAFT

**10.3 Corporate Services****10.3.1 *Second Quarter Budget Review***

**Officer** **Natalie Octoman**  
**Director Corporate**  
**Services**

**Date of Report** **22 February 2013**

**Disclosure of Interest by Officer** **Nil**

**Summary**

For the Committee to review the results of the second quarter budget review for the 2012/13 financial year and to recommend to Council that the adjustments outlined in the attachments be approved, and authorise that that the budget review be provided to the Department in accordance with section 33A (4) of the *Local Government (Finance Management) Regulations 1996*.

**Background**

In every organisation there are many factors, both internal and external that can have an effect on program expenditure anticipated throughout the year, after the original budget is adopted. Part of ensuring that an organization has effective financial management practices in place is for regular budget reviews to occur, and reports to be provided to the Council on any modifications that may be required.

While management are required to monitor their particular programs frequently in order to ensure their departmental targets are being achieved, it is also important that senior management regularly review the income and expenditure in order to assess the achievement of the overall financial targets of Council.

The second quarter budget review has been conducted with the actual data being used as at the end of December 2012. The review is extremely detailed, highlighting known adjustments to the budget, including a critical review of significant projects for 2012/13 and the Town's capacity to complete them by 30 June 2013. In some instances, savings generated from this process have been reallocated to areas of additional expenditure needed to complete projects.

**Consultation**

The budget review was prepared by the Executive team, after meeting with each Manager and Coordinator, where all revenue and expenditure accounts within that Manager's responsibility were reviewed in detail.

**Statutory Implications**

*Local Government Act 1995*

Part 6, Division 3, Section 6.8: “Expenditure from municipal fund not included in annual budget”

Part 6, Division 5, Section 6.20: “Power to borrow”

*Local Government (Financial Management) Regulations 1996*

33A: “Review of budget”

**Strategic Planning Implications**

6.4 Local Leadership

6.4.1 Strategic

Deliver high quality corporate governance, accountability and compliance.

- Fiscal accountability
- Reporting is carried out as required on the Council’s legislative and organisational performance.

Deliver responsible management of infrastructure, assets, resources and technology.

- Responsible and transparent management of financial resources.

**Budget Implications**

The proposed budget amendments ensure that the Town’s budget remains balanced for the 2012/13 financial year.

**Officer’s Comment**

The 2011/12 financial statements are now complete and the subject of another agenda item being presented to the Committee. For the purposes of the second quarter budget review, it is important to note that the actual surplus for the 2011/12 financial year was \$7,077,015.

*Overview*

During the March 2012 budget review, a carryover amount of \$7,147,958 was identified based on contract and funding commitments that would not be completed prior to 30 June 2012. Subsequently, the September 2012 budget review indicated that a further \$7,337,286 in carryover funds were required, therefore totalling \$14,485,244.

Officers indicated during the September 2012 budget review that this figure was quite high and may not be supported via an adequate surplus from 2011/12. Officers further indicated that if this was the case, that significant savings or additional revenue would need to be identified during the second quarter budget review in order to ensure a balanced budget for the remainder of this financial year.

While the second quarter budget review was reasonably cost neutral initially, with a surplus of \$7,077,015 identified based on the actual position, the Town had an overall shortfall of \$7,408,229 that it was required to claw back.

#### *Commentary on Shortfall*

The shortfall was a result of both over-expenditure and a revenue shortfall in 2011/12. Two significant revenue items that were not received in 2011/12 included the loan for the JD Hardie Upgrade of \$1.446 million which was not taken out, and \$2.5 million that was not received from Auzcorp to partially fund the construction of Wanangkura Stadium.

Now that the financial statements have been completed, the loan will be sourced subsequent to the legislated one month's local public notice being provided, with the repayments to commence in 2013/14. The \$2.5 million from Auzcorp is a community contribution relating to the development of Area A in South Hedland. Given the commitment made by Auzcorp, it is still anticipated that these funds will be received by the Town therefore \$2.5 million has been recognised in this budget review.

Even with recognition of these two amounts in 2012/13, there was still a resulting shortfall of \$3,462,299.

In order to ensure a balanced budget, Executive met and re-analysed every account number in order to postpone or cut initiatives for this year, and to identify additional revenue streams.

The discussion had by Executive after reviewing each of the approximate 2,175 general ledger accounts in detail, and making a further 71 or so modifications, was that it is apparent that the Town is "living beyond its means", and has been for several years and for many reasons.

While there is a clear requirement for the Town to provide a range of services and infrastructure to the community, the ratepayer base is currently insufficient to support the infrastructure that has been developed, and also the further requirements to develop the Town into a City of 50,000 by 2035. This is also becoming clearer as the Town develops its long term financial plan as part of the Integrated Planning and Reporting Framework, particularly with the significant asset renewal gap that has been identified.

It should also be recognised that the fees and charges imposed by the Town are not all based on full cost recovery principles, particularly the fees that are charged where there are community benefits. If full cost recovery was implemented for all fees, there would be very few community facilities utilised given their lack of affordability, which would significantly detract from the overall vision of being a nationally significant, friendly city, where people want to live and are proud to call home.

As part of the development of the long term financial plan, strategies will be developed in order to assist in ensuring the Town can become sustainable in the long term that will be discussed with the community to ensure an open and transparent process is undertaken.

In order to ensure a balanced budget for 2012/13, examination of all accounts occurred and the shortfall was eliminated through various means.

There are a substantial number of adjustments that have been identified in this budget review. In order to achieve a balanced budget for 2012/13, the key areas where funding sources were identified included:

- An overall review of salaries whereby savings were realised for vacant positions to date, along with the associated savings for superannuation and rental properties for applicable positions;
- A review of all loan interest, and recognising that as no loans had yet been taken out, the interest and principal repayments for these new loans were removed for 2012/13 as the repayments could commence in 2013/14;
- A review of key projects whereby if they had not commenced, while possibly recognised as carryover, no funds were carried over to support them. This was based on the decision from Executive that all projects carried forward would be reconsidered as part of the 2013/14 budget process in its entirety, in line with the priorities of the Town and community;
- Utilising reserve funds relating to community facilities, asset management and leave entitlements in particular, based on the position that with a long term financial plan being developed that incorporates all aspects of the organisation, including the asset management renewal gap, that there would no longer be a requirement to maintain each of these reserves;
- A critical review of all revenue received to date, and the anticipated revenue yet to be received.

Each of these strategies identified sources of funds to ensure that a balanced budget for 2012/13 could be achieved.

A summary on the effect on the budget with the above strategies recommended by Executive are listed below:

	2012/13 Revised Budget	Total Adjustments	Proposed New Amended Budget for 2012/13
Operating Expenditure	74,605,894	(892,095)	73,713,799
Operating Revenue	(131,934,715 )	(5,423,348)	(137,358,063 )
Non Operating Expenditure	187,839,248	2,311,793	190,151,041
Non Operating Revenue	(106,148,390 )	(3,404,579)	(109,552,969 )
<b>Sub-Total</b>	<b>24,362,037</b>	<b>(7,408,229)</b>	<b>16,601,032</b>
Add Back Non Cash items	(9,876,794)	0	(9,876,794)
Surplus BFWD from 2011/12	(7,147,958)	7,147,958	0
Additional Surplus from 2011/12 – adjustment is to reflect the final audited surplus	(7,337,286)	260,271	(7,077,015)
<b>Cash (Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>MOVEMENT SUMMARY</b>					
	<b>Carryover from 2011/12</b>	<b>Adjustments</b>	<b>Council Decisions</b>	<b>Carryover to 2013/14</b>	<b>Total</b>
Operating Exp	13,420	(699,515)	84,000	(290,000)	(892,095)
Operating Revenue	(2,500,000)	(2,938,348)	0	15,000	(5,423,348 )
Non Operating Exp	141,515	3,159,982	0	(989,705)	2,311,793
Non Operating Revenue	(1,327,627)	(2,884,951)	(42,000)	850,000	(3,404,579 )
<b>Total</b>	<b>(3,672,692)</b>	<b>(3,362,832)</b>	<b>42,000</b>	<b>(414,705)</b>	<b>7,408,229</b>

A detailed listing of proposed budget amendments are attached.

It is proposed that the Committee endorse the recommended adjustments to the budget and request Council for endorsement of the same.

**Attachments**

Attachment 1 – Summary of Schedule 2 (attached under separate cover)

Attachment 2 – Detailed budget amendments in Schedule 2 order (attached under separate cover)

Attachment 3 – Summary Operating and Non-Operating Revenue and Expenditure (attached under separate cover)

**Officer's Recommendation**

That the Audit and Finance Committee:

1. Notes that the initial shortfall has been recouped through various funding strategies;
2. Recommends to Council to amend the 2012/13 Budget as per Attachment 2, resulting in a balanced budget;
3. Recommends to Council to advertise for one month, via local public notice the intention to take out a \$1,446,000 loan for the JD Hardie Facility Upgrade as per the statutory requirements;
4. Recommends to Council that it forward the second quarter budget review to the Department in accordance with the statutory requirements.

**AFC201213/019 Audit and Finance Committee Decision**

**Moved: Cr Dziombak**

**Seconded: Cr Carter**

**That the Audit and Finance Committee:**

- 1. Notes that the initial shortfall has been recouped through various funding strategies;**
- 2. Recommends to Council to amend the 2012/13 Budget as per Attachment 2, resulting in a balanced budget;**
- 3. Recommends to Council to advertise for one month, via local public notice the intention to take out a \$1,446,000 loan for the JD Hardie Facility Upgrade as per the statutory requirements;**

4. **Recommends to Council that it forward the second quarter budget review to the Department in accordance with the statutory requirements; and**
5. **Request the Chief Executive Officer to prepare a report to Council on the issue of the legality of the \$2.5 million community contribution from Auzcorp.**

***CARRIED 2/0***



12:42pm Michelle Spain from Grant Thornton joined the meeting by way of teleconference

**10.3.2 2011/12 Audited Financial Statements**

<b>Officer</b>	<b>Jodie McMahon Manager Financial Services</b>
<b>Date of Report</b>	<b>15 February 2013</b>
<b>Disclosure of Interest by Officer</b>	<b>Nil</b>

**Summary**

For the Committee to recommend the adoption of the 2011/12 Audited Financial Statements and Associated Notes to the Council, and to consider the Management Representation letter from the Town's Auditor.

**Background**

On 22 February 2012 the Town received its audited 2011/12 Financial Statements and Associated Notes, Audit Report and Management Report (attached) from Mr Michael Hillgrove, Partner of Grant Thornton and the Town of Port Hedland Auditor.

The 2011/12 Audited Financial Statements (and associated notes) is the annual "report card" of the Town. Generally, Financial Statements are made up of the following components:

1. Statement of Comprehensive Income or Income Statement;
2. Statement of Financial Position or Balance Sheet;
3. Statement of Changes in Equity;
4. Statement of Cash Flows; and
5. Notes to the Financial Statement to provide further details on the above statements.

These are prepared so users of the reports can determine:

1. Performance (Income Statement);
2. Net Worth (Financial Position);
3. Changes in Net Worth (Changes in Equity);
4. Management of cash resources (Cash Flow).

However the *Local Government Act 1995*, adds an additional component, being the Rate Setting Statement. Though all components of the Financial Report are equally important, the Rate Setting Statement is unique to Local Government.

This statement incorporates components from the Income Statement and changes in the Balance Sheet, to determine the rates required to be raised (budget process); and Council's Cash Surplus. It effectively determines what funds are available to Council to provide its various services and programs. Accordingly, Council made a cash surplus of \$7.077 million in 2011/12. These funds are "carried forward" in the new year to effectively fund uncompleted works from 2011/12. As the Committee will note, as part of the second quarter budget review, the Carry Forward Surplus estimated at the time of setting the original budget has been amended to reflect this revised figure.

The associated notes provide greater detail into the various components of the statements while comparing the year's results or budget estimates. Both the statements and associated notes are produced in accordance with the Australian Accounting Standards, the *Local Government Act 1995* and associated regulations to provide the necessary information required by the public to determine the Town's worth and sustainability for the future.

The Audit Report (Opinion) is an independent report or opinion on the reasonableness of the information contained with the Annual Statements. The Auditors are required to provide confidence to users of the annual statements as to their accuracy and fairness. According to the Town's Auditor, Mr Michael Hillgrove, the 2011/12 statements are considered "true and fair" and comply with the relevant standards and legislation.

Local Government Auditors are also required to advise the Council and the community of any non compliance with the Local Government Act. During the 2011/12 audit, Mr Michael Hillgrove has identified the following non-compliance with the requirements of the Local Government Act or the associated regulations:

1. Local Government Act (section 6.5(3)) – requires by 30 September following each financial year or such extended time as the Minister allows, a Local Government is to submit to its auditor–
  - a) The accounts of the local government, balanced up to the last day of the preceding financial year; and
  - b) The annual financial report of the local government for the preceding financial year.

Neither the requirements of (a) or (b) of section 6.5(3) were provided by the due date, and while an extension was requested from the Minister, it was denied.

The non-compliances are being addressed by the Town through the implementation of modified processes and the training of staff in the requirements of the legislation applicable to local government.

The accounts and the financial statements of the Town were submitted to the Auditors on 15 October when they arrived onsite for the year-end audit, with the Annual Report being presented to Council at the 27 March 2013 Ordinary Council Meeting, within the 2 months allowed within the legislation if the audited statements are incomplete as at 31 December.

### **Consultation**

Town Auditors – Grant Thornton

### **Statutory Implications**

Local Government Act 1995

*5.54. Acceptance of annual reports*

*(1) Subject to subsection (2), the annual report for a financial year is to be accepted\* by the local government no later than 31 December after that financial year.*

*\* Absolute majority required.*

*(2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.*

### **Strategic Planning Implications**

6.4 Local Leadership

6.4.1 Strategic

Deliver high quality corporate governance, accountability, and compliance

- Fiscal accountability
- Reporting is carried out as required on the Council's legislative and organisational performance.

Deliver responsible management of infrastructure, assets, resources and technology

- Responsible and transparent management of financial resources.

**Budget Implications**

The 2011/12 Audited Financial Statements produce an Actual Cash Surplus of \$7,077,015. Currently the Town's Original Budget is based on a budgeted carried forward surplus of \$7,147,958, with an additional amount being carried forward during the September budget review of \$7,337,286 that is still required to fund uncompleted non-operating (capital) projects from the previous year. With the total carryover required of \$14,485,244, and a surplus of only \$7,077,015 a deficit of \$7,408,229 arose and has been accommodated in the second quarter budget review (the subject of a separate report in this agenda).

**Officer's Comment**

The audited 2011/12 financial statements effectively "closes the book" with regards to the 2011/12 Financial Year.

While there is evidence of non-compliance, given the audit opinion that the 2011/12 Statements are a "true and fair" representation of the Town's financial position as at 30 June 2012, the Committee should have confidence that the Town's financial management meets the requirements of the Australian Accounting Standards and relevant legislation, with effort being made to address the non-compliances through the training of staff and implementation of modified processes and procedure documentation being fully developed.

**Attachments**

1. Management Representation Letter (under separate cover)
2. 2011/12 Audited Financial Statements (under separate cover)
3. Independent Audit Report (under separate cover)
4. Audit Committee Report (under separate cover)

**AFC201213/020 Officer's Recommendation/ Audit and Finance Committee Decision****Moved: Cr Dziombak****Seconded: Cr Carter****That the Audit and Finance Committee:**

1. **Receive the audited 2011/12 Financial Statements and associated notes and the Audit Report; and**
2. **Recommend to Council the inclusion of the audited 2011/12 Financial Statements and associated notes, and the Audit Report in the 2011/12 Annual Report.**

***CARRIED 2/0***

### 10.3.3 *Financial Management Review*

<b>Officer</b>	<b>Natalie Octoman Director Corporate Services</b>
<b>Date of Report</b>	<b>21 February 2013</b>
<b>Disclosure of Interest by Officer</b>	<b>Nil</b>

#### **Summary**

For the Committee to receive the report regarding the Financial Management Review that has reviewed the appropriateness and effectiveness of the financial management systems and procedures on the local government within the four year statutory timeframe.

#### **Background**

The Chief Executive Officer has specific financial management duties set out under Part 2 of *the Local Government (Financial Management) Regulations 1996*. Clause 5(2)(c) requires the Chief Executive Officer to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government on a regular basis (and not less than once every four years) and report to the local government the results of those reviews.

The Town engaged Chartered Accountants, Grant Thornton to conduct an independent and objective review of the systems and procedures for financial management, which was conducted in June 2012. The Report of the Financial Management Review is attached.

#### **Consultation**

Town Auditors – Grant Thornton

#### **Statutory Implications**

Local Government (Financial Management) Regulations 1996

Section 5 (2) (c): CEO duties as to financial management

(2) *The CEO is to —*

*(c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.*

**Strategic Planning Implications**

## 6.4 Local Leadership

## 6.4.1 Strategic

Deliver high quality corporate governance, accountability, and compliance

- Fiscal accountability
- Reporting is carried out as required on the Council's legislative and organisational performance.

Deliver responsible management of infrastructure, assets, resources and technology

- Responsible and transparent management of financial resources.

**Budget Implications**

The funds to undertake the Financial Management Review are incorporated into the 2012/13 budget.

**Officer's Comment**

The Financial Management Review examined the following financial systems and procedures:

- Purchases/Payments/Payables
- Receipts/Receivables/Cash Management
- Payroll
- Rates
- Cost Allocations (Including Administration Allocations)
- Minutes and Meetings
- Principal Activity Plan
- Fixed Assets
- Registers

The following is a brief summary of the recommendations/matters requiring follow up action which were noted during the course of the review:

*Purchases/Payments/Payables*

Grant Thornton have identified the current Synergy financial system ensures staff are exercising their delegated authority when raising purchases orders, with having internal limits based on delegation. However, it has been identified that staff have the ability to split purchases across multiple purchase orders, thus reducing the purchase order amounts to their delegated level, to avoid additional approval required from senior management.

It has been noted that whilst invoices are signed by one party, (potentially two), there is no sign off of goods/services actually being received.

The Town has noted these areas of control weaknesses and are working towards implementing internal controls which seek to minimise the risks.

Further, Grant Thornton has commented on the accrual workings particularly in relation to fixed assets not being completed in a timely manner.

The Town acknowledges these and are seeking to improve the process going forward to ensure accruals of operating and non-operating expenditure are prepared accurately in the first instance, and in a timely manner.

#### *Receipts/Receivables/Cash Management*

A deficiency in the receipting process has been identified, relating to the timeframes of completing the processes. On occasions, the receipting has been completed in the incorrect month or year.

Grant Thornton have identified reserve transactions were not completed in a timely manner. Grant Thornton recommends there are sufficient process established and staff training undertaken to ensure the timely and accurate completion of reserve transfers.

Going forward, the Town will make reserve transfers part of the month end management reporting process to ensure the transfers are conducted in a manner timely and will therefore aid in giving an accurate and completed representation of the Town's funds.

#### *Payroll*

Grant Thornton noted the use of suspense accounts and stated these should be cleared to \$0 at the end of each period.

No other matters or recommendations arose from the review of the payroll cycle.

The Town will include in the financial reporting close process, a step around reviewing clearing accounts to ensure they are sufficiently allocated at the end of the financial year.

#### *Rates*

Grant Thornton have identified that not all rateable properties have been rated. To maximise rate revenue it has been recommended the Town conduct a review of all properties to identify further properties in which rates can be charged.

The Town has set aside a budget to under take a rates review using an external consultant. The rates department are also liaising with the planning department to further identify properties where rates revenue can be earned upon the completion of a development that may not have a Town bin service.

*Cost Allocations (Including Administration Allocations)*

No matters or recommendations arose from the review of cost allocations.

*Minutes and Meetings*

No matters of non-compliance were identified from the work performed around the minutes review.

*Principal Activity Plan*

Grant Thornton recognised the Town has recently completed the Strategic Community Plan for a 10 year period 2012-2022. Prior to this the Town had a Strategic Plan for 2010-2015. On this basis the Town is compliant with principal planning activities.

The Long Term Financial Plan is in the process of being completed for adoption in June 2013. The Town are aware of their principal planning responsibilities and as a result, this area is under constant review and discussion with the Executive team, Council and any necessary consultants.

*Fixed Assets Registers*

Grant Thornton have noted there has been a high level of staff turn over within this role. In the prior year, the management representation letter made reference to the depreciation rates used at the Town and those disclosed within the notes to the financial statements.

The Town engaged KPMG to under take a review of the fixed asset register. The Town have also reviewed the asset management policy and it was adopted by Council in December 2012 to take effect on 1 July 2013. The Town is planning the implementation of the asset management policy; along with the task of completing a fair value review for plant and equipment as at 30 June 2013, as required by the legislation.

*Conclusion of Review*

The finding of the financial management review concludes, whilst processes need to be implemented as outlined above, the Town are compliant with the *Local Government (Financial Management) Regulations 1996* section 5(1) and that “the overall effectiveness of the financial management system and procedures of the Town are sound and appropriate for the Town’s current level of operations.”



The areas identified for improvement in the review are in part, a result of staff shortages and a lack of local government knowledge with the staff appointed throughout the 2011/2012 operating year. Training, exposure to the legislation and experience will significantly assist the team to address these areas moving forward.

Matters identified as being of an urgent nature have been addressed.

The recommendations of the review clearly set out actions for the Town to take to ensure that the integrity of the financial management system is maintained. All necessary actions will be addressed in the 2012/2013 operating year where possible.

### **Attachments**

1. Report on the Financial Management Systems and Procedures Review (attached under separate cover)

### **Officer's Recommendation**

That the Audit and Finance Committee:

1. Accept the Report of the Financial Management Review for Council undertaken by Grant Thornton in June 2012.

### **AFC201213/021 Audit and Finance Committee Decision**

**Moved: Cr Dziombak**

**Seconded: Cr Carter**

**That the Audit and Finance Committee:**

1. **Recommend to Council the acceptance of the Report of the Financial Management Review for Council undertaken by Grant Thornton in June 2012; and**
2. **Requests the Chief Executive Officer to provide a report outlining actions taken in relation to the Financial Management Review of the Town of Port Hedland by Grant Thornton in June 2013.**

***CARRIED 2/0***

12:56pm Teleconference with Michelle Spain from Grant Thornton ended.

**ITEM 11 LATE ITEMS AS PERMITTED BY CHAIRPERSON/COUNCIL**

Nil

**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 Audit and Finance Committee Meeting of Council will be held on Wednesday 13 March 2013.

**15.2 Closure**

There being no further business, the Chairperson declared the meeting closed at 1:01pm.

**Declaration of Confirmation of Minutes**

I certify that these Minutes were confirmed by the Audit and Finance Committee at its Ordinary Meeting of \_\_\_\_\_.

CONFIRMATION:

\_\_\_\_\_  
CHAIRPERSON

\_\_\_\_\_  
DATE