

CITY OF JOONDALUP

MINUTES OF STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY, 8 FEBRUARY 2005 AND TUESDAY 22 FEBRUARY 2005

ATTENDANCE AND APOLOGIES

CMR J PATERSON
CMR P CLOUGH
CMR M ANDERSON
CMR S SMITH

Officers:

Chief Executive Officer:	G HUNT
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Infrastructure & Operations:	D DJULBIC
Manager Marketing Communications and Council Support:	M SMITH <i>to 2028 hrs</i>
Manager Strategic and Sustainable Development:	R HARDY <i>to 2028 hrs</i>
Committee Clerk:	J HARRISON

The Chief Executive Officer declared the meeting open at 2026 hrs.

Apology:

Cmr A Fox

ELECTION OF CHAIRPERSON

Section 5.12 of the Local Government Act 1995 requires a committee appointed by a local government, to appoint a presiding member as the first item of business at its first meeting. Schedule 2.3 of the Act requires the Chief Executive Officer to preside. Nominations for the position of chairperson are to be given to the Chief Executive Officer in writing, with the vote to be conducted by ballot.

It is also advisable that at the same meeting the committee appoints a deputy presiding member, who would chair the meeting in the absence of the presiding member.

The Chief Executive Officer advised that a written nomination had been received from Cmr John Paterson self-nominating for the position of Chairman of the Strategic Financial Management Committee.

There being no further nomination, Cmr Paterson was elected unopposed and assumed the Chair, the time being 2027 hrs.

DECLARATIONS OF FINANCIAL INTEREST/INTEREST AFFECTING IMPARTIALITY

Nil.

ADJOURNMENT OF MEETING

MOVED Cmr Anderson, **SECONDED** Cmr Smith that the meeting be **ADJOURNED** for a period of twenty (20) minutes, the time being 2028 hrs.

The Motion was Put and

CARRIED (4/0)

The Meeting ADJOURNED at 2028 hrs and RESUMED at 2048 hrs, the following persons being present:

CMR J PATERSON – Chairman
CMR P CLOUGH
CMR M ANDERSON
CMR S SMITH

Officers:

Chief Executive Officer:	G HUNT
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Infrastructure and Operations:	D DJULBIC
Committee Clerk:	J HARRISON

ITEM 1 STRATEGIC FINANCIAL MANAGEMENT COMMITTEE – [14528, 80566]

WARD - All

PURPOSE

To advise the Strategic Financial Management Committee of the proposed 2005/06 and 2006/07 planning and budget processes.

EXECUTIVE SUMMARY

Following the outcomes of the 2004/05 budget the Council requested that the City's planning and budget cycle be reviewed so that the annual budget is driven by a longer-term strategic planning framework.

The Council resolved to disband the Budget Committee and establish the Strategic Financial Management Committee (CJ249 – 11/04) on 2 November 2004 to promote and advocate sound financial management within the City and provide advice to the Council on strategic financial management issues.

This approach has been taken to ensure that the annual budget is linked to Council's long-term objectives, and long term financial viability through the development of a strategic financial planning framework.

Significant changes to the Local Government Act (No 49 of 2004) may have an impact on the way the City addresses its financial planning and budgeting from 2005 onwards. The major effect of the legislative changes will be the deletion of all references to the current plan of principal activities. In its place will be the requirement for a local government to plan for the future, and in determining its annual budget, to consider this plan when formulating the budget (section 6.2(2)).

BACKGROUND

During development of the 2004/05 budget the Council requested that a Strategic Financial Management Committee (SFMC) be established to progress the 2005/06 planning process and associated budget. The Strategic Financial Management Committee comprises the five Joint Commissioners and replaces the previous Budget Committee.

A more strategic approach to the planning and budget process was proposed to enable consideration of the City's financial sustainability in the medium to long-term and to assist the SFMC to provide clearly defined guidelines that would assist the administration to develop the City's annual budget.

At its meeting of 2 November 2004 the Council resolved to:

- '1 *DISBAND the Budget Committee;*
- 2 *ESTABLISH a Strategic Financial Management Committee comprising membership of the Joint Commissioners with the following terms of reference:*
 - (a) *Promote and advocate sound financial management within the City and provide advice to the council on strategic financial management issues;*
 - (b) *In particular advise Council on —*
 - (i) *How funding can be achieved for any major capital works project before the Council makes a commitment to a project;*
 - (ii) *Levels of service delivery — determine:*
 - (A) *which services to be provided;*
 - (B) *Standards of service. Such standard will be determined with reference to:*
 - *best industry practice standards where applicable;*
 - *internally agreed standards which will be determined with reference to local community expectations;*
 - (iii) *Preparation of the Principal Activities Plan with high priority being given to ensure that the Plan is achievable in the long term;*
 - (iv) *Alignment of the Principal Activities Plan to the Council's Strategic Plan;*
 - (v) *Consideration of public submissions to the Principal Activities Plan;*
 - (vi) *Final acceptance of the Principal Activities Plan;*
 - (c) *Policy development and review of policies with financial implications for the City;*

- 3 *REQUEST the preparation of a schedule of meetings for the Strategic Financial Management Committee between November 2004 and March 2005 to progress the Principal Activities Plan 2005/06 — 2009/10, Corporate Plan 2005/06 and associated budget;*
- 4 *REQUEST the preparation of a report on a review of the Integrated Planning Framework for the 2006/07 planning cycle.'*

Strategic Plan:

Outcome: The City of Joondalup is a sustainable and accountable business

Objective: To manage the business in a responsible and accountable manner

Strategies: Ensure financial viability and alignment to the plan.

DETAILS

A series of meetings of the SFMC is proposed. The SFMC will initially approve the future annual planning process, consider how this process can be implemented for the 2005/06 year and confirm the approach and matters the SFMC would like to consider as part of this year's process.

Legislative Changes Impacting on the Process

The 2004 changes to the Local Government Act (No 49 of 2004) may have an impact on the way the City addresses its financial planning and budgeting from 2005 onwards. The amendments have completed the parliamentary processes and were accented to on 12 November 2004. They will be proclaimed following the establishment of regulations to support those changes. Upon proclamation they become enforceable for all local governments in Western Australia. The formulation of the regulations has been undertaken by the Department of Local Government and Regional Development and are the subject of current consultation processes with the Western Australian Local Government Association and Local Government Managers Australia. Given the pending state election and the consultation process, the proclamation of the Act and the implementation of the Regulations could be expected by March/April 2005.

The City needs to proceed with its budget planning and preparation with the view that it can meet its timetable under both existing legislative arrangements or the new legislative requirements arising from amendment 49 of 2004 as applicable.

For the areas covered by the Committee's terms of reference the major impact of the legislative changes will be the deletion of all references to the current plan of principal activities (Part 5, Division 5). In its place will be the requirement for a local government to plan for the future, and in determining its annual budget, to consider this plan when formulating the budget (section 6.2(2)). The details are to be included in Regulations. At this stage the requirements are likely to take the following form –

- plan to be prepared every two years for the following four years,
- state objectives, activities and outcomes,
- subject to substantial community consultation, participation and input,
- annual budget is to have regard for the contents of this plan.

The legislators have acknowledged that the logistics to prepare, consult and accept a 'plan for the future' will not be possible prior to the adoption of the 2005/06 budget. Regulations will address the transitional aspects for 2005. The alignment of the Strategic Plan (plan for the future) and the budget will be mandatory for 2006.

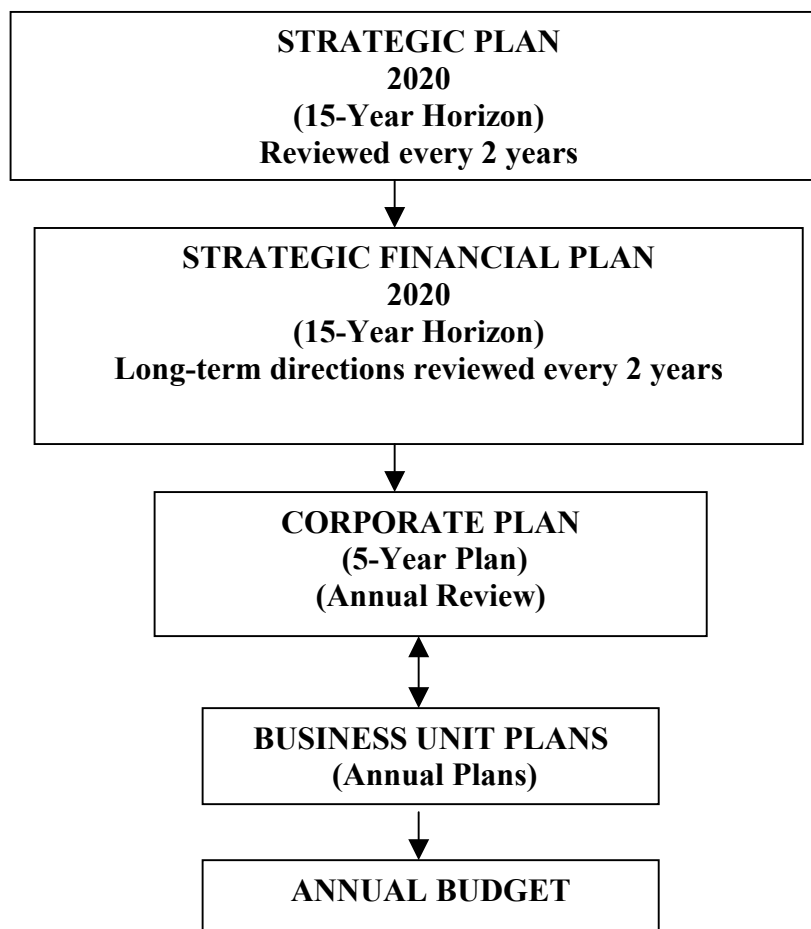
The likely outcome of these changes to the annual budget process for 2005 is as follows:

- plan of principal activities will not be required to be produced for 2005,
- the annual budget can be adopted from 1 June to 31 August (change to section 6.2(1)),
- a 'plan for the future' will not be required for the 2005/06 budget.

This report addresses firstly the long term planning issues and then the proposed process for 2005/06. Mindful of the proposed changes to the existing legislation some degree of flexibility needs to be built into the 2005/06 process.

Future Planning Process (2006/07 Onwards)

The Council requested the preparation of a report on a review of the Integrated Planning Framework for the 2006/07 planning cycle. A review of the framework has been conducted by the administration. The major recommendation from that review is that the City's Integrated Planning Framework should be maintained as the overarching model for strategic, business and financial planning with the following changes – the Strategic Plan to be developed with a 15-year time horizon, and the introduction of a Strategic Financial Plan (replacing the current PAP) to be developed with a 15 year time horizon, and the Corporate Plan to include 5-year projections. The diagram below depicts the proposed Integrated Planning Framework:

INTEGRATED PLANNING FRAMEWORK (Diagram 1)

The proposed Integrated Planning Framework for the 2006/07 planning and budget cycle will ensure that the annual budget is developed within an overall strategic planning framework which will guide the Council in identifying community needs and aspirations over the long term (Strategic Plan), matching the City's financial capacity (Strategic Financial Plan) and converting these into medium to short term goals and objectives (Corporate Plan).

The Strategic Financial Plan will be a long-term financial plan summarising the financial impacts of the objectives and strategies in the Strategic Plan. The Strategic Financial Plan will have two major components:

- Identification of long-term directions for financial management of income (rating policy, accessing external funds, partnerships, use of reserve funds, consideration of whether any community or council facilities can be rationalised, replaced or sold), and expenditure (growth of the organisation, desired services, levels of service delivery, subsidisation of services, and major forecasted capital works). It is proposed that this component of the Plan have a 15 year time horizon with a review every 2 years; and

- Establishment of financial parameters for the next financial years including more precise predictions of rating income, grants, subsidisation of services etc and likely demands on expenditure (known increases in operating costs, committed capital projects, loan repayments etc). This component of the plan would necessarily be reviewed and replaced every year to provide initial guidance to the organisation as to funds available.

Sustainability

The Local Government Amendment Bill 2003 (the first comprehensive amendment Bill of the Local Government Act 1995) includes a new clause to be added to the content and intent part of the Local Government Act 1995 to make it clear that local governments now need to consider sustainability outcomes in order to ensure consistency with the State Sustainability Strategy and the proposed Sustainability Act. The inclusion of this clause (coupled with the requirement of local government to prepare a 'plan for the future' every two years which is subject to substantial community consultation, participation and input) provides the City with an ideal opportunity to review its current Strategic Plan in consultation with the community and thereby develop a 'plan for the future', and to incorporate a definition of sustainability, and sustainability principles and outcomes into the Strategic Plan. This will ensure that sustainability is driven through the Strategic Plan and, therefore, becomes a part of the organisations operating principles. Sustainability issues for social, environmental and economic (triple bottom line) will be an underlining principle of this plan.

The proposed process for reviewing the Strategic Plan is shown in *Attachment 1*. It is proposed that the Strategic Financial Management Committee be provided with regular status reports on the review of the Strategic Plan during the course of their meetings and these reports have been factored into the schedule of meetings detailed in this report.

The Strategic Financial Plan (long term financial plan) will summarise the impacts of the goals and objectives and determine the financial sustainability of the revised Strategic Plan. The annual budget will be compiled with reference to the Strategic Financial Plan.

The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes. The review of the Strategic Plan will need to be completed by January 2006 and the Strategic Financial Plan and Corporate Plan will need to be completed by February of each year to ensure that there is sufficient time for officers to finalise their annual business plans prior to the commencement of the Annual Budget process. It will also allow time for targets to be established during the long-term financial planning process to guide the preparation of the budget.

Corporate Plan

The Corporate Plan is in effect Council's annual Business Plan and has assisted in focussing the organisation's planning process and to prioritise, on an annual basis, the programs and projects the City will undertake. The Corporate Plan sets out the key activities that Council will carry out during the year to achieve its strategic objectives and each activity linked to the objectives set out in the Strategic Plan. The annual budget converts these activities into financial terms.

Business Unit Plans

All Business Units of Council are required to prepare annual Business Unit Plans that establish the programs, projects and activities to be undertaken by each operational area each financial year.

In 2004 the administration convened a Service Level Review Team to identify additional operating income and expenditure savings, sufficient to achieve an increase in the City's operating surplus of \$750k in 2005/06 and \$500k in 2006/07. The team will also undertake external benchmarking with other local governments, internal consultation, internal financial analysis identifying historical data and trends, reconsideration of activities performed and levels of service, new income generating activities and a fee structure review. The Service Level Review process will provide detailed information and recommendations to the SFMC on greater efficiencies in operational (recurrent) activities and costs for the 2006/07 planning and budget cycle.

**Note: CEO is reviewing the timeframes for the 2005/06 and 2006/07 budget and planning cycle.*

The proposed time horizon of the Strategic Plan over a longer time horizon of 15 years, and the development of the Strategic Financial Plan over the same period will enable the identification of a longer term service delivery strategy, rating strategy, borrowing strategy, and infrastructure strategy. The Strategic Financial Plan will provide a broad strategic overview of where the City's financial resources are proposed to be directed over a 15-year period and the manner in which these activities would be funded.

In summary, the Strategic Financial Plan will provide a long-term view of the City's funding needs to enable the Strategic Plan to be achieved. The completed plan will involve the Council in strategic financial planning for the City, provide elected members with information that will enable them to make informed decisions about the structure and balance of the City's funding sources and appreciate the implications of annual budgetary decisions relating to revenue and expenditure increases or decreases.

The Strategic Financial Management Committee will provide direction for:

- Preparation of a Strategic Financial Plan (formerly Principal Activities Plan) and alignment of that plan with the Strategic Plan;
- Establish the economic drivers for all financial plans;
- Sustainability issues on the financial structure of the City;
- The determination of fee structures; user pays concepts, autonomy issues, taxing philosophies, entrepreneurial activities etc.
- Levels of service (including which services are to be delivered and at what standards)
- Funding mixes and business case guidelines for capital works projects

2005/06 Process

The 2005/06 planning and budget cycle will be a transitional process due to that fact that it is not possible to fully implement the proposed planning and budget cycle for 2006/07 onwards, and due to the changes to the Local Government Act. Given the changes to the Act the 2005/06 cycle needs to have the flexibility to meet current and proposed legislative arrangements. The 2005/06 planning and budget cycle will proceed under the current legislative requirements. The consideration of the outlays included in the PAP is an important part of the budget process and would also continue even when the legislation discontinues this activity. Should the legislation be proclaimed and therefore no public advertising of these outlays is required it is recommended community consultation take place in another form.

The Council requested the preparation of a schedule of meetings for the Strategic Financial Committee between November 2004 and March 2005 to progress the Principal Activities Plan 2005/06 — 2009/10, Corporate Plan 2005/06 and associated budget. The following schedule of meetings for the SFMC is proposed:

Meeting Date	Purpose
Tuesday 8 February 2005	Inaugural meeting <ul style="list-style-type: none"> • Consider the 2006/07 planning process • Consider the proposed 2005/06 planning and budget process • Discussion on key issues and guiding principles • Statistical Profile and Economic indicators
Thursday 24 February 2005	<ul style="list-style-type: none"> • Review key issues • Revenue and Expenditure Profiles • Matching long term issues with transitional 2005/06 targets • Establish 2005/06 objectives, targets, and strategic issues • Allocation of resources
Thursday 10 March 2005 (if required)	<ul style="list-style-type: none"> • Review key issues • Provide guidelines for 2005/06 Budget
Thursday 31 March 2005	<ul style="list-style-type: none"> • Review draft PAP • Status report #1 2006/07 process
Thursday 21 April 2005	<ul style="list-style-type: none"> • Confirm draft PAP for public advertising

Meeting Date	Purpose
Thursday 14 June 2005	<ul style="list-style-type: none"> Consider public comment on draft PAP Status report # 2 2006/07 process
Thursday 14 July 2005	<ul style="list-style-type: none"> Review of 2005/06 budget
Tuesday 26 July 2005	<ul style="list-style-type: none"> Final review of 2005/06 budget and make recommendation to Council
Thursday 4 August 2005	<ul style="list-style-type: none"> Budget adoption by Council Status Report #4 2006/07 process

**Note: CEO is proposing to move Budget Adoption to 3rd week in July 2005.*

It is proposed that the 2005/06 planning and budget cycle be a transition process and that the SFMC discuss and develop recommendations relating to:

- Introduction of Key Financial Indicators
- Service Delivery Strategy (The focus of the Service Level Review Team for the 05/06 planning and budget cycle has been to scrutinise financial reports as part of the mid-year budget review, and to assess financial performance against budget. The Service Level Review Team has identified potential areas for savings).
- Capital Works Program which will form the basis of a Strategic Infrastructure Plan for the 2006/07 planning and budget cycle.
- Rating Strategy
- Borrowing Strategy
- Reserve Strategy
- Key 2005/06 Budget Strategies
- 2005/06 Corporate Plan Parameters
- Review of scope and content of the Principal Activities Plan which will form the basis of a Strategic Financial Plan for the 2006/07 planning and budget cycle.
- Asset rationalisation
- Community consultation strategy

Strategic Implications:

The Strategic Financial Committee will oversee the development of a Financial Strategic Plan, which will ensure the annual budget is driven by a longer-term strategic planning framework.

Sustainability Implications:

The formation of the Strategic Financial Committee and the subsequent development of a Strategic Financial Plan will establish a sustainable financial plan for the future. The Committee will oversee the development of a financial plan that will ensure the financial sustainability of the City by providing sufficient funds to allow capital projects and new initiatives to be implemented, ensure the City's infrastructure is maintained, and ensure Council has the financial flexibility to respond to community needs now and into the future.

Community Consultation:

The Principal Activities Plan will be subject to community consultation for the 2005/06 planning and budget cycle, and the review of the Strategic Plan and the Strategic Financial Plan will also involve extensive community consultation in 2006/07. The changes to the Local Government Act will require that plans for the future be subject to substantial community consultation, participation and input. Should the legislation be proclaimed and therefore no public advertising of the plan of principal activities is required it is recommended community consultation take place in another form.

Financial sustainability requires consideration of the following:

- Increased financial planning time horizon
- Balance between providing current services / replacing existing assets and generation of new assets
- Recognition of the cyclical replacement costs of infrastructure assets
- Developing funding strategies to meet future financial demands
- Better understanding of income sources and active revenue strategies

Increase financial planning horizon

Financial planning for sustainability proposes that the City expands its current financial planning horizon from a 5-year view to a time horizon that encapsulates the whole of life costs and replacement cycles of its long-term assets. (Although, given that 2005/06 is a transitional period a 5-year time horizon will still be used for this planning and budget cycle).

Balance between current services / asset replacement and asset construction

An appropriate balance is required between providing current services (current operations and levels of service) and the replacement or construction of future assets. Financial ratios indicate that a large proportion of the City's rating income is consumed by recurrent "operational" expenditure. The current allocation of resources to providing current services reduces the funding available for the periodic replacement of existing assets and for the construction of future assets. Future sustainability will require greater funding to be made available from operations.

Recognition of the cyclical replacement costs of infrastructure assets

The City's current planning processes do not fully recognise or cost the full cyclical replacement of existing infrastructure assets. The current planning framework is limited to a rolling 5-year capital works program. Capital replacement outside this timeframe is not highlighted and the financial planning for the replacement of such assets is not considered.

Whilst the initial development of the City of Joondalup was funded by the State Government through Landcorp, that large infrastructure is aging and the replacement of those assets will need to be funded by the City. The timing of the replacement of this infrastructure potentially presents the City with a large 'bubble' over a short time frame in the future.

The City receives infrastructure assets from developers annually and these contributions during the last 5 years have ranged between \$3.4m and \$14.8m per annum. (A total of \$37.9m over the last 5 years). The costs associated with the maintenance and future replacement of these assets increases the future replacement costs of capital assets.

Developing funding strategies to meet future financial demands

The former City of Wanneroo held large cash backed reserves and land assets that it used to fund projects.

Since the split, the City of Joondalup has relied on reserve funding for its infrastructure requirements with debt not figuring in the mix until the 2004/05 budget. A large portion of the City's current reserves are earmarked for the funding of Corporate Projects. Future funding alternatives for consideration by the City include savings through reserves, property disposals, debt, and possible joint developments.

Better understanding of income sources and active revenue strategies

The City's principal income streams include rates, fee for services and non-specific purpose grant/contributions and specific purpose grants/contributions. It should be recognised that the City's discretion on its income streams is largely limited to rates and non-statutory fees and charges. The City's fees and charges are restricted by legislation in some cases and market demand in others. Rates income represents the major portion of the City's discretionary income and the City's approach to its rating decisions / guidelines will largely provide the guidance for the City's overall budget. The City may also consider entry into commercial ventures to supplement its traditional income sources. Examples of this may include the Commercial Waste Management Strategy.

**Note: CEO intends to undertake a review of assets with a view to the City optimising the utilisation of assets in terms of service benefits and financial return. CEO has identified the following objectives for a review of the City's assets:*

- *Helping to prioritise decisions on spending;*
- *Integrating asset management decision-making into the corporate planning process;*
- *Ensuring that decisions relating to the City's assets are consistent with community and therefore service requirements;*
- *Providing a context for evaluating capital projects;*
- *Identifying assets suitable for investment or disposal; and*
- *Identifying opportunities to increase income generation or reduce expenditure.*

Key Financial Indicators

In order to better understand the City's financial position the introduction of a number of key financial indicators is proposed. There are many indicators that can be used but the following are suggested:

Indicator	Rationale
Operating/Capital Ratio of Funding Indicator	A measure of the City's capabilities to fund operational and capital needs.
Depreciated Assets	A measure of the status of the fixed asset base of the City.
Reserves/Rates	A measure of reserve backing available to meet future needs.
Debt Service	Level of rate/grants revenue required to meet debt obligations.
Current Ratio	A measure of the City's ability to meet current liabilities from current assets (liquidity).
Autonomy Ratio	A measure of the City's reliance on third parties for financial support.
Rating Competitiveness	The cost to consumers for the services/facilities provided.

A detailed description of the proposed key financial indicators and comparative information with other metropolitan local governments is shown as ***Attachment 2***.

The approach proposed in this report is designed to ensure financial sustainability in the medium to long term, whilst achieving Council's corporate objectives as outlined in the Strategic Plan.

The 2005/06 planning and budget cycle, whilst a transition period given the changes to the Local Government Act, provides Council with an opportunity to review the scope and content of the Principal Activities Plan for 2005/06 and establish the components of a Strategic Financial Plan for 2006/07 and beyond. The key components of the plan being:

- An accurate assessment of Council's current financial position;
- Statement of key objectives and assumptions;
- Development of an enhanced service delivery approach;
- A clear rating strategy approach;
- An endorsed borrowing strategy;
- A reserves strategy
- A sustainable infrastructure approach;
- Development and statement of the key recommendations underpinning a long term financial plan.

These components should enhance and reinforce the need for Council to take a more corporate and sustainable approach to the development of services as well as the timing of appropriate capital works/community facilities.

ATTACHMENTS

- Attachment 1: Proposed process for review of the Strategic Plan
Attachment 2: Key Financial Indicators

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Strategic Financial Management Committee ENDORSES:

- 1 the Integrated Planning Framework for 2006/07 as shown in Diagram 1 of the Report;
- 2 the process for reviewing the Strategic Plan shown as Attachment 1 to this Report;
- 3 the 2005/06 planning and budget process as outlined in the Report.

The CEO advised that the role of the Committee was to set the strategic financial direction for Council, and this would give staff a clear direction of the way in which the Council wishes to proceed.

Committee members discussed the role of the SFMC and reached an agreement in relation to the following issues that require to be addressed:

- in relation to Terms of Reference Point 2(b)(i), sufficient information is required to be provided to the Committee to enable a capacity assessment of financial implications that may come before the City;
- Future planning and prioritisation tool for major projects and how such projects fit strategically;
- integrated planning framework to be set at 20 years, rather than 15 years;
- identification of long term direction for financial management of expenditure, to be prioritised in the order of:
 - Desired services
 - Forecasted capital works
 - Levels of service delivery
 - Subsidisation of services
 - Growth of the organisation.

- Information on costs of capital/operational works over 15/20 years to refurbish the City's assets.
- Strategic Asset Management Plan to be implemented to assist in decision making.
- Business Unit plans to have a focus on levels of service delivery;
- Review of a hybrid system for the 2005/06 planning and budget cycle;
- The number of items on which the SFMC will develop recommendations (as outlined on page 10 of the agenda) is to be condensed;
- The Principal Activities Plan process to be linked to the Strategic Plan and to the Strategic Financial Management Committee;
- The appropriateness of Reserves/Rates ratio as a key financial indicator.

In order to formalise the above issues, the CEO advised that a further report incorporating the above would be prepared and submitted to a future meeting of the Committee.

ADJOURNMENT OF MEETING

MOVED Cmr Anderson, SECONDED Cmr Clough that the meeting be ADJOURNED to 3.00 pm on Tuesday 22 February 2005.

The Motion was Put and

CARRIED (4/0)

The Meeting ADJOURNED at 2135 hrs.

RESUMPTION OF MEETING

The Chairman declared the Meeting of the Strategic Financial Management Committee that commenced on Tuesday 8 February 2005 **RESUMED** at 1510 hrs on Tuesday 22 February 2005, the following persons being present:

CMR J PATERSON – Chairman
CMR P CLOUGH
CMR M ANDERSON
CMR S SMITH

Officers:

Chief Executive Officer:	G HUNT
Director, Planning and Community Development:	C HIGHAM
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Infrastructure and Operations:	D DJULBIC
Committee Clerk:	J HARRISON

Apology:

Cmr A Fox

DECLARATIONS OF FINANCIAL INTEREST/INTEREST AFFECTING IMPARTIALITY

Nil.

Submission of Revised Report

Following the adjournment of the Committee meeting on 8 February 2005, the report was amended as follows:

- Diagram 1 was amended, with the proposal that the Strategic Financial Plan have a 20 year horizon;
- Attachments 1a and 1b were modified;
- New Attachments 2 and 3 were provided;
- Remaining changes were shown in the report in *italic text*.

The following revised report was provided to the Committee:

ITEM 1 STRATEGIC FINANCIAL MANAGEMENT COMMITTEE – [14528, 80566]

WARD - All

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proclamation of the Act and the implementation of the Regulations could be expected by March/April 2005.

The City needs to proceed with its budget planning and preparation with the view that it can meet its timetable under both existing legislative arrangements or the new legislative requirements arising from amendment 49 of 2004 as applicable.

For the areas covered by the Committee's terms of reference the major impact of the legislative changes will be the deletion of all references to the current plan of principal activities (Part 5, Division 5). In its place will be the requirement for a local government to plan for the future, and in determining its annual budget, to consider this plan when formulating the budget (section 6.2(2)). The details are to be included in Regulations. At this stage the requirements are likely to take the following form –

- plan to be prepared every two years for the following four years,
- state objectives, activities and outcomes,
- subject to substantial community consultation, participation and input,
- annual budget is to have regard for the contents of this plan.

The legislators have acknowledged that the logistics to prepare, consult and accept a 'plan for the future' will not be possible prior to the adoption of the 2005/06 budget. Regulations will address the transitional aspects for 2005. The alignment of the Strategic Plan (plan for the future) and the budget will be mandatory for 2006.

The likely outcomes of these changes to the annual budget process for 2005 are as follows:

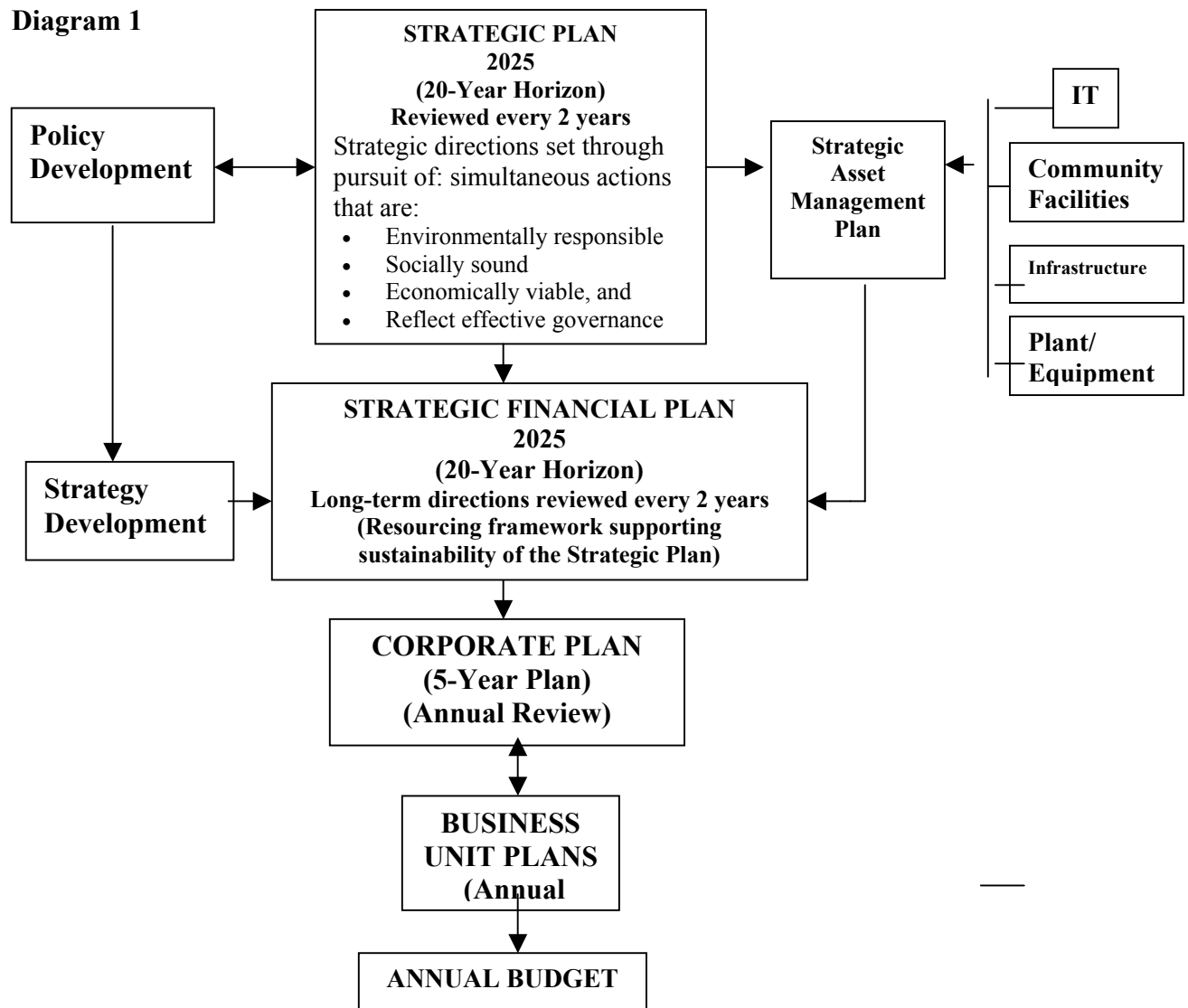
- plan of principal activities will not be required to be produced for 2005,
- the annual budget can be adopted from 1 June to 31 August (change to section 6.2(1)),
- a 'plan for the future' will not be required for the 2005/06 budget.

This report addresses firstly the long term planning issues and then the proposed process for 2005/06. Mindful of the proposed changes to the existing legislation some degree of flexibility needs to be built into the 2005/06 process.

Future Planning Process (2006/07 Onwards)

The Council requested the preparation of a report on a review of the Integrated Planning Framework for the 2006/07 planning cycle. A review of the framework has been conducted by the administration. The major recommendation from that review is that the City's Integrated Planning Framework should be maintained as the overarching model for strategic, business and financial planning with the following changes – the Strategic Plan to be developed with a 20-year time horizon to address issues of intergenerational equity, and the introduction of a Strategic Financial Plan (replacing the current PAP) to also be developed with a 20 year time horizon, and the Corporate Plan to include 5-year projections. The diagram below depicts the proposed Integrated Planning Framework:

Diagram 1



The proposed Integrated Planning Framework for the 2006/07 planning and budget cycle will ensure that the annual budget is developed within an overall strategic planning framework which will guide the Council in identifying community needs and aspirations over the long term (Strategic Plan), matching the City's financial capacity (Strategic Financial Plan) and converting these into medium to short term goals and objectives (Corporate Plan).

It is proposed that significant community consultation be undertaken in developing and reviewing the:

- *Strategic Plan,*
- *Strategic policies*
- *Strategies, and*
- *Strategic Financial Plan*

It is further proposed that all major projects and capital works be assessed against a range of criteria one of which is community support for the project. (See Attachment 2).

The Strategic Financial Plan will be a long-term financial plan summarising the financial impacts of the objectives and strategies in the Strategic Plan. The Strategic Financial Plan will have two major components:

- Identification of long-term directions for financial management of income and expenditure (rating policy, accessing external funds, partnerships, use of reserve funds, consideration of whether any community or council facilities can be rationalised, replaced or sold), and expenditure according to the following priorities:
 1. *Desired services,*
 2. *Major forecasted capital works,*
 3. *Levels of service delivery,*
 4. *Subsidisation of services, and*
 5. *Growth of the organisation*

It is proposed that this component of the Plan have a 20 year time horizon with a review every 2 years; and

- Establishment of financial parameters for the next financial years including more precise predictions of rating income, grants, subsidisation of services etc and likely demands on expenditure (known increases in operating costs, committed capital projects, loan repayments etc). This component of the plan would necessarily be reviewed and replaced every year to provide initial guidance to the organisation as to funds available.

Key Outcomes

The key outcomes of the Strategic Financial Plan are:

- 1 *Service delivery and infrastructure are to be considered as inputs into the strategic financial planning process and a model to be developed to provide the basis for differentiating the resource allocations between operating programs/services and project and capital works.*

- 2 *Financial Management/Budget Policy/Policies, which will provide the framework and direction for overall strategic financial management (with the following components - borrowings, assets, fees and charges, rates, commercial activities, reserves, grants, subsidisation). (Attachment 3 details suggested components for such a policy/policies).*
- 3 *Service delivery – service delivery and levels should, within financial constraints, match community expectations and there should be a focus on identifying future service delivery roles and possible shifts in mode of delivery or the City's role in particular services.*
- 4 *Transparent and rigorous evaluation and prioritisation methodology developed and used to assess major projects and major capital works (Attachment 2 details suggestions for the major components of a prioritisation methodology for consideration of the SFMC)*
- 5 *Funding strategy – should establish positions on a number of options including rates, borrowings, reserves, commercial activities and public/private partnerships).*
- 6 *Strategic Asset Management Plan - Asset management has been identified as a critical issue for the City and the Asset Management Plan should predict infrastructure consumption renewal needs and infrastructure needs to meet future community service expectations. The key objective will be to maintain Council's existing assets and desired condition levels. The Plan should be developed in accordance with the Strategic Plan outcomes.*
- 7 *Financial Management Policy/Policies (with the following components - borrowings, assets, fees and charges, rates, commercial activities, reserves, grants, subsidisation).*
- 8 *Financial sustainability*

Sustainability

The Local Government Amendment Bill 2003 (the first comprehensive amendment Bill of the Local Government Act 1995) includes a new clause to be added to the content and intent part of the Local Government Act 1995 to make it clear that local governments now need to consider sustainability outcomes in order to ensure consistency with the State Sustainability Strategy and the proposed Sustainability Act. The inclusion of this clause (coupled with the requirement of local government to prepare a 'plan for the future' every two years which is subject to substantial community consultation, participation and input) provides the City with an ideal opportunity to review its current Strategic Plan in consultation with the community and thereby develop a 'plan for the future', and to incorporate a definition of sustainability, and sustainability principles and outcomes into the Strategic Plan. This will ensure that sustainability is driven through the Strategic Plan and, therefore, becomes a part of the organisations operating principles. Sustainability issues for social, environmental and economic (triple bottom line) will be an underlining principle of this plan.

The proposed process for reviewing the Strategic Plan is shown in *Attachment 1a*. (*Attachment 1b represents those components of the review that will be undertaken in the 2005/06 year*). It is proposed that the Strategic Financial Management Committee be provided with regular status reports on the review of the Strategic Plan during the course of their meetings and these reports have been factored into the schedule of meetings detailed in this report.

The Strategic Financial Plan (long term financial plan) will summarise the impacts of the goals and objectives and determine the financial sustainability of the revised Strategic Plan. The annual budget will be compiled with reference to the Strategic Financial Plan.

The timing of each component of the planning framework is critical to the successful achievement of the planned outcomes. The review of the Strategic Plan will need to be completed by January 2006 and the Strategic Financial Plan and Corporate Plan will need to be completed by February of each year to ensure that there is sufficient time for officers to finalise their annual business plans prior to the commencement of the Annual Budget process. It will also allow time for targets to be established during the long-term financial planning process to guide the preparation of the budget.

Corporate Plan

The Corporate Plan is in effect Council's annual Business Plan and has assisted in focussing the organisation's planning process and to prioritise, on an annual basis, the programs and projects the City will undertake. The Corporate Plan sets out the key activities that Council will carry out during the year to achieve its strategic objectives and each activity linked to the objectives set out in the Strategic Plan. The annual budget converts these activities into financial terms.

Business Unit Plans

All Business Units of Council are required to prepare annual Business Unit Plans that establish the programs, projects and activities to be undertaken by each operational area each financial year.

The proposed time horizon of the Strategic Plan over a longer time horizon of 20 years, and the development of the Strategic Financial Plan over the same period will enable the identification of a longer term service delivery strategy, rating strategy, borrowing strategy, and infrastructure strategy. The Strategic Financial Plan will provide a broad strategic overview of where the City's financial resources are proposed to be directed over a 20-year period and the manner in which these activities would be funded.

In summary, the Strategic Financial Plan will provide a long-term view of the City's funding needs to enable the Strategic Plan to be achieved. The completed plan will involve the Council in strategic financial planning for the City, provide elected members with information that will enable them to make informed decisions about the structure and balance of the City's funding sources and appreciate the implications of annual budgetary decisions relating to revenue and expenditure increases or decreases.

The Strategic Financial Management Committee will provide direction for:

- Preparation of a Strategic Financial Plan (formerly Principal Activities Plan) and alignment of that plan with the Strategic Plan;
- Establish the economic drivers for all financial plans;
- Sustainability issues on the financial structure of the City;
- The determination of fee structures; user pays concepts, autonomy issues, taxing philosophies, entrepreneurial activities etc.
- Levels of service (including which services are to be delivered and at what standards)
- Funding mixes and business case guidelines for capital works projects

2005/06 Process

The 2005/06 planning and budget cycle will be a transitional process due to that fact that it is not possible to fully implement the proposed planning and budget cycle for 2006/07 onwards, and due to the changes to the Local Government Act. Given the changes to the Act the 2005/06 cycle needs to have the flexibility to meet current and proposed legislative arrangements. The 2005/06 planning and budget cycle will proceed under the current legislative requirements. The consideration of the outlays included in the PAP is an important part of the budget process and would also continue even when the legislation discontinues this activity. Should the legislation be proclaimed and therefore no public advertising of these outlays is required *it is recommended that the Strategic Financial Plan be made available for public comment for a period of 42 days as per current legislative requirements for the 2005/06 planning and budget process*

The Council requested the preparation of a schedule of meetings for the Strategic Financial Committee between November 2004 and March 2005 to progress the Principal Activities Plan 2005/06 — 2009/10, Corporate Plan 2005/06 and associated budget. The following schedule of meetings for the SFMC is proposed:

Meeting	Purpose
Meeting 1	Inaugural meeting <ul style="list-style-type: none"> • Consider the 2006/07 planning process • Consider the proposed 2005/06 planning and budget process • Discussion on key issues and guiding principles • Statistical Profile and Economic indicators
Meeting 2	<ul style="list-style-type: none"> • Review key issues • Revenue and Expenditure Profiles • Matching long term issues with transitional 2005/06 targets • Establish 2005/06 objectives, targets, and strategic issues • Allocation of resources
Meeting 3	<ul style="list-style-type: none"> • Review key issues • Provide guidelines for 2005/06 Budget

Meeting 4	<ul style="list-style-type: none"> • Review draft PAP • Status report #1 2006/07 process
Meeting 5	<ul style="list-style-type: none"> • Confirm draft PAP for public advertising
Meeting 6	<ul style="list-style-type: none"> • Consider public comment on draft PAP • Status report # 2 2006/07 process
Meeting 7	<ul style="list-style-type: none"> • Review of 2005/06 budget
Meeting 8	<ul style="list-style-type: none"> • Final review of 2005/06 budget and make recommendation to Council
Meeting 9	<ul style="list-style-type: none"> • Budget adoption by Council • Status Report #4 2006/07 process

It is proposed that the 2005/06 planning and budget cycle be a transition process and that the SFMC discuss and develop recommendations relating to:

1. *Introduction of Key Financial Indicators*
2. *Service Delivery Strategy.*
3. *Capital Works Program which will form the basis of a Strategic Infrastructure Plan for the 2006/07 planning and budget cycle.*
4. *Funding Strategy*
5. *Key 2005/06 Budget Strategies*
6. *Review of scope and content of the Strategic Financial Plan for the 2006/07 planning and budget cycle.*
7. *Asset rationalisation*
8. *Community consultation strategy*

Strategic Implications:

The Strategic Financial Committee will oversee the development of a Financial Strategic Plan, which will ensure the annual budget is driven by a longer-term strategic planning framework.

Sustainability Implications:

The formation of the Strategic Financial Committee and the subsequent development of a Strategic Financial Plan will establish a sustainable financial plan for the future. The Committee will oversee the development of a financial plan that will ensure the financial sustainability of the City by providing sufficient funds to allow capital projects and new initiatives to be implemented, ensure the City's infrastructure is maintained, and ensure Council has the financial flexibility to respond to community needs now and into the future.

Community Consultation:

The Principal Activities Plan or Strategic Financial Plan will be subject to community consultation for the 2005/06 planning and budget cycle, and the review of the Strategic Plan and the Strategic Financial Plan will also involve extensive community consultation in 2006/07. The changes to the Local Government Act will require that plans for the future be subject to substantial community consultation, participation and input. Should the legislation be proclaimed and therefore no public advertising of

the plan of principal activities is required it is recommended that opportunities still be available for the community to provide comments on the Strategic Financial Plan. *The current legislative requirement is for the PAP to be available for public comment for a period of 42 days and it is recommended that the Strategic Financial Plan be subject to the same consultation process for the 2005/06 planning and budget process.*

The underlying objective of the Strategic Financial Plan is to achieve sustainability by delivering services today without jeopardising the prospects for future generations. The achievement of this goal requires considerations of the needs of the community (ratepayers and residents, stakeholders), the costs of delivering services, current and future replacement requirements for infrastructure and the wider political and economic environment in which the Council can expect to operate.

Financial sustainability requires consideration of the following:

- Increased financial planning time horizon
- Balance between providing current services / replacing existing assets and generation of new assets
- Recognition of the cyclical replacement costs of infrastructure assets
- Developing funding strategies to meet future financial demands
- Better understanding of income sources and active revenue strategies

Increase financial planning horizon

Financial planning for sustainability proposes that the City expands its current financial planning horizon from a 5-year view to a time horizon that encapsulates the whole of life costs and replacement cycles of its long-term assets. (Although, given that 2005/06 is a transitional period a 5-year time horizon will still be used for this planning and budget cycle).

Balance between current services / asset replacement and asset construction

An appropriate balance is required between providing current services (current operations and levels of service) and the replacement or construction of future assets. Financial ratios indicate that a large proportion of the City's rating income is consumed by recurrent "operational" expenditure. The current allocation of resources to providing current services reduces the funding available for the periodic replacement of existing assets and for the construction of future assets. Future sustainability will require greater funding to be made available from operations.

Recognition of the cyclical replacement costs of infrastructure assets

The City's current planning processes do not fully recognise or cost the full cyclical replacement of existing infrastructure assets. The current planning framework is limited to a rolling 5-year capital works program. Capital replacement outside this timeframe is not highlighted and the financial planning for the replacement of such assets is not considered.

Whilst the initial development of the City of Joondalup was funded by the State Government through Landcorp, that large infrastructure is aging and the replacement of those assets will need to be funded by the City. The timing of the replacement of this infrastructure potentially presents the City with a large 'bubble' over a short time frame in the future.

The City receives infrastructure assets from developers annually and these contributions during the last 5 years have ranged between \$3.4m and \$14.8m per annum. (A total of \$37.9m over the last 5 years). The costs associated with the maintenance and future replacement of these assets increases the future replacement costs of capital assets.

Developing funding strategies to meet future financial demands

The former City of Wanneroo held large cash backed reserves and land assets that it used to fund projects.

Since the split, the City of Joondalup has relied on reserve funding for its infrastructure requirements with debt not figuring in the mix until the 2004/05 budget. A large portion of the City's current reserves are earmarked for the funding of Corporate Projects. Future funding alternatives for consideration by the City include savings through reserves, property disposals, debt, and possible joint developments.

Better understanding of income sources and active revenue strategies

The City's principal income streams include rates, fee for services and non-specific purpose grant/contributions and specific purpose grants/contributions. It should be recognised that the City's discretion on its income streams is largely limited to rates and non-statutory fees and charges. The City's fees and charges are restricted by legislation in some cases and market demand in others. Rates income represents the major portion of the City's discretionary income and the City's approach to its rating decisions / guidelines will largely provide the guidance for the City's overall budget. The City may also consider entry into commercial ventures to supplement its traditional income sources. Examples of this may include the Commercial Waste Management Strategy.

*Note: CEO intends to undertake a review of assets with a view to the City optimising the utilisation of assets in terms of service benefits and financial return. CEO has identified the following objectives for a review of the City's assets:

- Helping to prioritise decisions on spending;
- Integrating asset management decision-making into the corporate planning process;
- Ensuring that decisions relating to the City's assets are consistent with community and therefore service requirements;
- Providing a context for evaluating capital projects;
- Identifying assets suitable for investment or disposal; and
- Identifying opportunities to increase income generation or reduce expenditure.

Key Financial Indicators

In order to better understand the City's financial position the introduction of a number of key financial indicators is proposed. There are many indicators that can be used but the following are suggested:

Indicator	Rationale
Operating/Capital Ratio of Funding Indicator	A measure of the City's capabilities to fund operational and capital needs.
Depreciated Assets	A measure of the status of the fixed asset base of the City.
Debt Service	Level of rate/grants revenue required to meet debt obligations.
Current Ratio	A measure of the City's ability to meet current liabilities from current assets (liquidity).
Autonomy Ratio	A measure of the City's reliance on third parties for financial support.
Rating Competitiveness	The cost to consumers for the services/facilities provided.

The approach proposed in this report is designed to ensure financial sustainability in the medium to long term, whilst achieving Council's corporate objectives as outlined in the Strategic Plan.

The 2005/06 planning and budget cycle, whilst a transition period given the changes to the Local Government Act, provides Council with an opportunity to review the scope and content of the Principal Activities Plan for 2005/06 and establish the components of a Strategic Financial Plan for 2006/07 and beyond. The key components of the plan being:

- An accurate assessment of Council's current financial position;
- Statement of key objectives and assumptions;
- Development of an enhanced service delivery approach;
- A clear rating strategy approach;
- An endorsed borrowing strategy;
- A reserves strategy
- A sustainable infrastructure approach;
- Development and statement of the key recommendations underpinning a long term financial plan.

These components should enhance and reinforce the need for Council to take a more corporate and sustainable approach to the development of services as well as the timing of appropriate capital works/community facilities.

ATTACHMENTS

Attachment 1a:	Proposed process for review of the Strategic Plan
Attachment 1b	2005/06 timeframes and process for review of Strategic Plan
Attachment 2:	Draft prioritisation criteria for Major Projects and Major Capital Works
Attachment 3	Draft Strategic Financial Management/Budget Policy Components

VOTING REQUIREMENTS

Simple Majority

The Chief Executive Officer outlined the amendments made to the report, and sought feedback from the Committee, in particular on risk management which at this stage had not been included in the planning framework.

Discussion ensued with the following comments being raised:

- Risk management to be included in the Strategic Financial Management Plan;
- The concept of risk management needs to be shown in the definitions;
- An over arching risk management plan is preferred, with more detailed risk management applied at officer level.
- Concern was raised at the terms ‘Strategic Asset Management Plan’ and ‘Corporate Plan’. It was agreed these required to be renamed.
- The Strategic Asset Management Plan requires to incorporate ‘commercial opportunities’ that include land assets, for example the Ocean Reef Boat Harbour, with costs and income to be shown.
- Business unit plans were discussed, with a preference for business unit plans to link back to the Strategic Plan. The CEO advised that links will be made, however the business unit plans will not be fully reported to the Strategic Financial Management committee as they are largely operational documents.

MOVED Cmr Smith SECONDED Cmr Anderson that, in relation to the future planning process:

- 1 the Strategic Asset Management Plan become the Strategic Asset Plan and incorporates commercial opportunities, particularly relating to land assets;**
- 2 the Corporate Plan is renamed, indicating a degree of commitment by Council to either a four or five year budget;**
- 3 the concept of risk management be incorporated into the definitions at each stage.**

The Motion was Put and

CARRIED (4/0)

Discussion ensued in relation to the budget timetable and the scheduling of meetings of the Strategic Financial Management Committee.

MOVED Cmr Smith SECONDED Cmr Clough that meetings of the Strategic Financial Management Committee be held three-weekly at 7.30 pm on a Tuesday, with the next meeting to be held on 1 March 2005.

The Motion was Put and

CARRIED (4/0)

Discussion ensued in relation to the process for the review of the Strategic Plan (as shown on Attachment 1a of the report). The Committee spoke on the need for community involvement in the early stages of the process. The CEO suggested that a meeting be arranged to present the Principal Activities Plan to stakeholders and to seek their comments.

The CEO spoke of the need to have the Strategic Asset Plan in place at the earliest possible time. He advised that buildings have been identified and condition reports prepared and this information is to be placed into a database and will be available for the budget process.

MOVED Cmr Smith SECONDED Cmr Anderson that the Chief Executive Officer be REQUESTED to provide skeleton details of the Strategic Asset Plan at the earliest possible time during the planning process, with information provided at the next meeting of the Strategic Financial Management Committee as to when these details can be expected to be provided.

The Motion was Put and

CARRIED (4/0)

Discussion ensued in relation to the strategic planning process. The CEO recommended that a facilitated session be held to enable the Commissioners to provide direction for the review of the Strategic Plan.

It relation to Attachment 1(a), it was commented that no costings are given. The CEO advised that the elements of the review of the Strategic Plan have been identified in Attachment 1(a), and issues relating to financial management would be submitted to the appropriate committee.

In relation to Attachment 2 – Draft Prioritisation Criteria, the following points were raised:

- ‘cultural dimension’ to be included,
- 15 items is too many; items to be merged to reduce the number,
- ‘council decision’ to be reworded,
- ‘city’ to read ‘district’

The role of the Strategic Financial Management Committee was discussed. It was not considered that the half year budget review should be referred to the Committee, however it was considered that the Committee should be involved in matters that fell outside of operating adjustments, such as changes in priorities for the Capital Works Programme.

MOVED Cmr Smith SECONDED Cmr Clough that the Strategic Financial Management Committee ENDORSES:

- 1 the Integrated Planning Framework for 2006/07 as shown in Diagram 1 of the Report;**
- 2 the process for reviewing the Strategic Plan shown as Attachment 1 of the Report;**
- 3 the 2005/06 planning and budget process as outlined in the Report.**

The Motion was Put and

CARRIED (4/0)

DATE OF NEXT MEETING

The next meeting of the Strategic Financial Management Committee is scheduled for 7.30 pm on Tuesday 1 March 2005.

CLOSURE

There being no further business, the Chairman declared the Meeting closed at 1626 hrs; the following Commissioners being present at that time:

CMR J PATERSON
CMR P CLOUGH
CMR M ANDERSON
CMR S SMITH

CITY OF JOONDALUP

MINUTES OF STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY, 1 MARCH 2005

ATTENDANCE AND APOLOGIES

CMR J PATERSON	<i>Absent from 2024 hrs to 2026 hrs</i>
CMR P CLOUGH	
CMR M ANDERSON	<i>Absent from 2027 hrs to 2029 hrs.</i>
CMR S SMITH	
CMR A FOX	

Officers:

Chief Executive Officer:	G HUNT
Director, Planning and Community Development:	C HIGHAM
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Infrastructure and Operations:	D DJULBIC
Committee Clerk:	J HARRISON

The Chairman declared the meeting open at 1942 hrs.

Apologies:

Nil

DECLARATIONS OF FINANCIAL INTEREST/INTEREST AFFECTING IMPARTIALITY

Nil

CONFIRMATION OF MINUTES

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE
MEETING HELD ON 8 AND 22 FEBRUARY 2005

MOVED Cmr Smith **SECONDED** Cmr Anderson that the minutes of the meeting of the Strategic Financial Management Committee Meeting held on 8 and 22 February 2005 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (5/0)

ITEMS OF BUSINESS

ITEM 1 REVENUE AND EXPENDITURE PROFILE

The Committee was provided with information on the 2004/05 Budget Summary – Appendix 1 refers. Discussion ensued.

In relation to transfers from Reserves, Cmr Anderson considered that from a sustainability viewpoint, funds from external sources should be shown. The Director Corporate Services and Resource Management advised that the role of the Committee is to develop such policies for the future. The Strategic Asset Plan will enable discussion on how funding will occur.

A number of queries were raised in relation to revenue and expenditure. Discussion took place on the merits of use of Reserves and the borrowing of funds. Cmr Smith stated that the capacity of the Council should be considered and borrowing of funds needed to be policy driven.

The CEO referred to the community pressure for additional facilities that can on occasions be placed on Councils. The CEO spoke of the need for the provision of projected capital and maintenance costs and information on the implications on the rate base on all facilities and services provided by the Council. The CEO stated that the challenge for this year is to map out the City's direction and look at the financial impact on the change of approach.

Cmr Paterson left the Room at 2024 hrs and returned at 2026 hrs.

The CEO advised that further information will be provided at future Committee meetings on the Strategic Asset Plan, outlining income streams and projections over the next few years.

ITEM 2 2005/06 BUDGET PARAMETERS

The Committee was provided with a confidential memorandum in relation to the 2005/06 Budget Parameters – Appendix 2 refers.

The view of the Committee was sought on the assumptions to be included in the 2005/06 Principal Activities Plan, as outlined in the memorandum. Discussion ensued.

Cmr Anderson left the Room at 2027 hrs and returned at 2029 hrs.

MOVED Cmr Smith SECONDED Cmr Anderson that, in order to set the 2005/06 budget parameters, the Chief Executive Officer be REQUESTED to provide information to the next meeting of the Strategic Financial Management Committee:

- **outlining the expenditure as per the Principal Activities Plan;**
- **identifying key areas of focus;**
- **applying different rate increases, and;**
- **prioritising projects against projected rate increases.**

The Motion was Put and

CARRIED (5/0)

MOVED Cmr Anderson, SECONDED Cmr Fox that the Chief Executive Officer be REQUESTED to provide a report to the Strategic Financial Management Committee on the status of budget projects for 2004/05 that have not been commenced or are not completed at this time, with an indication of their capacity and probability of their completion in this financial year, and the impact this will have on the end result in this financial year.

The Motion was Put and

CARRIED (5/0)

MOVED Cmr Clough, SECONDED Cmr Fox that the Strategic Financial Management Committee ACCEPTS the assumptions to be included in the 2005/06 Principal Activities Plan, as tabled, relating to CPI and Interest Rate figures.

The Motion was Put and

CARRIED (5/0)

ITEM 3 STRATEGIC ASSET PLAN - SKELETON

The Committee was provided with information on the age of infrastructure in the City of Joondalup – Appendix 3 refers.

DATE OF NEXT MEETING

The next meeting of the Strategic Financial Management Committee is scheduled for 7.30 pm on Tuesday 22 March 2005.

CLOSURE

There being no further business, the Chairman declared the Meeting closed at 2050 hrs; the following Commissioners being present at that time:

CMR J PATERSON
CMR P CLOUGH
CMR M ANDERSON
CMR S SMITH
CMR A FOX

CITY OF JOONDALUP

**MINUTES OF STRATEGIC FINANCIAL MANAGEMENT COMMITTEE
MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC
CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY, 22 MARCH 2005**

ATTENDANCE AND APOLOGIES

CMR P CLOUGH - *Acting Chairman*
CMR M ANDERSON
CMR S SMITH *to 2145 hrs*
CMR A FOX

Officers:

Chief Executive Officer:	G HUNT
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Infrastructure and Operations:	D DJULBIC
Manager Marketing Communications and Council Support:	M SMITH to 1940 hrs
Manager Financial Services:	A SCOTT
Team Leader, Organisational Policy and Planning:	G BLAKE
Committee Clerk:	J HARRISON

The Chief Executive Officer declared the meeting open at 1937 hrs.

ELECTION OF ACTING CHAIRPERSON

In the absence of the Chairperson, Cmr John Paterson, the Committee was required to appoint an Acting Chairperson.

Section 5.14 of the Local Government Act 1995 requires a committee appointed by a local government, to appoint a presiding member. Schedule 2.3 of the Act requires the Chief Executive Officer to preside.

The CEO called for nominations for the position of Acting Chairperson. Cmr Fox nominated Cmr Clough. Cmr Clough accepted the nomination.

There being no further nomination, Cmr Clough was elected unopposed and assumed the Chair, the time being 1939 hrs.

ADJOURNMENT OF MEETING

MOVED Cmr Anderson, SECONDED Cmr Smith that the meeting be ADJOURNED.

The Motion was Put and

CARRIED (4/0)

The Meeting ADJOURNED at 1940 hrs and RESUMED at 2020 hrs, the following persons being present:

CMR P CLOUGH
CMR M ANDERSON
CMR S SMITH
CMR A FOX

Officers:

Chief Executive Officer:	G HUNT
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Infrastructure and Operations:	D DJULBIC
Manager Financial Services:	A SCOTT
Team Leader, Organisational Policy and Planning:	G BLAKE
Committee Clerk:	J HARRISON

ATTENDANCES AND APOLOGIES

Leave of absence: Cmr J Paterson - 14 March 2005 to 24 March 2005 inclusive

DECLARATIONS OF FINANCIAL INTEREST/INTEREST AFFECTING IMPARTIALITY

Nil.

CONFIRMATION OF MINUTES

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE
HELD ON 1 MARCH 2005

MOVED Cmr Smith SECONDED Cmr Fox that the minutes of the meeting of the Strategic Financial Management Committee held on 1 March 2005 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (4/0)

ITEM 1 2005/06 BUDGET PARAMETERS MODEL – [62548]**WARD - All**

A presentation of an interactive financial model was made to the Strategic Financial Management Committee – Appendix 1 refers.

The Director Corporate Services and Resource Management advised that the model had been prepared to cover four years, however once all refinements had been made to the model it would be expanded to cover a 20 year period as previously requested by the Committee.

Discussion ensued. The key points raised by the Committee are outlined below:

- Cmr Anderson requested to be provided with a copy of the interactive financial model.
- Grant figures projected over the 20 year model would lose accuracy.
- Projects shown within the model should link to specific goals of the Strategic Plan.
- Cmr Smith commented that rather than having a cumulative deficit, she would prefer the model to show a balanced budget and indicate the rate increase required to achieve this.
- The CEO believed the model showed that the Principal Activities Plan (PAP) is not sustainable, and Commissioners might have to revisit the PAP and the capital expenditure.
- Reserve Accounts are shown on the model but do not reflect the true costs required. Commissioners believed that funds should be set aside on a regular basis for corporate projects and asset replacement.
- Rate growth has been factored into the model, allowing for 400 new properties each year.
- Road maintenance is provided for within the 5 year Capital Works Programme.
- Assumptions can be made of building replacement costs for inclusion in the model.
- Deficit interest to be shown in the model.

MOVED Cmr Smith SECONDED Cmr Anderson that the Strategic Financial Management Committee ENDORSES the interactive financial model with the addition of a schedule of the assumptions made to produce the model, with the following amendments:

- 1 any interest costs, either surplus or deficit, to be carried forward;**
- 2 all Reserve accounts to be assessed to ensure that they reflect the true costs of providing the projects over a reasonable timeframe;**

3 indicative assumptions to be included on the Asset Management costs.**The Motion was Put and****CARRIED (4/0)**

Discussion ensued on the advertising period required for the PAP and the deadline for Budget adoption.

The Committee advised that further information was required to be provided to enable a decision to be made on the rate increase.

ITEM 2 STATUS OF 2004/05 BUDGET – PROJECTS – [62548]**WARD - All**

PURPOSE

The purpose of this report is to present the Strategic Financial Management Committee (SFMC) with an update of 2004/05 Budget - Projects.

EXECUTIVE SUMMARY

At its meeting of 1 March 2005 the SFMC requested the CEO to produce a report on the forecast closing position of 2004/05 projects.

The information relating to corporate projects is contained in attachment 3 to this report.

BACKGROUND

At the SFMC meeting held on 1 March 2004 the committee resolved as follows:

"That the Chief Executive Officer be requested to provide a report to the Strategic Financial Management Committee on the status of budget projects for 2004/05 that have not been commenced or are not completed at this time, with an indication of their capacity and probability of their completion in this financial year, and the impact this will have on the end result in this financial year."

DETAILS

The 2004/05 Budget provided for corporate projects to the value of \$18,845,740 inclusive of carry forward balances (attachment 1).

In addition, projects (proposals) totalling \$3,399,164 were included in the 2004/05 Budget (attachment 2).

A forecast closing position for 2004/05 corporate projects, in line with the SFMC's request of 1 March 2005 is attached (attachment 3). The position for proposals will be available for the next meeting of the SFMC.

ATTACHMENTS

Attachment 1	Corporate Projects 2004/05 Budget
Attachment 2	Project (Proposals) 2004/05 Budget
Attachment 3	2004/05 Corporate Projects - Status Report

OFFICER'S RECOMMENDATION

Report submitted for discussion.

The Committee was provided with an overview of Attachment 3 – 2004/05 Corporate Projects – Status Report. The Committee was advised of an error in this document, in that the forecast figure for Capital Carried Forward work at Sorrento Beach Foreshore Enhancement Stage 1 should read “\$1,142,987. A revised document forms Appendix 2 hereto.

Cmr Smith left the Room at 2145 hrs.

MOVED Cmr Fox SECONDED Cmr Anderson that the Strategic Financial Management Committee receives the information provided in Item 2 - Status of 2004/05 Budget – Projects.

The Motion was Put and

CARRIED (3/0)

The Committee then resumed discussion on Item 1 - 2005/06 Budget Parameters Model, with the following additional key points being raised by the Committee:

- Information to be highlighted in the model to indicate where there is discretion for changes to be made.

The Meeting ADJOURNED at 2157 hrs and RESUMED at 2159 hrs, the following persons being present:

CMR P CLOUGH
CMR M ANDERSON
CMR A FOX

Officers:

Chief Executive Officer:	G HUNT
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Infrastructure and Operations:	D DJULBIC
Manager Financial Services:	A SCOTT
Team Leader, Organisational Policy and Planning:	G BLAKE
Committee Clerk:	J HARRISON

The Committee was advised that a report will be presented to the Council meeting on 5 April 2005 on proposed amendments to the Local Government Act 1995 in relation to the Principal Activities Plan and to seek Council endorsement, upon proclamation of such amendments, for a 30-day public comment period.

The Meeting ADJOURNED at 2201 hrs and RESUMED at 2205 hrs, the following persons being present:

CMR P CLOUGH
CMR M ANDERSON
CMR A FOX

Officers:

Chief Executive Officer:	G HUNT
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Infrastructure and Operations:	D DJULBIC
Manager Financial Services:	A SCOTT
Team Leader, Organisational Policy and Planning:	G BLAKE
Committee Clerk:	J HARRISON

DATE OF NEXT MEETING

MOVED Cmr Fox SECONDED Cmr Anderson that the next meeting of the Strategic Financial Management Committee be held at 4.30 pm on Tuesday 5 April 2005.

The Motion was Put and

CARRIED (3/0)

CLOSURE

There being no further business, the Acting Chairman declared the Meeting closed at 2207 hrs; the following Commissioners being present at that time:

CMR P CLOUGH
CMR M ANDERSON
CMR A FOX

CITY OF JOONDALUP

MINUTES OF STRATEGIC FINANCIAL MANAGEMENT COMMITTEE MEETING HELD IN CONFERENCE ROOM 1, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY, 5 APRIL 2005

ATTENDANCE AND APOLOGIES

CMR J PATERSON
CMR P CLOUGH
CMR M ANDERSON
CMR A FOX *from 1722 hrs*

Officers:

Chief Executive Officer:	G HUNT
Director, Corporate Services and Resource Management:	P SCHNEIDER
Director, Planning and Community Development:	C HIGHAM
Director, Infrastructure and Operations:	D DJULBIC
Manager Financial Services:	A SCOTT
Team Leader, Organisational Policy and Planning:	G BLAKE
Committee Clerk:	J HARRISON

The Chairman declared the meeting open at 1634 hrs.

ATTENDANCES AND APOLOGIES

Leave of absence: Cmr S Smith – 5 April 2005

DECLARATIONS OF FINANCIAL INTEREST/INTEREST AFFECTING IMPARTIALITY

Nil

CONFIRMATION OF MINUTES

MINUTES OF THE STRATEGIC FINANCIAL MANAGEMENT COMMITTEE HELD
ON 22 MARCH 2005

MOVED Cmr Anderson **SECONDED** Cmr Clough that the minutes of the meeting of the Strategic Financial Management Committee held on 22 March 2005 be confirmed as a true and correct record.

The Motion was Put and

CARRIED (3/0)

ITEM 1 2005/06 FIVE YEAR CAPITAL WORKS PROGRAMME – [88568]**WARD - All**

The 2005/06 Five Year Capital Works Programme was submitted to the Strategic Financial Management Committee for discussion - Appendix 1 refers.

The Director Infrastructure and Operations referred to the request made at the last Committee meeting for information on the background and purpose of each Programme area and the direction in which the programme is heading. Attachment 1 provides background and comment on the 16 programme areas. The Committee was advised that officers have rated each criterion subjectively, and the Commissioners were encouraged to undertake their own rating of these items. It was noted that this discussion document could also be utilised as a reference document, as part of the budget process, to assist Commissioners in their deliberations.

Attachment 1, Page 20, provides a summary in the overall prioritisation matrix and the Commissioners were also encouraged to undertake their own rating of this table.

The Director Infrastructure and Operations advised that should there be a requirement to cut back on funding, the Committee could look at cutting back on individual projects, but preferably not on a whole programme area.

The Committee was advised that no additional projects are included within the cash expenditures forecast, such as lighting for Tom Simpson Park, traffic studies in various areas, the expectations from the business park, or the requests submitted by Associations.

Discussion ensued. The key points raised by the Committee are outlined below:

- Finalisation of the slab footpath project would cost \$1 million; following completion of this project, asphalt within pedestrian accessways would require to be considered;
- It was requested that a schedule of additional project items be included on Attachment 1, Page 21. The CEO advised these items will come forward in the Budget and are not relevant to the PAP;
- Attachment 1, Page 20 – Prioritisation matrix: sustainability needs to be incorporated at some stage.

MOVED Cmr Clough SECONDED Cmr Anderson that the Strategic Financial Management Committee:

- 1 RECEIVES the information provided in Item 1 - 2005/06 Five Year Capital Works Program;**

- 2** **NOTES** that the information provided in Item 1 – 2005/06 Five Year Capital Works Program will be further refined in developing the 2005/06 budget and the 20 Year Strategic Financial Plan.

The Motion was Put and

CARRIED (3/0)

ITEM 2 PROPERTY VALUATION REPORT – [88568]

WARD - All

The property valuation report was submitted to the Strategic Financial Management Committee for discussion – Appendix 2 refers.

The Chief Executive Officer tabled the Insurance Valuation Schedule for the City of Joondalup, prepared by the Department of Land Information – Valuation Services, and dated May 2004. The Committee was advised that this information will assist in assessing risk aspects and give control and a degree of certainty to forward estimates of expenditure required for the 20 year Strategic Financial Plan.

Discussion ensued. The key points raised are outlined below:

- On a simplistic basis, \$3.5 million needs to be set aside each year in Reserve for replacement of assets.
- A summary of Reserve Accounts will be presented at a future meeting.
- Discussion ensued on the provision of carparking within the Joondalup CBD.

MOVED Cmr Clough SECONDED Cmr Anderson that the Strategic Financial Management Committee:

- 1** **RECEIVES** the information provided in Item 2 – Property Valuation Report and **COMMENDS** officers for the level of information provided;
- 2** **NOTES** that the preliminary information provided in Item 2 – Property Valuation Report will be further refined in developing the 20 Year Strategic Financial Plan.

The Motion was Put and

CARRIED (3/0)

ITEM 3 REVISED 2005/06 BUDGET PARAMETERS MODEL – [88568]**WARD - All**

A presentation of the revised financial model was made to the Strategic Financial Management Committee. The effect of setting aside \$3.5 million per annum was demonstrated on the model.

Cmr Fox entered the Room at 1722 hrs.

Discussion ensued. The key points raised by the Committee are outlined below:

- Information was requested to be provided on assets that are surplus to requirements.
- The Committee was advised of the need to either increase income or cut expenditure. Cmr Anderson believed the Committee should concentrate on income sources.
- In the event of the City providing parking within the Joondalup CBD, it is anticipated revenue would commence in 2008/09.
- It was requested that the model outline those costs that are fixed and cannot be altered.
- It was suggested that a notation be placed on the model that the City does not currently have funds in place for asset replacement.

MOVED Cmr Clough SECONDED Cmr Anderson that:

- 1 the 2005/06 Strategic Financial Plan be drafted using the assumptions contained within the revised 2005/06 Budget Parameters model, with the additional information as discussed by the Strategic Financial Management Committee;**
- 2 the Strategic Financial Management Committee NOTES that a Strategic Financial Management Model and Plan will be developed for completion in October 2005.**

The Motion was Put and

CARRIED (4/0)

DATE OF NEXT MEETING

The Committee agreed that the meeting of the Strategic Financial Management Committee scheduled for Tuesday 12 April 2005 be cancelled. The next meeting is to held at 7.30 pm on Tuesday 3 May 2005.

CLOSURE

There being no further business, the Chairman declared the Meeting closed at 1751 hrs; the following Commissioners being present at that time:

CMR J PATERSON
CMR P CLOUGH
CMR M ANDERSON
CMR A FOX