



## **AGENDA**

**SPECIAL COUNCIL MEETING**

**THURSDAY 17 MARCH 2011**

**TIME – 5.30PM**

**TOWN OF CAMBRIDGE**

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*Managing waste and recovering resources responsibly*

*Constituent Members: Cities of Perth, Joondalup, Stirling, and Wanneroo. Towns of Cambridge, Victoria Park and Vincent*



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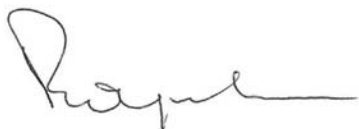
**MINDARIE REGIONAL COUNCIL  
NOTICE OF MEETING**

17 March 2011

Councillors of the Mindarie Regional Local Government are respectfully advised that a Special Meeting of the Council will be held in the Council Chambers of the Town of Cambridge, 1 Bold Park Drive, Floreat, at 5.30pm on Thursday 17 March 2011.

The business papers pertaining to the meeting follow.

Your attendance is requested.



**KEVIN POYNTON**  
Chief Executive Officer

**MINDARIE REGIONAL COUNCIL - MEMBERSHIP**

Cr J Bissett (John)	Town of Victoria Park
Cr D Boothman (David)	City of Stirling
Cr R Butler (Rob)	City of Perth
Cr S Cooke (Sharon)	City of Stirling
Cr S Farrell (Steed)	Town of Vincent
Cr R Fishwick (Russ)	City of Joondalup
Cr L Gray (Laura)	City of Wanneroo
Cr K Hollywood (Kerry)	City of Joondalup
Cr D Newton (Dot)	City of Wanneroo
Cr C MacRae (Corinne)	Town of Cambridge
Cr J Robbins (Jason)	City of Stirling
Cr B Stewart (Bill)	City of Stirling

**TABLE OF CONTENTS**

<b>ITEM</b>	<b>SUBJECT</b>	<b>FILE NO</b>	<b>PAGE NO</b>
<b>1</b>	OATHS/AFFIRMATIONS OF ALLEGIANCE OF OFFICE	N/A	P4
<b>2</b>	QUESTION TIME	N/A	P4
<b>3</b>	ATTENDANCE AND APOLOGIES	N/A	P4
<b>4</b>	ANNOUNCEMENTS	N/A	P4
<b>5</b>	DEPUTATIONS	N/A	P4
<b>6</b>	BUSINESS FROM A PREVIOUS MEETING TREATED AS AN ORDER OF THE DAY	N/A	P4
<b>7</b>	REPORTS <i>(Declaration of Financial/Conflict of Interest to be recorded prior to dealing with each item)</i>	N/A	P4
<b>7.1</b>	FINANCIAL MANAGEMENT – MID YEAR FINANCIAL REVIEW – FINANCIAL YEAR 2010/2011	FIN/80	P4 P8 - 36
<b>8</b>	NOTICE OF MOTION FOR CONSIDERATION AT THE FOLLOWING MEETING	N/A	P7
<b>9</b>	NEXT MEETING	N/A	P7
<b>10</b>	CLOSURE	N/A	P7

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<b>1</b>	<b>OATHS/AFFIRMATIONS OF ALLEGIANCE AND DECLARATIONS OF OFFICE</b>
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<b>2</b>	<b>QUESTION TIME</b>
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<b>3</b>	<b>ATTENDANCE AND APOLOGIES</b>
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<b>4</b>	<b>ANNOUNCEMENTS</b>
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<b>5</b>	<b>DEPUTATIONS</b>
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<b>6</b>	<b>BUSINESS FROM A PREVIOUS MEETING TREATED AS AN ORDER OF THE DAY</b>
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<b>7</b>	<b>REPORTS</b>
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Declaration of Financial/Conflict of Interest to be recorded prior to dealing with each item.

Disclosure of Financial and Proximity Interests

- (a) *Members must disclose the nature of their interest in matters to be discussed at the meeting. (Section 5.6B and 5.65 of the Local Government Act 1995).*
- (b) *Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the Local Government Act 1995).*

Disclosure of Interest Affecting Impartiality

- (a) *Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee has given or will give advice.*

<b>7.1</b>	<b>FINANCIAL MANAGEMENT – MID YEAR FINANCIAL REVIEW – FINANCIAL YEAR 2010/2011</b>
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Item and attachments at Page 8 – 36

**MRC OFFICER RECOMMENDATION**

**That Council:**

- (i) **note the MRC's mid year results at 31 December 2010 which highlights a drop in Members' Fees of \$1.40 million approximately which is offset by increase in Casual / Commercial Fees of \$1.16 million approximately and increase in other Revenue of \$0.27 million to give a net increase in Revenue of \$11,000 approximately**
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(ii) note that the revenue for Members is projected to drop further in the second-half of 2010/11 resulting in a projected drop in revenue for Members of \$3.8 million which will be offset by the anticipated increase in revenue of \$1.5 million for Casual / Commercial and Other Revenue of \$0.2 million resulting in a net drop in projected revenue for 2010/11 of \$2.1 million

(iii) note that MRC's actual operating expenditure to 31 December 2010 is marginally higher at \$21.8 million (compared to the pro-rated budget to 31 December 2010) but the projected operating expenditure for 2010/11 (after taking into account lower projected waste tonnages, the Waste Diversion Target Payments for 2009/10 and 2010/11 of \$0.6 million and \$1.1 million respectively, the City of Stirling Withdrawal Expenses \$0.3 million and the increased cost associated with increased HHW/E-Waste/Paint of \$0.3 million) is expected to generate a savings of \$0.3 million and is split between RRF and Landfill Operations as follows:

• Increased cost of RRF Operations	(\$0.4)m
• Decreased cost in Landfill Operation and Administration	\$0.7m
	<i>Net Savings</i> \$0.3m

(iv) approve the increase / (decrease) in operational expenditure for RRF operations resulting in a net increase at \$0.4 million.

	\$'000
• Employee Cost	16
• Consultants and Labour Cost	20
• Information Systems	4
• Building Maintenance	(18)
• RRF Operations Cost	
- Contractors' Fees	653
- Others	(178)
• Utilities	(7)
• Borrowing Cost	(57)
	<b>Net Increase 433</b>

(v) approve the increase / (decrease) in Landfill Operational Administration Expenses which generate a net savings of \$0.7 million.

	\$'000
• Employee Cost	97
• Consultants and Labour Cost	166
• Communication and Public Consultation	(65)
• Landfill Operations	(230)
• Office Expenses	(45)
• Information Systems	(43)
• Plant and Equipment Operating and Hire	(7)

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•	Utilities	21
•	Depreciation	52
•	Borrowing Cost Expenses	(28)
•	Insurance	7
•	DEP Levy	(538)
•	Members' Cost	(30)
•	Administration (Legal Fees)	145
•	Amortisation	(279)
•	Loss on sales of assets	47
	<b>Net Savings</b>	<b>(730)</b>

- (vi) approve the increase/(decrease) in budget allocation of the following Capital Projects and note that the net savings of \$1.8 million which will be utilised to fund the projected deficit for the year as a result of lower waste tonnages as highlighted under Option 5.

**Landfill Operations and Administration**

			<b>\$'000</b>
•	Landfill Compactor		(7)
•	Lift		
•	Machinery and Equipment		
	- New Tarpomatic	(9)	
	- Hooklift Bin	9	
	- Stacking Twin Tables	(1)	
	- Refrigerant Recovery Unit	(1)	
	- Storage Container	6	4
•	Buildings		
	- Height Restrictor		6
	- Install lining to Biodiesel Shed		6
•	Infrastructure		
	- Boom Gates		(7)
•	Landfill Phase 3 Development		
	- Design Superintendant		(17)
	- Project Management		(8)
•	Landfill Stage 2 Capping		
	- Cap Construction		(1,598)
	- Revegetation		(180)
	<b>Net Savings</b>		<b>(1,801)</b>

**RRF Operations**

- Allocation for design and tendering of vehicle washbay facility at RRF \$50,000
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(vii) approve the increase in Casual / Commercial Fees to \$131.82/T (ex GST) effective 1<sup>st</sup> April 2011

(viii) approve the establishment of a Reserve for Members' Revenue Equalisation Account and transfer \$2.24 million pertaining to the Members' Under/Over Account relating to the previous years to 30 June 2009 (forms part of the Retained Surplus of \$24.3 million at 30 June 2010) to this reserve

The purpose of the Reserve for Members' Revenue Equalisation Account would be as follows:

- Recover any under-recovery in the Members' Tipping Fees arising from lower revenue, increased expenditure and related matters
- Refund to the Member Councils any over recovery of Members' Tipping fees relating to previous years, as approved by the Council

(ix) in accordance with Local Government (Financial Management) Regulation 33A provides a copy of the 2010/11 annual budget review and determination to the Department of Local Government

***ABSOLUTE MAJORITY REQUIRED***

<b>8</b>	<b>NOTICES OF MOTION FOR CONSIDERATION AT THE FOLLOWING MEETING</b>
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<b>9</b>	<b>NEXT MEETING</b>
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**9.1 Ordinary Council Meeting**

- 28 April 2011
- 5.30pm
- City of Wanneroo

<b>10</b>	<b>CLOSURE – MEETING DECLARED CLOSED</b>
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**ITEM 7.1                    FINANCIAL MANAGEMENT – MID YEAR FINANCIAL REVIEW –  
FINANCIAL YEAR 2010/2011**

**File No:                    FIN/80**

**Attachment(s):        1. Financial Statement as at 31 December 2010  
                                 2. Statement of Projected Operating Expenditures  
                                 3. Statement of Projected Investing Activities  
                                 4. Mindarie Regional Council's Unders and Overs Policy**

**Author:                    Kalwant Dhillon**

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**SUMMARY**

The purpose of this report is to describe the financial position of the organisation in relation to the Adopted Budget and Business Plan and Actuals and recommend changes that will reflect the anticipated outcomes for the balance of the 2010/2011 financial year. This will assist in better ongoing management of the Mindarie Regional Council operations and provide stakeholders with a view of the likely result at the conclusion of the financial year.

**BACKGROUND**

Council at its meeting held on 24 June 2010, resolved as follows:

*That Council:*

- (i)        approve the Members Fee of \$105/tonne under the Single Fee Model*
- (ii)        adopt the draft Budget for the Mindarie Regional Council for Financial Year 2010/2011*
- (iii)        approve the use of an on-going overdraft facility of \$1 million to manage cashflow 'short falls' during FY 2010/2011 and future years*
- (iv)        approve the capital budget allocation of \$21.61m in respect of the Landfill Excavation, Purchase of Land, RRF Infrastructure, Tarpomatic System, Workshop Extension and Ground Maintenance Shed to be carried forward from 2009/2010 to 2010/2011*
- (v)        approve the operational budget allocation of \$1m in respect RRF Contractors Fees, Environmental Monitoring and upgrade of Financial Systems to be carried forward from 2009/2010 to 2010/2011*
- (vi)        note that the loan of \$6.6m approved in 2008/2009 to fund the Phase 3 landfill excavation will not be drawn in 2010/2011 due to phasing of the Lining project over 4/5 years commencing 2010/2011 but may be required in future years*
- (vii)        approve the following transfers to the respective cash backed Reserves:*
  - Transfer \$5m to Reserve for RRF Operational Requirements*
  - Transfer \$1m to Reserve for Carried Forward Expenditure in respect of \$1m operational expenditure carried forward to 2010/2011*
- (viii)        receive report at the Ordinary Council Meeting in July 2010 providing an overview of Waste Diversion Target, how the initial target was set, the basis of the issue, how it has arisen, clarification of the MRC current contractual position and a provision of clear timeline particularly in regarding to potential financial implications*



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- (ix) *note the possible change in the RRF Waste Diversion Target during Financial Year 2010/2011 and potential cost of the existing capital or operational cost to be borne*

Council operations have been conducted in line with the strategies and objectives incorporated in the Council's Strategic Plan, Annual Business Plan and Adopted Budget 2010/2011. Monthly Financial Statements on the Actual Expenditure and Variations from the Adopted Budget have been submitted to each Council meeting. In line with benchmark practice and to comply with Local Government Regulations a detailed review of Council operations at 31 December 2010 has been carried out.

The methodology of this report is:

- to comment by exception on those items that reflect significant trend variations to budgeted allocations,
- to provide revised financial projections to 30 June 2011 as required, to recognise such variations and statutory obligations that will allow for the ongoing effective management of the financial plan for the remainder of the financial year, and
- to invite Council consideration of any new expenditure identified as a result of the Review

The Financial Statement as at 31 December 2010, reflecting the Adopted Budget and Actual Expenditure to 31 December 2010 is enclosed under **Attachment One** of this report. Any revised estimates or re-allocations are included in the recommendations.

**Attachment Two** is a Statement of the Projected Operating Expenditure.

**Attachment Three** is a Statement of Projected Investing Activities.

**Attachment Four** is Mindarie Regional Council's policy on Unders and Overs.

## DETAIL

### CITY OF STIRLING WITHDRAWAL

The City of Stirling commenced proceedings in May 2010 against the Mindarie Regional Council in the Supreme Court of Western Australia. The City of Stirling disputed the decision of the Mindarie Regional Council at council meeting of 22 April 2010 to adopt a single fee for the receipt by the Mindarie Regional Council of waste from the Participants including from the City of Stirling. The other 6 Participants subsequently joined the proceedings as Second Defendants.

At a mediation ordered by the Supreme Court and held on 3 August 2010, the parties reached a settlement and entered into a Heads of Agreement.

Under the Heads of Agreement, the parties agreed, amongst other things, that:

- a) the City of Stirling would discontinue the Supreme Court proceedings;
- b) the City of Stirling would make a request to the Minister for Local Government to withdraw from the Mindarie Regional Council;
- c) the other Participants would consent to the proposed withdrawals; and
- d) good faith negotiations would take place as to the adjustments of assets and liabilities referred to in section 699 of the Local Government Act 1960

## Revenue

Review of the revenue for 2010/2011 indicates the following:

### Members

Members tonnages for both Processable and Non-Processable waste are down 2.3% and 6.5% respectively against the pro-rated budgeted tonnes. The Bales are also down by 3% due to the City of Stirling not delivering their bales to Tamala Park following their decision to leave MRC. This was partially offset by higher residue from the RRF.

Members Tonnages are projected to be down for 2010/11 by 35,960 tonnes (refer below). This is due to a drop in tonnages from City of Stirling, Wanneroo and Town of Victoria Park of 47,285 tonnes which is offset by an increase in residue waste from the RRF (BioVision 2020 Pty Ltd) and other Member Councils. The tonnage details are summarised below and is likely to result in a drop in revenue of \$3.8 million.

#### **Decreases:**

-	Reduction in City of Stirling Waste	<b>Tonnes</b>
	Processable	539
	Non-Processable (incl Bales)	39,421
		<b>39,960</b>
-	City of Wanneroo Waste	
	Processable	3,856
	Non-Processable	760
		<b>4,616</b>
-	Town of Victoria Park	
	Processable	2,709
	<b>Sub-total</b>	<b>47,285</b>

#### **Increases:**

•	BioVision 2020– RRF Residue	10,269
•	Other Member Councils	1,056
•	Sub-total	<b>11,325</b>
	<b>Net Decrease</b>	<b>35,960</b>

### Casuals/Commercial

The casuals tonnages are projected to be 11,600 tonnes higher which would generate an additional income of approximately \$1.46 million.

- **Sale of Recyclable Material**

The revenue for recyclable material is expected to be approximately \$25,000 higher than the budget of \$364,700.

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- **Interest Earning**

The interest earnings are expected to be approximately \$51,000 lower than the approved budget of \$700,000 as a result of lower rates of interest payable on deposits. It is recommended that the budget be revised from \$700,000 to \$649,000. MRC is currently receiving interest rates of 5.1 – 6.4% on these deposits depending on the term of the deposit.

However out of this \$192,223 is earned on the Reserves set aside by the Council and not available for offset.

- **Gas Power Generation Sales**

Sale of Renewable Energy Certificates (REC) and Royalties from Gas is expected to be on target.

- **Grants and Subsidies**

Grants income is expected to be lower as no allocation has been done by DEC at this stage on the application of \$400,000. Recommended that the budget be retained at \$400,000 as well as the corresponding expenditure of \$280,000 as it has no impact on calculation of Members' fees.

- **Other Reimbursements**

Reimbursements are for the E-Waste from DEC through WALGA and MRC allocation for 2010/11 is expected to be \$67,000. However, MRC cost would be higher due to the increase in volume of E-Waste delivered to MRC and reimbursement beyond this level would be dependent on the claim made by other Regional Councils. Recommended that the budget be increased from \$100,000 to \$167,000 to take account of the \$67,000 reimbursed from DEC.

- **Other Income**

Other income is expected to be higher due to the rebate on Fuel Tax Credits of approximately \$181,000 which relates to previous years (not budgeted) and rental receivable from the Lease of Land to BioVision 2020 Pty Ltd. Recommended that the budget be revised from \$10,200 to \$261,000.

In summary, the overall estimated position with respect to revenue at end FY 2010/11 is:

	<b>\$'000</b>
Decrease in Members' Fees	3,776
Increase in Casuals / Commercial	(1,459)
Increase in Sale of Recyclable Material	(25)
Decrease in Interest Earnings	51
Increase in Reimbursements	(67)
Refund of Fuel Excise Tax (increase)	(181)
Others	(4)
<b>Net Decrease in Revenue</b>	<b>2,091</b>

### Operating Expenditure

MRC's overall operating expenditure for the six months to 31 December 2010 is \$21.8 million which is marginally higher than the projected budget of \$21.7 million. See **Attachment One**.

The increase in actual expenditure (compared to the projected six months budget to 31 December 2010) of \$100,000 can be analysed as follows:

- RRF Operations - increase (\$590,000)
- Landfill Operations and Administration - decrease \$490,000
- Net Increase (\$100,000)

In view of the lower level of tonnages expected from Member Councils, the Administration has reviewed the expenditure for the second half of 2010/11 in detail and reduced the variable operating expenses to maximise the offset in the drop in revenue from Member Councils and minimise the impact.

Following this review, the revised projected expenditure for the MRC is as follows:

- RRF Operations (increase) (\$433,000)
- Landfill Operations and Administration (decrease) \$730,000
- Net Savings \$297,000**

Detail associated with the estimates are as follows:

#### ***RRF Operations***

- Savings in RRF operational cost due to reduced tonnage for processing in 2010/11 \$1,430,000
- Less: Additional costs relating to following:**
- Estimated Additional Cost relating to Waste Diversion Target change from 70% to 60% in relation to 2010/11 (\$1,100,000)
- Payment relating to Waste Diversion Target changed from 70% to 60% in respect of 2009/10 (\$570,000)
- Provision for additional cost of Insurance (still under negotiation) (\$193,000)
- Net additional cost (\$433,000)**

The \$570,000 will be fully offset by transfer from Reserve for Expenditure Carried Forward of \$1 million.

#### ***Landfill Operations and Administration***

Savings in Operational Expenditure due to lower activities:

- DEP Levy \$538,000
- Administration \$279,000
- Other Operational Expenditure \$517,000
- \$1,334,000**

Less:

- Increase in cost associated with City of Stirling Withdrawal
  - Consultants Fees (\$150,000)
  - Legal Fees (\$145,000) (\$295,000)
  - Increase in cost associated with additional tonnes of E-Waste, Paint and HHW inclusive from Balcatta Transfer Station (\$309,000)
  - Net Savings **\$730,000**

Further detail on the case for increase in funds (\$309,000) for MRC's problematic waste program is as follows:

- This program deals with paint, HHW and E-waste
- The service, for paint product received at Balcatta and Tamala, is collection, sort and re-sale (if possible)
- The service, for E-waste, is the collection, palletisation and payment for transport and processing of product from Balcatta and Tamala
- The service, for HHW (excluding Paint) is for:
  - Support to HHW collection days
  - Collection and sort of product at Tamala
- Tonnages for the period July – December 2010 are as follows:

Product	Tamala (tonnes)	Balcatta (tonnes)	Total (tonnes)
Paint	20	42	62
HHW	12	N/A	12
E-Waste	98	148	246

- The budget for FY 2010/11 was constructed on basis of historical cost, and was approved at \$340,000
- Expenditure to end December 2010 was \$320,000
- Estimated expenditure for the period January – June 2011 is \$329,000
- Additional funds required estimated at \$309,000 for:
  - Employee Cost \$97,000
  - Contract Labour Cost \$16,000
  - Recycling Contractor Cost (E-waste processing, support to HHW days) \$196,000
- Some reimbursement from State Government for the E-waste service will occur post 30 June 2011

## Capital Expenditure

### *Landfill Operations and Administration*

The capital expenditure is progressing well, however savings are expected in the capital construction project where tender prices come in at a much lower level due to competition and in the Revegetation Program where 'seedlings' will be utilised instead of plants thus generating savings.

Also the clay lining project for the lining of Stage 2 Phase 3 side slopes has been delayed for one year and this allocation will be carried forward to 2011/12. In view of the delay in the Stage 2, Phase 3 lining project, the loan of \$6.6 million approved by the Council previously will not be activated.

The search for new land for future landfill is currently in progress after having missed out on a recent land deal but it is now more likely that the allocation will be carried forward to 2011/12.

Summary of savings in the Capital Expenditure is summarised below:

<b>Savings:</b>	<b>\$'000</b>
Landfill Stage 2 Capping	
• Cap Construction	1,598
• Revegetation	180
• Landfill Stage 2	25
• Boom Gates	7
• Landfill Compactor	7
• Ride on Mower	1.5
• New Tarpomatic	9.5
	<b>\$1,828</b>
<b>Less:</b>	
<b><i>Additional Allocation</i></b>	
• Replace damaged 30m Bin	9
• Purchase of storage container	6
• Lining for Bio Diesel Shed	6
• Construction of Height Restrictor	6
	<b>Net Savings      \$1,801</b>

### RRF Operations

- Additional allocation for vehicles washbay facility at RRF - Design and Tendering **\$50,000**

The MRC Administration has carried out an investigation of the likely cost associated with the construction and operation of a vehicle washdown facility at the RRF. In summary, it is estimated that it will cost approximately \$700,000 to construct and \$100,000 per year to operate the facility.

The mid-year review will include \$50,000 in the 2010/2011 Financial Year to undertake the detailed design, tendering and regulatory approvals. On conclusion of the tendering process, Council will be in a position to decide whether to proceed with the project.

## SUMMARY OF REVENUE AND EXPENDITURE

### *Operational Revenue*

The overall revenue is expected to be \$2.1 million lower and this is summarised below:

<b>Decrease in Revenue:</b>	<b>\$'000</b>
• Decrease in Tipping Fees	2,317
• Decrease in Interest Revenue	51
<b>Sub Total</b>	<b>\$2,368</b>
<b>Less: Increase in Revenue</b>	
• Refund for Fuel Tax Credit	(181)
• Reimbursement of E-Waste	(67)
• Other Revenue / contribution / rebates (net)	(29)
<b>Overall Revenue Reduction</b>	<b>\$2,091</b>

### *Expenditure*

The total expenditure is expected to be approximately \$300,000 lower as a result of savings arising from lower variable operating cost at the Landfill due to lower tonnages and lower RRF Contractors fee as a result of stoppages at RRF in regards to the bearings and permanent repairs of the composters.

These savings are net of the increased expenditure for the RRF due to the Waste Diversion Target payments since inception and the additional expenditure associated with the City of Stirling withdrawal and the additional tonnes of E-Waste, Paint and HHW received from the Balcatta Transfer Station. These are summarised below:

### *RRF Operations*

• Savings in RRF operational costs due to reduced tonnage for processing in 2010/11	1,430,000
<b>Less: Additional costs relating to following:</b>	
Estimated additional cost relating to Waste Diversion Target change from 70% to 60% in relation to 2010/11	(1,100,000)
• Payment relating to Waste Diversion Target changed from 70% to 60% in respect of 2009/10	(570,000)
• Provision for additional cost of Insurance (still under negotiation)	(193,000)
<b>Net additional cost</b>	<b>(\$433,000)</b>

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**Landfill Operations and Administration**

**Savings**

	<b>\$'000</b>
• Reduction in DEP Levy	538
• Reduction in Amortisation	279
• Reduction in Other Operational Expenditure (net)	
- Landfill Expenses	426
- Office Expenses	45
- Communication and Public Consulting	65
- Information Systems	43
- Plant and Equipment Operational and Hire	7
- Borrowing Cost	28
- Members Cost	30
- Depreciation	(52)
- Insurance	(7)
- Utilities (Rates Payment)	(21)
- Loss on Sale of Fixed Assets	(47)
- Sub Total	1,334
<b>Less: Additional Expenditure</b>	
• Increased cost for City of Stirling Withdrawal	
- Consultants	(150)
- Legal Fees	(145) (295)
• Increased cost associated with additional tonnes of HHW, E-Waste and Paint from Balcatta Station	
- Employees Cost	(97)
- Contract Cost	(16)
- Landfill Expenses	(196) (309)
<b>Net Savings</b>	<b>\$730</b>

**Summary of Financial Outcomes – end June 2011**

The estimated shortfall in revenue after offsetting savings in expenditure is expected to generate a loss of \$930,000 (refer **Attachment Two**).

The Administration has investigated options to find a way forward to recover the shortfall. The shortfall can be funded through four sources as follows:

- Members Fees
- Casual / Commercial Fees
- Reserves
- Retained Surplus Funds ( Members Unders/Overs Account)



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## Summary of Options

The options available to the Council for the recovery of deficit arising from the shortfall of revenue arising from the lower tonnages from Member Councils is as follows:

### Option 1

Full recovery of the cost from the Members in line with the Policy on Unders/Overs approved by the Council at the December 2006 Ordinary Council Meeting (per **Attachment Four**)

The advantage of this option is that it will comply with the Full Cost Recovery Model utilised by the Council in calculation of the fees and with the existing policy of full recovery of the cost from Members as well as retain the surplus for the year budgeted at \$1.4 million for contribution towards the funding of Capital Expenditure going forward in line with the Strategic Financial Plan approved by the Council at the July 2007 Ordinary Council Meeting. The MRC Constitution requires the Member Councils to make the annual contribution and any variations arising from movements in cost and usage.

The revised fee for Members under this option would be:

- (a) \$109/T backdated 1<sup>st</sup> July 2010
- (b) \$116.5/T effective 1<sup>st</sup> March 2011

The Casual Fees will also be revised to \$131.82/T (\$145/T inclusive GST) to recover the increased cost.

The disadvantage of (a) would be that there would be an enormous amount of work to be done to backdate to 1<sup>st</sup> July 2010 and it is not practical. In terms of the pro-rated fee effective 1<sup>st</sup> March 2011 that is something for the Council to consider.

Consider (b) above under this Option for Members' fee increase and increase casual fees to \$131.82/T (\$145/T inclusive GST).

### Option 2

This option takes into account a combination of the following to deliver a 'softer' impact on Members' Fees.

- Members' Fees increase
- Casual/Commercial Fees increase
- Reserves - Reserve for Carried Forward Expenditure \$1million (only \$330,000 available - \$670,000 committed to fund the Waste Diversion Rate charge payment prior to 1<sup>st</sup> July 2010 and other carried forward expenditure).

#### Option (a)

- Increase Member's Fees effective 1 March 2011 to \$115/t
- Increase Casuals / Commercial fees effective 1<sup>st</sup> April 2011 to \$131.82/t (ex \$145 inclusive GST)
- Transfer remaining \$330,000 from Reserve for Carried Forward Expenditure to offset the deficit

This option would generate a projected surplus of \$769,456 for 2010/11.

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Option (b)

- Increase Members' Fees effective 1 March 2011 to \$112/t
- Increase Casuals / Commercial fees effective 1<sup>st</sup> April 2011 to \$131.82/t (\$145/t inclusive GST)
- Transfer remaining \$330,000 from Reserve for Carried Forward Expenditure

This option would generate a projected surplus of \$461,038 for 2010/11.

Option (c)

- Increase Member's Fees effective 1 March 2011 to \$110/t
- Increase Casuals / Commercial fees effective 1<sup>st</sup> April 2011 to \$131.82/t (\$145/t inclusive GST)
- Transfer remaining \$330,000 from Reserve for Carried Forward Expenditure

This option would generate a projected surplus of \$255,426 for 2010/11.

The advantage of this option is that it would 'soften' the impact on Members' Fees. However, the disadvantages of this option are:

- Firstly it would not be in line with the Full Cost Recovery Model utilised by MRC for calculation of Fees and the existing MRC policy of 'Unders/Overs' as it would not ensure full cost recovery from Members
- Secondly it will lower the surplus from the operations to the level where MRC would not be able to adequately fund the Capital Expenditure going forward in line with the 20 year Strategic Financial Plan
- Adopting this option would eventually mean higher level of borrowings, higher interest cost and higher Members' Fees going forward

### Option 3

Fund the shortfall revenue arising from reduced Member Tonnages through a combination of only a Casual/Commercial Fees increase and Reserves (\$330,000 from the Reserve for Carried Forward Expenditure).

The fee increase for Casuals/Commercials will be much higher under this option at \$154/T (\$170/T inclusive GST) and it would not be in MRC's interest to do that as it would start impacting on tonnages for Casual/Commercials rather than cover the shortfall as projected.

This option is again not in line with the Full Cost Recovery Model utilised by MRC for calculation of fees and also not in line with MRC's 'Unders/Overs' policy.

### Option 4

Under this option the deficit arising from the shortfall in Members' Revenue is to be funded from the remaining balance in the Reserve for Carry Forward Expenditure Account of \$330,000 and Retained Surpluses (Members Unders/Overs in Fees from previous years - \$2.24m at 30 June 2009. The Members' Surplus for financial year ended 30 June 2010 will be independently computed by Deloitte as part of the fee setting process for 2011/12.

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The disadvantage of this option is:

- Not in line with the Full Cost Recovery Model utilised by the Council for calculation of fees
- Not in line with the Council's 'Unders/Overs' policy approved by the Council at the December 2006 Ordinary Council Meeting
- Will impact on the cash flows of the Council. The Retained Surplus are invested into the Business of the Council and represented by Net Assets which include a cash balance of \$10 million approximately as of end January 2011. \$6.1m of this cash balance is committed to the Reserves set aside and \$3 million of these funds are for MRC's cash flows for the business leaving only \$1 million which is being used to fund the Capital Expenditure Replacement Program.

However, included in this Retained Surplus is an amount of \$2.24 million relating to Member's Unders/Overs arising in the previous years to 30 June 2009 and this source would be the only source of funds worthy of consideration under this option. However, as noted above it would have an impact on the cashflows of MRC going forward and loan options to fund some of the Capital Projects will have to be considered.

### **Recommended Option to Agenda Review Committee (February 2011)**

The recommended option to ARC February 2011 was Option 2(b), described as follows:

- Members' Fees increased to \$112/T effective 1<sup>st</sup> March 2011
- Casual Fees increased to \$131.82/T (\$145/T inclusive GST) effective 1 April 2011
- Transfer \$330,000 from Reserve for Carried Forward Expenditure to offset the deficit

for the following reasons:

- Recovers the full cost from the Casuals in line with the Council's Full Cost Recovery Model utilised for the Fees Calculation
- Softens the impact of the increase of the Members' Fees by utilising the \$330,000 balance remaining on the Reserve for Carried Forward Expenditure and having a lower surplus for the year.

### **Agenda Review Committee Meeting – 04 February 2011**

The Committee agreed the inclusion of further content by way of explanation of the variation in projected interest earnings.

The Committee agreed a preferred option for recovery of an estimated deficit of \$930,000 for FY2010/11, as a result of estimated revenue shortfall. Details of this preferred option is as follows:

- Increase casuals/commercial fees effective 1 April 2011 to \$131.82/tonne (excl GST)  
Note: Revised fee \$145/tonne (incl GST)
- Utilisation of the Members Unders/Overs fund of \$2.24m (forms part of the Retained Surplus of \$24.3 million at 30 June 2010) to cover the shortfall in the Members' Tipping Fees for the financial year ending 30<sup>th</sup> June 2011.

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- Recommend that Council approve the establishment of a Reserve for Members' Revenue Equalisation Account and transfer the \$2.24 million in the Members' Unders/Overs Account (refer above) to this Reserve as a way forward. The purpose of the Reserve for Members' Revenue Equalisation Account will be as follows:
    - To cover any under-recovery in the Member Tipping Fees arising from lower revenue, increased expenditure and other related matters.
    - Refund to the Member Councils the over recovery of Members' Tipping fees in previous years, as approved by the Council.
- Any over-recovery of Members' Tipping Fees in any financial year will be transferred to the Reserve for Members' Revenue Equalisation Account on completion of the Annual Audit
- Authorise the transfer of funds, as required, from the Reserve for Members' Revenue Equalisation Account pertaining to the under recovery of the Members' tipping fees for the current financial year ending 30 June 2011.
  - Ongoing investigation by the administration of opportunities for further reduction in operational expenditure, without compromise to service levels.

ARC Recommendation as per MRC Recommendation with amendment as follows:

- Delete (viii)
- Change (ix) to (viii)
- New (ix) and (x) (refer above)
- New (xi) to read 'note the ongoing exercise by the administration to identify savings, without compromise to service levels'

The Committee noted the inclusion of \$50,000 for detailed investigation (March – May 2011) of the scope of work, and associated cost, for a vehicle washdown capability at RRF. A decision to proceed with this facility would be required within context of Budget FY2011/12.

### **Option 5**

A further option was developed by some Councillors prior to, and during, Ordinary Council Meeting February 2011. Details of this option are as follows:

- Savings relating to Capital Expenditure of \$1.8 million approximately be retained in the 2010/11 Budget and be used to fund the projected operating deficit for 2010/11.

This option, by way of administration comment, is compliant with the relevant local government and accounting regulations.

The advantage of this option is as follows:

- Savings on Capital Expenditure of approximately \$1.8 million will be diverted to fund the projected operating deficit arising as a result of lower waste tonnages from member Councils.

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Disadvantages of this option are as follows:

- Although the projected deficit will be funded through the existing funding allocation for 2010/11, by re-aligning savings for capital expenditure to fund the operating expenditure, there will still be a 'projected' operating deficit.
- There could possibly be business implications relating to obtaining prospective loans to fund future capital projects as a result of incurring a loss for the year.

### **Ordinary Council Meeting – 24 February 2011**

Discussion at Ordinary Council Meeting February 2011 can be summarised as follows:

- Some support for Option 5, described previously
- Some support for the non-creation of the Members' Revenue Equalisation Account

The matter was not resolved by ABSOLUTE MAJORITY, and is now required for further consideration.

### **CONSULTATION**

Consultation occurred with the following:

- Local Government Office
- Auditors

### **STATUTORY ENVIRONMENT**

The Mid-Year Budget Review is carried out in accordance with the provision of the Local Government Act and Regulations. Both Options Four and Five are consistent with these provisions.

### **POLICY IMPLICATIONS**

The recommendation is a variation to MRC's Policy on 'Approach for Recovery of Members' Gate Fees'.

### **STRATEGIC IMPLICATIONS**

Not applicable.

### **FINANCIAL IMPLICATIONS**

As detailed.

### **COMMENT**

The administration is of the view that either Option Four or Option Five is acceptable. Option Five is recommended, given that it was the preferred option at Ordinary Council Meeting 24 February 2011.

**MRC OFFICER RECOMMENDATION**

That Council:

- (i) note the MRC's mid year results at 31 December 2010 which highlights a drop in Members' Fees of \$1.40 million approximately which is offset by increase in Casual / Commercial Fees of \$1.16 million approximately and increase in other Revenue of \$0.27 million to give a net increase in Revenue of \$11,000 approximately
- (ii) note that the revenue for Members is projected to drop further in the second-half of 2010/11 resulting in a projected drop in revenue for Members of \$3.8 million which will be offset by the anticipated increase in revenue of \$1.5 million for Casual / Commercial and Other Revenue of \$0.2 million resulting in a net drop in projected revenue for 2010/11 of \$2.1 million
- (iii) note that MRC's actual operating expenditure to 31 December 2010 is marginally higher at \$21.8 million (compared to the pro-rated budget to 31 December 2010) but the projected operating expenditure for 2010/11 (after taking into account lower projected waste tonnages, the Waste Diversion Target Payments for 2009/10 and 2010/11 of \$0.6 million and \$1.1 million respectively, the City of Stirling Withdrawal Expenses \$0.3 million and the increased cost associated with increased HHW/E-Waste/Paint of \$0.3 million) is expected to generate a savings of \$0.3 million and is split between RRF and Landfill Operations as follows:
  - Increased cost of RRF Operations (\$0.4)m
  - Decreased cost in Landfill Operation and Administration \$0.7m

*Net Savings* \$0.3m
- (iv) approve the increase / (decrease) in operational expenditure for RRF operations resulting in a net increase at \$0.4 million.

	\$'000
• Employee Cost	16
• Consultants and Labour Cost	20
• Information Systems	4
• Building Maintenance	(18)
• RRF Operations Cost	
- Contractors' Fees	653
- Others	(178)
• Utilities	(7)
• Borrowing Cost	(57)
<b>Net Increase</b>	<b>433</b>

- (v) approve the increase / (decrease) in Landfill Operational Administration Expenses which generate a net savings of \$0.7 million.

	\$'000
• Employee Cost	97
• Consultants and Labour Cost	166
• Communication and Public Consultation	(65)
• Landfill Operations	(230)
• Office Expenses	(45)
• Information Systems	(43)
• Plant and Equipment Operating and Hire	(7)
• Utilities	21
• Depreciation	52
• Borrowing Cost Expenses	(28)
• Insurance	7
• DEP Levy	(538)
• Members' Cost	(30)
• Administration (Legal Fees)	145
• Amortisation	(279)
• Loss on sales of assets	47
<b>Net Savings</b>	<b>(730)</b>

- (vi) approve the increase/(decrease) in budget allocation of the following Capital Projects and note that the net savings of \$1.8 million which will be utilised to fund the projected deficit for the year as a result of lower waste tonnages as highlighted under Option 5.

***Landfill Operations and Administration***

	\$'000
• Landfill Compactor	(7)
• Lift	
• Machinery and Equipment	
- New Tarpomatic	(9)
- Hooklift Bin	9
- Stacking Twin Tables	(1)
- Refrigerant Recovery Unit	(1)
- Storage Container	6
4	
• Buildings	
- Height Restrictor	6
- Install lining to Biodiesel Shed	6

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•	<b>Infrastructure</b>	
	- Boom Gates	(7)
•	<b>Landfill Phase 3 Development</b>	
	- Design Superintendant	(17)
	- Project Management	(8)
•	<b>Landfill Stage 2 Capping</b>	
	- Cap Construction	(1,598)
	- Revegetation	(180)
		<b>Net Savings (1,801)</b>

**RRF Operations**

- Allocation for design and tendering of vehicle washbay facility at RRF \$50,000
- (vii) approve the increase in Casual / Commercial Fees to \$131.82/T (ex GST) effective 1<sup>st</sup> April 2011
- (viii) approve the establishment of a Reserve for Members' Revenue Equalisation Account and transfer \$2.24 million pertaining to the Members' Under/Over Account relating to the previous years to 30 June 2009 (forms part of the Retained Surplus of \$24.3 million at 30 June 2010) to this reserve
- The purpose of the Reserve for Members' Revenue Equalisation Account would be as follows:
- Recover any under-recovery in the Members' Tipping Fees arising from lower revenue, increased expenditure and related matters
  - Refund to the Member Councils any over recovery of Members' Tipping fees relating to previous years, as approved by the Council
- (ix) in accordance with Local Government (Financial Management) Regulation 33A provides a copy of the 2010/11 annual budget review and determination to the Department of Local Government

**ABSOLUTE MAJORITY REQUIRED**



**ATTACHMENT ONE**  
**TO ITEM 7.1**  
**SPECIAL COUNCIL MEETING**  
**17 MARCH 2011**  
**FINANCIAL STATEMENT AS AT 31 DECEMBER 2010**

**Mindarie Regional Council**  
**INCOME STATEMENT BY NATURE AND TYPE**  
For the month ended 31 December 2010

Description	Adopted Budget	YTD Budget	YTD Actual	\$ Variance	% Variance	Note
<b>Revenue from Ordinary Activities</b>						
<b>User Charges</b>						
User Charges - City of Perth	1,519,600	762,152	760,641			
User Charges - City of Wanneroo	9,238,400	4,619,202	4,468,647			
User Charges - City of Joondalup	6,667,500	3,333,750	3,351,820			
User Charges - City of Stirling	12,059,300	6,029,652	4,292,283			
User Charges - Town of Cambridge	1,186,500	593,250	548,519			
User Charges - Town of Vincent	1,510,900	755,448	697,073			
User Charges - Town of Victoria Park	1,609,000	804,498	668,181			
User Charges - RRF Residues	3,150,000	1,575,000	2,266,846			
<b>Total Member User Charges</b>	<b>36,941,200</b>	<b>18,472,952</b>	<b>17,054,010</b>	<b>(1,418,942)</b>	<b>-7.68%</b>	1
User Charges - City of South Perth	0	0	1,734	1,734		
User Charges - Casual Tipping Fees	5,018,000	2,509,002	3,667,099	1,158,097	46.16%	
<b>Total User Charges</b>	<b>41,959,200</b>	<b>20,981,954</b>	<b>20,722,843</b>	<b>(259,111)</b>	<b>-1.23%</b>	
<b>Service Charges</b>						
Sale of Recyclable Materials	340,000	169,998	182,351	12,353	7.27%	
Sale of Limestone	0	0	0			
Gas Power Generation Sales	550,000	106,000	105,260	(740)	-0.70%	
Grants & Subsidies	400,000	0	0	0		
Contributions, Reimbursements & Donations	202,000	77,098	148,496	71,398	92.61%	2
Interest Earnings	700,000	349,584	349,549	(35)	-0.01%	
Other Revenue	10,200	10,200	197,153	186,953	1832.87%	3
	<b>44,161,400</b>	<b>21,694,834</b>	<b>21,705,652</b>	<b>10,818</b>	<b>0.05%</b>	
<b>Expenses from Ordinary Activities</b>						
Employee Costs	4,825,900	2,518,582	2,435,231	83,351	3.31%	
<b>Materials and Contracts</b>						
Consultants and Contract Labour	477,900	239,786	233,615	6,171	2.57%	
Communications and Public Consultation	442,000	144,009	99,376	44,633	30.99%	
Landfill Expenses	1,492,800	582,975	440,274	142,701	24.48%	
Office Expenses	281,200	133,743	91,210	42,533	31.80%	
Information Systems	515,700	195,708	173,407	22,301	11.39%	
Building Maintenance	115,100	36,954	24,625	12,329	33.36%	
Plant and Equipment Operating and Hire	958,100	381,260	355,906	25,354	6.65%	
RRF Operations Total Costs (Excl. Amortisation)	18,987,600	9,632,206	10,217,238	(585,032)	-6.07%	4
Waste Minimisation	280,000	10,002	1,910	8,092	80.90%	
Utilities	109,500	87,852	97,778	(9,926)	-11.30%	5
Depreciation	1,133,700	566,850	561,281	5,569	0.98%	
Borrowing Cost Expenses	681,000	367,047	354,963	12,084	3.29%	
Insurance	160,700	160,700	163,729	(3,029)	-1.88%	
DEP Landfill Levy	7,517,300	3,758,652	3,594,218	164,434	4.37%	
Land Lease/Rental	615,000	303,000	290,491	12,509	4.13%	
<b>Other Expenditure</b>						
Member Costs	169,900	84,452	71,710	12,742	15.09%	
Administration	155,700	77,850	193,293	(115,443)	-148.29%	6
Amortisation/Site Monitoring Provision (LandFill)	4,206,050	2,103,027	2,103,024	3	0.00%	
Amortisation (RRF)	652,259	326,130	326,130	0	0.00%	
	<b>43,777,409</b>	<b>21,710,785</b>	<b>21,829,409</b>	<b>(118,624)</b>	<b>-0.55%</b>	
Profit on Sale of Assets	0	0	0	0		
Loss on Sale of Assets	8,700	8,700	55,541	(46,841)	-538.40%	7
	<b>(8,700)</b>	<b>(8,700)</b>	<b>(55,541)</b>	<b>46,841</b>	<b>-538.40%</b>	
<b>Changes in Net Assets Resulting from Operations</b>	<b>375,291</b>	<b>(24,651)</b>	<b>(179,298)</b>	<b>(154,647)</b>	<b>627.34%</b>	
Transfer from Reserve (2009/2010 C/F Expenditures)	1,000,000	641,000	637,195	(3,805)	-0.59%	a
Transfer to Reserve (Interest Income from Investments)	0	0.00	26,715	26,715		
<b>Changes in Net Assets including Reserve Transfer</b>	<b>1,375,291</b>	<b>616,349</b>	<b>431,182</b>	<b>(185,167)</b>	<b>-30.04%</b>	

Note (a)

Funds carried forward to cover RRF expenditures	950,000	Also refer Page 2
Funds c/f to cover Tamala Park/Admin expenditures	50,000	
	<b>1,000,000</b>	

This was approved at the Special Council Meeting 24 June 2010

**ATTACHMENT TWO**  
**TO ITEM 7.1**  
**SPECIAL COUNCIL MEETING**  
**17 MARCH 2011**  
**STATEMENT OF PROJECTED OPERATING EXPENDITURES**

**Mindarie Regional Council**  
**INCOME STATEMENT BY NATURE AND TYPE**  
For the month ended 31 December 2010

Description	Adopted Budget	YTD Budget	YTD Actual to 31 Dec 2010	\$ Variance	% Variance	Total Adjustments	Projected Actual to 30 June 2011
<b>Revenue from Ordinary Activities</b>							
<b>User Charges</b>							
User Charges - City of Perth	1,519,600	762,152	760,641			700	1,520,295
User Charges - City of Wanneroo	9,238,400	4,619,202	4,468,647			(484,700)	8,753,745
User Charges - City of Joondalup	6,667,500	3,333,750	3,351,820			105,000	6,772,500
User Charges - City of Stirling	12,059,300	6,029,652	4,292,283			(4,196,000)	7,863,450
User Charges - Town of Cambridge	1,186,500	593,250	548,519			-	1,186,500
User Charges - Town of Vincent	1,510,900	755,448	697,073			5,100	1,515,990
User Charges - Town of Victoria Park	1,609,000	804,498	668,181			(284,300)	1,324,680
User Charges - RRF Residues	3,150,000	1,575,000	2,266,846			1,078,200	4,228,245
<b>Total Member User Charges</b>	<b>36,941,200</b>	<b>18,472,952</b>	<b>17,054,010</b>	<b>(1,418,942)</b>	<b>-7.68%</b>	<b>(3,776,000)</b>	<b>33,165,405</b>
User Charges - City of South Perth	-	-	1,734	1,734		2,000	1,756
User Charges - Casual Tipping Fees	5,018,000	2,509,002	3,667,099	1,158,097	46.16%	1,457,000	6,475,234
<b>Total User Charges</b>	<b>41,959,200</b>	<b>20,981,954</b>	<b>20,722,843</b>	<b>(259,111)</b>	<b>-1.23%</b>	<b>(2,317,000)</b>	<b>39,642,395</b>
<b>Service Charges</b>							
Sale of Recyclable Materials	340,000	169,998	182,351	12,353	7.27%	24,700	364,700
Sale of Limestone	-	-	-	-	-	-	-
Gas Power Generation Sales	550,000	106,000	105,260	(740)	-0.70%	-	550,000
Grants & Subsidies	400,000	-	-	-	-	-	400,000
<b>Contributions, Reimbursements &amp; Donations</b>							
	202,000	77,098	148,496	71,398	92.61%	(3,000)	200,742
<b>Interest Earnings</b>							
	700,000	349,584	349,549	(35)	-0.01%	(51,000)	649,027
<b>Other Revenue</b>							
	10,200	10,200	197,153	186,953	1832.87%	255,000	268,153
	<b>44,161,400</b>	<b>21,694,834</b>	<b>21,705,652</b>	<b>10,818</b>	<b>0.05%</b>	<b>(2,091,300)</b>	<b>42,075,017</b>
<b>Expenses from Ordinary Activities</b>							
<b>Employee Costs</b>							
	4,825,900	2,518,582	2,435,231	83,351	3.31%	97,100	4,925,952
<b>Materials and Contracts</b>							
Consultants and Contract Labour	477,900	239,786	233,615	6,171	2.57%	166,400	645,392
Communications and Public Consultation	442,000	144,009	99,376	44,633	30.99%	(65,000)	377,000
Landfill Expenses	1,492,800	582,975	440,274	142,701	24.48%	(230,000)	1,262,128
Office Expenses	281,200	133,743	91,210	42,533	31.80%	(45,000)	233,157
Information Systems	515,700	195,708	173,407	22,301	11.40%	(43,000)	471,993
Building Maintenance	115,100	36,954	24,625	12,329	33.36%	-	115,100
Plant and Equipment Operating and Hire	958,100	381,260	355,906	25,354	6.65%	(7,000)	951,100
RRF Operations Total Costs (Excl. Amortisation)	18,987,600	9,632,206	10,217,238	(585,032)	-6.07%	432,600	19,415,597
Waste Minimisation	280,000	10,002	1,910	8,092	80.90%	-	280,000
<b>Utilities</b>							
	109,500	87,852	97,778	(9,926)	-11.30%	21,000	130,435
<b>Depreciation</b>							
	1,133,700	566,850	561,281	5,569	0.98%	52,000	1,186,081
<b>Borrowing Cost Expenses</b>							
	681,000	367,047	354,963	12,084	3.29%	(28,000)	652,781
<b>Insurance</b>							
	160,700	160,700	163,729	(3,029)	-1.88%	7,000	168,024
<b>DEP Landfill Levy</b>							
	7,517,300	3,758,652	3,594,218	164,434	4.37%	(537,600)	6,979,732
<b>Land Lease/Rental</b>							
	615,000	303,000	290,491	12,509	4.13%	-	615,000
<b>Other Expenditure</b>							
Member Costs	169,900	84,452	71,710	12,742	15.09%	(30,000)	139,971
Administration	155,700	77,850	193,293	(115,443)	-148.29%	145,000	300,768
Amortisation/Site Monitoring Provision (LandFill)	4,206,050	2,103,027	2,103,024	3	0.00%	(278,800)	3,927,268
Amortisation (RRF)	652,259	326,130	326,130	-	0.00%	-	652,259
	<b>43,777,409</b>	<b>21,710,785</b>	<b>21,829,409</b>	<b>(118,624)</b>	<b>-0.55%</b>	<b>(343,300)</b>	<b>43,429,738</b>
<b>Profit on Sale of Assets</b>							
	-	-	-	-	-	-	-
<b>Loss on Sale of Assets</b>							
	8,700	8,700	55,541	(46,841)	-538.40%	47,000	55,541
	<b>(8,700)</b>	<b>(8,700)</b>	<b>(55,541)</b>	<b>(46,841)</b>	<b>538.40%</b>	<b>(47,000)</b>	<b>(55,541)</b>
<b>Changes in Net Assets Resulting from Operations</b>	375,291	(24,651)	(179,298)	(154,647)	627.35%	(1,795,000)	(1,410,262)
<b>Transfer from Reserve (2009/2010 C/F Expenditures)</b>							
	1,000,000	641,000	637,195	(3,805)	-0.59%	-	670,000
<b>Transfer to Reserve (Interest Income from Investments)</b>							
	-	-	(26,715)	-	-	-	(192,223)
<b>Changes in Net Assets including Reserve Transfer</b>	<b>1,375,291</b>	<b>616,349</b>	<b>431,182</b>	<b>(158,452)</b>	<b>-25.71%</b>	<b>(1,795,000)</b>	<b>(932,485)</b>

**Mindarie Regional Council**  
**RRF INCOME STATEMENT BY NATURE AND TYPE**  
**For the month ended 31 December 2010**

Description	Adopted Budget	YTD Actual to 31 Dec 2010	Total Adjustments	Proposed Revised Budget
<b>Revenue form Ordinary Activities</b>				
Other Revenue	-	1,826	4,000	4,000
	<b>-</b>	<b>1,826</b>	<b>4,000</b>	<b>4,000</b>
<b>Expenses from Ordinary Activities</b>				
Employee Costs	41,500	23,748	15,800	57,300
Materials and Contracts				
Consultants and Contract Labour	265,000	141,937	20,000	285,000
Office Expenses	5,200	3,525	-	5,200
Information Systems	12,000	8,740	4,000	16,000
Building Maintenance	30,900	6,722	(17,600)	13,300
RRF Operations Total Costs (Excl. Amortisation)				
Fencing and Gate Maintenance	5,200	3,434	1,000	6,200
Road Maintenance	5,200	-	(3,200)	2,000
Bores and Pipework	5,200	3,217	8,000	13,200
Environmental Monitoring	50,000	26,360	-	50,000
Community Monitoring Program	20,600	-	(20,600)	-
Landscaping and Gardens	20,600	4,629	(6,000)	14,600
MRC Admin Charge	100,000	49,998	-	100,000
Compost Disposal	525,000	190,851	(158,000)	367,000
Contractor's Fee	17,293,000	9,481,629	653,000	17,946,000
Utilities	24,200	9,745	(7,000)	17,200
Borrowing Cost	584,000	264,529	(56,800)	527,200
Amortisation (RRF)	652,259	326,130	-	652,259
	<b>19,639,859</b>	<b>10,545,194</b>	<b>432,600</b>	<b>20,072,459</b>
<b>Changes in Net Assets Resulting from Operations</b>	19,639,859	(10,543,368)	(428,600)	20,068,459
Transfer from Reserve (2009/2010 C/F Expenditures)	950,000	597,195		620,000
<b>Changes in Net Assets including Reserve Transfer</b>	<b>18,689,859</b>	<b>(9,946,173)</b>	<b>(428,600)</b>	<b>19,448,459</b>

**ATTACHMENT THREE**  
**TO ITEM 7.1**  
**SPECIAL COUNCIL MEETING**  
**17 MARCH 2011**  
**STATEMENT OF PROJECTED INVESTING ACTIVITIES**

**MINDARIE REGIONAL COUNCIL  
STATEMENT OF INVESTING ACTIVITIES  
For the period ended 31 December 2010**

Description	Adopted Budget	YTD Actual	% to Adopted Budget	Projections from Jan - June 2011	Projected Total for the year to 30 June 2011	Variations between Projected Total for year 2010/11 and Adopted Budget	Explanation 2 - Variation between Projected Total 2010/11 and Adopted Budget
<b>PLANT, VEHICLES AND MACHINERIES</b>							
<b>Plant and Vehicles</b>							
Landfill Compactor	1,030,000	1,023,080	99.33%	0	1,023,080	6,920	
Ride-on Mower	15,500	13,723	88.53%	0	13,723	1,777	
	<b>1,045,500</b>	<b>1,036,803</b>		<b>0</b>	<b>1,036,803</b>	<b>8,697</b>	Savings of \$8.5k
<b>Machinery and Equipment</b>							
Hook Lift Bin	14,000	14,790	105.64%	8,000	22,790	-8,790	Additional budget \$9k
8x Bunded Pallets	5,800	4,876	84.07%	0	4,876	924	
6x Grey Nally Bins	2,500	1,596	63.84%	0	1,596	904	
Stacking Turntables	4,200	3,168	75.43%	0	3,168	1,032	Savings \$1k
Anionic Resin Exchanger	2,000	2,014	100.68%	0	2,014	-14	
Refridgerant Recovery Unit	2,500	950	38.00%	0	950	1,550	Savings \$1k
New Tarpomatic System	240,000	230,470	96.03%	0	230,470	9,530	Savings \$9k.
Container				5,900	5,900	-5,900	Additional budget \$5.9k to store Assets for disposal and for Marketing storage.
	<b>271,000</b>	<b>257,864</b>	<b>50.46%</b>	<b>13,900</b>	<b>271,764</b>	<b>-764</b>	
<b>TOTAL PLANT, VEHICLES AND MACHINERIES</b>	<b>1,316,500</b>	<b>1,294,666</b>	<b>83.18%</b>	<b>13,900</b>	<b>1,308,566</b>	<b>7,934</b>	
<b>FURNITURE AND EQUIPMENT</b>							
<b>Furniture and Fittings</b>							
Replacement of Furnitures	10,000	8,740	87.40%	1,260	10,000	0	
	<b>10,000</b>	<b>8,740</b>	<b>87.40%</b>	<b>1,260</b>	<b>10,000</b>	<b>0</b>	
<b>TOTAL FURNITURE AND EQUIPMENT</b>	<b>10,000</b>	<b>8,740</b>	<b>87.40%</b>	<b>1,260</b>	<b>10,000</b>	<b>0</b>	
<b>COMPUTING EQUIPMENT</b>							
<b>Computing Equipment</b>							
Replacement of Laptop - CEO	4,000	0		3,000	3,000	1,000	
Replacement of Laptop - Financial Accountant	3,200	2,782	86.93%	0	2,782	418	
Replacement of Desktop - Receptionist	1,500	0		1,500	1,500	0	
Replacement of Desktop - Plant Supervisor	1,500	0		1,500	1,500	0	
Replacement of Desktop - Project Manager	1,500	0		1,500	1,500	0	
Replacement of Desktop - TRIM Computer	1,500	0		1,500	1,500	0	
Replacement of Desktop - Recycling POS	1,500	0		1,500	1,500	0	
New Laptop - Marketing and Education Manager	2,500	0		2,500	2,500	0	
Replacement of MRCTPS003 Server	25,000	0		25,000	25,000	0	
Upgrade Core Switches for the Existing Servers	20,000	0		20,000	20,000	0	
Various Replacement of Computing Equipments	15,000	0		15,000	15,000	0	
	<b>77,200</b>	<b>2,782</b>	<b>3.60%</b>	<b>73,000</b>	<b>75,782</b>	<b>1,418</b>	
<b>TOTAL COMPUTING EQUIPMENT</b>	<b>77,200</b>	<b>2,782</b>	<b>3.60%</b>		<b>75,782</b>	<b>1,418</b>	

**MINDARIE REGIONAL COUNCIL  
STATEMENT OF INVESTING ACTIVITIES  
For the period ended 31 December 2010**

Description	Adopted Budget	YTD Actual	% to Adopted Budget	Projections from Jan - June 2011	Projected Total for the year to 30 June 2011	Variations between Projected Total for year 2010/11 and Adopted Budget	Explanation 2 - Variation between Projected Total 2010/11 and Adopted Budget
<b>LAND AND BUILDINGS</b>							
<b>Building</b>							
Recycling Centre Lunch Room Extension	17,500	17,350	99.14%	0	17,350	150	
Administration Accommodation Improvements	92,000	0		92,000	92,000	0	
Workshop Extension	350,000	42,651	12.19%	307,349	350,000	0	
Ground Shed Maintenance	10,000			10,000	10,000	0	
Height Restrictor		5,610			5,600	-5,600	Additional budget to install Height Restrictor at Weighbridge.
Install Lining to Bio Diesel Shed				5,500	5,500	-5,500	Additional budget \$5.5K. To install lining to Bio Diesel Shed
	<b>469,500</b>	<b>65,611</b>	<b>13.97%</b>	<b>414,849</b>	<b>480,450</b>	<b>-10,950</b>	
<b>Land</b>							
New Land Purchase	12,000,000	0		12,000,000	12,000,000	0	
	<b>12,000,000</b>	<b>0</b>	<b>0.00%</b>		<b>12,000,000</b>	<b>0</b>	
<b>TOTAL LAND AND BUILDINGS</b>	<b>12,469,500</b>	<b>65,611</b>	<b>0.53%</b>		<b>12,480,450</b>	<b>-10,950</b>	
<b>INFRASTRUCTURE</b>							
<b>Operations</b>							
Boom Gates	19,500	11,961	61.34%	0	11,961	7,539	Savings \$7.5k.
	<b>19,500</b>	<b>11,961</b>	<b>61.34%</b>	<b>0</b>	<b>11,961</b>	<b>7,539</b>	
<b>Landfill Phase 3 Development (Work In Progress)</b>							
Pumps and Compressor Station	85,000	8,952		76,048	85,000	0	
Design, Superintendence	50,000	17,683		15,000	32,683	17,317	Savings of \$17k.
Clay Lining	2,000,000	0			0	2,000,000	To be carried forward to 2011/2012
Project Management	15,000	1,418		5,000	6,418	8,582	Savings of \$8.5k.
	<b>2,150,000</b>	<b>28,053</b>	<b>1.30%</b>	<b>96,048</b>	<b>124,101</b>	<b>2,025,899</b>	
<b>Landfill Stage 2 Capping (Work In Progress)</b>							
Design, Superintendence	150,000	45,347		104,653	150,000	0	
Cap Construction	3,000,000	1,668		1,400,000	1,401,668	1,598,332	Savings \$1.598m savings. Tender prices came in lower than estimated.
Revegetation	200,000	0		20,000	20,000	180,000	Savings \$180k. Minor seeding late in May/June.
Project Management	20,000	5,805		14,195	20,000	0	
	<b>3,370,000</b>	<b>52,820</b>	<b>1.57%</b>	<b>1,538,848</b>	<b>1,591,668</b>	<b>1,778,332</b>	
<b>TOTAL INFRASTRUCTURE</b>	<b>5,539,500</b>	<b>92,834</b>	<b>1</b>	<b>1,634,896</b>	<b>1,727,730</b>	<b>3,811,770</b>	
<b>TOTAL CAPITAL EXPENDITURES - TAMALA PARK</b>	<b>19,412,700</b>	<b>1,464,634</b>	<b>7.45%</b>	<b>1,650,056</b>	<b>15,602,529</b>	<b>3,810,172</b>	
<b>RESOURCE RECOVERY FACILITY</b>							
<b>Resource Recovery Facility</b>							
Site Infrastructure	135,000	39,815		95,185	135,000	0	
	<b>135,000</b>	<b>39,815</b>	<b>29.49%</b>	<b>95,185</b>	<b>135,000</b>	<b>0</b>	
Vehicle Washbay (Work In Progress)	0	0		50,000	50,000	-50,000	Addition of \$50k. New work requested by the SPC/ARC. Note that this cost only include design and tendering cost.
	<b>0</b>	<b>0</b>		<b>50,000</b>	<b>50,000</b>	<b>-50,000</b>	
<b>TOTAL CAPITAL EXPENDITURES - RRF</b>	<b>135,000</b>	<b>39,815</b>	<b>0.70%</b>	<b>145,185</b>	<b>185,000</b>	<b>-50,000</b>	



**ATTACHMENT FOUR**  
**TO ITEM 7.1**  
**SPECIAL COUNCIL MEETING**  
**17 MARCH 2011**  
**MINDARIE REGIONAL COUNCIL'S UNDERS AND OVERS POLICY**

**ITEM 9.2.5**

**File No: FIN/8**

**SUBJECT: APPROACH FOR RECOVERY OF MEMBERS GATE FEES  
UNDERCHARGE**

**SUMMARY**

The purpose of this item is to summarise the mechanism and procedures in relation to the payment of under-recovery of Members' Gate Fees undercharge.

**BACKGROUND**

Under-recovery of tipping fees has occurred in previous years as a result of the complexities in the nature of the business.

Member Councils fix Council fees as at 1 July every financial year and have a difficulty to contribute towards under-recovery of Gate Fees during the year.

An Item was presented at the Ordinary Council Meeting on 27 April 2006 and was deferred for further consideration. A further Paper was represented at the Financial Management Workshop held on 5 October 2006 for consultation.

**DETAIL**

**Rationale**

Member Gate Fees are based on estimates prior to the finalisation of Mindarie Regional Council's budget (around February/April and prior to commencement of the financial year) and in view of the timeframes there is a likelihood that there would be unders or overs as a result of various factors.

**Suggested Approach**

The suggested approach has been incorporated into a two phase procedure.

***Phase 1:***

An assessment in conjunction with the Mindarie Regional Council's Mid-Year Budget review, of the Members' Gate Fees be carried out to establish the unders or overs in the Members' Gate Fee for the current year. Where the projected 'unders' for the financial year are anticipated to be material (greater than \$500,000) a one-off adjustment be made to the Members' Gate Fees for the immediate financial year following the current year, in conjunction with the members Gate Fees setting process.

For example, assuming at the Mid-Year Review for 2006/2007 it is noted that the projected under/over recovery for 2006/2007 financial year is estimated at \$600,000 in the context of Mindarie Regional Council financials. Since the amount is greater than \$500,000, an adjustment to cover this shortfall would then be included in the calculation of 2007/2008 financial year's projected Members' Gate Fee.

***Phase 2:***

On the finalisation of the audit for a financial year, a final assessment of the unders or overs relating to Members' Gate Fees be made and an adjustment be made, as a matter of course, in the immediate financial year commencing after the finalisation of the audit. This adjustment needs to take into account any adjustment made to Members' Gate Fees under Phase 1.

For example, at the finalisation of the audit for 2006/2007 in October 2007, it is confirmed that the under-recovery is \$650,000. An adjustment would then be made to the members Gate Fees for 2008/2009 to cover the net shortfall of \$50,000 (\$650,000 less \$600,000 under Phase 1).

The suggested effective date for this mechanism and procedure is 1 January 2007 ie. Effective for 2006/2007 financial year.

### **CONSULTATION**

Further consultation concerning this work was carried out at the forum of the Financial Management Workshop held on 5 October 2006.

Members agreed in principle the thrust of this paper but recommended the following changes:

- Where a loss is anticipated at the half-review, an early warning in the form of a letter be issued to Member Councils
- Fee increase be implemented at 1 March in any one year to cover any loss

### **STATUTORY ENVIRONMENT**

This approach is consistent with the appropriate legislation.

### **POLICY IMPLICATIONS**

The Financial Precepts mentioned the adjustment to Members' Gate Fees where it differs from actual cost but does not provide a mechanism for adjustment.

This procedure will provide a practical process for calculation and recovery of the unders or refund of overs relating to the Members' Gate Fees.

### **FINANCIAL IMPLICATIONS**

This procedure will affect the calculation of the future years 'Members' Gate Fees as the under/over recovery of Members' Gate Fees for preceding years need to be taken into account in the finalisation of the Members' Gate Fees.

### **STRATEGIC IMPLICATIONS**

This procedure provides continuity and consistency in dealing with unders/overs of Members' Gate Fees and would impact on the future year's Members' Gate Fee Calculation.

### **COMMENT**

The administration has discussed this policy at the forum of the Financial Management Workshop held on 5 October 2006 and the Member Councils' Technical and Financial representatives were in support of this paper subject to the change noted above.

## RECOMMENDATION

That Council:

- i) approve the mechanism and procedure described in this Item effective 1 January 2007, for the calculation and recovery of unders or refund of the overs in relation to Members' Gate Fees as agreed by the representatives of Member Councils at the Financial Workshop on 5 October 2006:*
- ii) where a loss (under – recovery) is anticipated in relation to Members' Gate Fee Recovery Model, at the Mid Year Review an early warning to Member Councils' be issued*
- iii) an increase in fee be implemented effective 1 March during the same financial year to cover the 'under-recovery'*

*MOTION:(Moved:Cr Re Seconded:Cr Hollywood)*

The Mover and Seconder were agreeable to inclusion of the additional words in the Recommendation to recognise the process of financial adjustment being applicable to a particular financial year.

## RECOMMENDATION

**That Council:**

- i) approve the mechanism and procedure described in this Item effective 1 January 2007, for the calculation and recovery of unders or refund of the overs in relation to Members' Gate Fees in any one financial year as agreed by the representatives of Member Councils at the Financial Workshop on 5 October 2006***
- ii) where a loss (under – recovery) is anticipated in relation to Members' Gate Fee Recovery Model for a particular financial year, at the Mid Year Review an early warning to Member Councils' be issued***
- iii) an increase in fee be implemented effective 1 March during the same financial year to cover the 'under-recovery'***

*(Carried:8/0)*