




# Corporate & Strategy Reports

**Committee Consideration – 12 November 2013**  
**Council Resolution – 26 November 2013**

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|-----------------|---|
| <b>CPS35.13</b> | <b>List of Accounts Paid – September 2013</b> |
|-----------------|---|

|                           |   |
|---------------------------|---|
| <b>Committee</b>          | 12 November   |
| <b>Council</b>            | 26 November   |
| <b>Applicant</b>          | City of Nedlands  |
| <b>Officer</b>            | Rajah Senathirajah – Manager Finance  |
| <b>Director</b>           | Michael Cole – Director Corporate & Strategy                                      |
| <b>Director Signature</b> |  |
| <b>File Reference</b>     | Fin/072-17  |
| <b>Previous Item</b>      | Nil   |

## Executive Summary

In accordance with Regulation 13 of the *Local Government (Financial Management) Regulations 1996* Administration is required to present the List of Accounts Paid for the month to Council.

## Recommendation to Committee

**Council receives the List of Accounts Paid for the month of September 2013 (Refer to Attachment).**

## Strategic Plan

KFA: Governance and Civic Leadership

This report will ensure the City meets its statutory requirements.

## Background

Regulation 13 of the *Local Government (Financial Management) Regulations 1996* requires a list of accounts paid to be prepared each month showing each account paid since the last list was prepared:

1. the payee's name;
2. the amount of the payment;
3. the date of the payment; and
4. sufficient information to identify the transaction.

The list is to be presented to the Council at the next ordinary meeting of the Council after the list is prepared and recorded in the Minutes of that meeting.

## Discussion

The list of accounts paid for September 2013 is attached and is presented to Council. Also including for the first time in these reports in a schedule of Credit Card payments.

## Consultation

Required by legislation:

Yes

No

Required by City of Nedlands policy:

Yes

No

## Legislation / Policy

This report meets the requirements of Regulation 13 of the Local Government (Financial Management) Regulations 1996.

## Budget/Financial Implications

Not applicable.

## Risk Management

The Accounts Payable procedures ensure that no fraudulent payments are made by the City, and these procedures are strictly adhered to by the officers. These include the final vetting of approved invoices by the Finance Manager and the Director of Corporate Services (or designated alternative officers).

## Conclusion

The list of accounts paid for the month of September 2013 complies with the relevant legislation and can be received by Council.

## Attachments

1. List of Accounts Paid – September 2013
2. Purchasing Card Expenses - September (Statement period 29<sup>th</sup> August to 28<sup>th</sup> September 2013)

|                                 |
|---------------------------------|
| <b>CPS36.13 Code of Conduct</b> |
|---------------------------------|

|                           |   |
|---------------------------|---|
| <b>Committee</b>          | 10 September 2013   |
| <b>Council</b>            | 24 September 2013   |
| <b>Applicant</b>          | City of Nedlands  |
| <b>Officer</b>            | Phoebe Huigens, Policy & Projects Officer   |
| <b>Director</b>           | Michael Cole, Director Corporate & Strategy                                       |
| <b>Director Signature</b> |  |
| <b>File Reference</b>     | CRS/007-02  |
| <b>Previous Item</b>      | NIL   |

### Executive Summary

Council is requested to adopt the City of Nedlands Code of Conduct in accordance with the provisions of section 5.103(1) of the *Local Government Act 1995*.

### Recommendation to Committee

**Council adopts the City of Nedlands Code of Conduct as per Attachment 1.**

### Strategic Plan

Governance and Civic Leadership

The Code of Conduct seeks to ensure that professional working relationships are maintained in the interest of providing excellent customer service and good governance of the City.

### Background

In accordance with section 5.103(1) of the *Local Government Act 1995*, a local government is required to adopt a code of conduct to be observed by council members, committee members and employees.

### Key Relevant Previous Council Decisions:

Nil

## Consultation

Required by legislation: Yes  No   
Required by City of Nedlands policy: Yes  No

## Legislation / Policy

Section 5.103(1) of the *Local Government Act 1995* requires a local to adopt a code of conduct to be observed by council members, committee members and employees.

## Budget/Financial Implications

Within current approved budget: Yes  No   
Requires further budget consideration: Yes  No

## Risk Management

By adopting and adhering to a code of conduct, the City and Council encourages good conduct by Council members, Committee members and staff and seeks to reduce the risk of claims of misconduct and poor governance.

## Discussion

At the Councillor Briefing of Tuesday 6 August 2013, a number of issues and concerns relating to the City's Standing Orders Local Law and Code of Conduct were discussed.

A number of changes to the Code of Conduct were identified throughout this discussion, and are detailed below. The attached Code of Conduct contains all listed changes.

1. Remove the section relating to "Corporate Team"
2. Amend clause 7.4 to read "Elected Members and employees shall accept that the Mayor or relevant Chairperson and the Chief Executive Officer retain the right to answer any question arising in the first instance, and an employee is responsible for assisting with a response when called upon to do so."
3. Amend clause 8.16 to include reference to bullying and intimidation, to read "Elected Members and employees shall not harass, discriminate against, bully, intimidate, or support others who harass, discriminate against, bully or intimidate colleagues or members of the public. This includes, but is not limited to harassment and discrimination, on the grounds of sex, pregnancy, age, race (including their colour, nationality, descent, ethnic or background), religion, political affiliation, marital status, disability, sexual preference or transgender."

Administration also noticed that section 6 titled “Organisational Arrangement and Decision Making” makes no reference to Council’s decision-making criteria that it agreed upon through the Strategic Community Plan. An additional clause 6.7 is proposed as follows:

4. Elected Members are committed to adhere to the decision-making criteria adopted through its Strategic Community Plan:
  - a. How well does it fit our strategic direction?
  - b. Who benefits?
  - c. Can we afford it?
  - d. Does it involve a tolerable risk?

The Code of Conduct will next be reviewed following Council elections in October 2013, where the new Council will be required to adopt the Code of Conduct.

## **Conclusion**

Council is requested to adopt the City of Nedlands Code of Conduct as amended in Attachment 1 in accordance with the provisions of section 5.103(1) of the *Local Government Act 1995*.

## **Attachments**

1. City of Nedlands Code of Conduct

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|--|
| <b>CPS37.13 Post-Audit Changes to 2013/14 Budget</b> |
|--|

|                           |   |
|---------------------------|---|
| <b>Committee</b>          | 12 November 2013  |
| <b>Council</b>            | 26 November 2013  |
| <b>Applicant</b>          | City of Nedlands  |
| <b>Officer</b>            | Rajah Senathirajah  |
| <b>Director</b>           | Michael Cole – Director Corporate & Strategy                                      |
| <b>Director Signature</b> |  |
| <b>File Reference</b>     | Fin/003-15  |
| <b>Previous Item</b>      | Nil   |

## Executive Summary

This report is being presented to Council to obtain approval to modify the 2013/14 Budget to reflect the brought forward surplus from 2012/13 following the audit of Annual Financial Statements for 2012/13, and to include in the Capital Works program the projects carried forward from the previous financial year.

## Recommendation to Committee

### Council:

1. receives and adopts the changes to the 2013/14 adopted Budget following the audit of the Annual Financial Statements for the 2012/13 financial year,
2. notes the additional brought forward surplus from 2012/13 financial year of \$2,056,200 includes the following:
  - a. \$ 1,265,300 of unutilised funding for capital works approved in 2012/13 but carried forward for completion in 2013/14;
  - b. \$ 413,500 from WA Grants Commission, being 53% of the operating grant for 2013/14;
  - c. \$210,000 grant for Blackspot project received in advance;

3. **approves the inclusion in the 2013/14 Capital Works Budget the brought forward capital works, as listed in Attachment 1 and totalling \$1,265,300;**
4. **approves the reduction of the Operating Grants revenue for 2013/14 by \$413,500;**
5. **approves the increase in the operating expenditure budget for Governance by \$233,320 to meet the increased meeting fees as approved by salaries and allowance tribunal effective from 1 July 2013;**
6. **approves the reduction in Roads capital works to reflect:**
  - a. **only the City's contribution to Stirling Highway/Broadway Black Spot project as the project will now be taken over and constructed by Perth Transport Authority, and**
  - b. **the City having to return grant funds received in advance for this project; and**
7. **approves the revised Rate Setting Statement incorporating all the above adjustments, with the anticipated surplus at the end of this financial year of \$ 331,100 - this amount being subject to the Mid-year Budget Review in January 2014.**

#### **ABSOLUTE MAJORITY REQUIRED**

### **Strategic Plan**

KFA: Governance and Civic Leadership

The Local Government Act 1995 requires changes to the adopted Budget to be approved by Council with an absolute majority.

Adoption of the changes will ensure that monthly financial reports reflect the current financial capacity of the City.

### **Background**

In developing a balanced Budget in May 2013 the City estimated the surplus funds that would be available as at 1 July 2013 for operations and capital works to be carried out in 2013/14. This estimate was based on then available information on possible savings from operations and the completion of the capital works program (other than those to be re-budgeted).

The actual surplus available is confirmed following the completion of the independent audit of the Annual Financial Statements in September 2013.

The Local Government (Financial Management) Regulations 1996, as amended, requires every local government to review its adopted Budget at the end of the first



six months, and revise it to accommodate, amongst other factors, the difference between the estimated surplus in the adopted Budget and the actual surplus as confirmed in the audited Financial Statements.

As in the previous year, Management is proposing that the revision to the Budget to accommodate the difference in the brought forward surplus be approved soon after the Financial Statements are audited. This will enable more meaningful monitoring of expenditure against the Budget.

The Mid-year Budget Review, as required by the Regulations, will be carried out in January 2014. At that stage consideration will be given to approving new initiatives as well as increases to operational expenditure deemed necessary.

### **Proposal Detail**

That the 2013/14 Budget be amended as per the recommendations at the start of this report. The reasons for the recommendations are given later under “Discussion”.

### **Key Relevant Previous Council Decisions:**

Adoption of the 2013/14 Budget at a Special Meeting of Council on 20 June 2013.

### **Consultation**

|                                      |                              |      |
|--------------------------------------|------------------------------|------|
| Required by legislation:             | Yes <input type="checkbox"/> | No X |
| Required by City of Nedlands policy: | Yes <input type="checkbox"/> | No X |

There have been internal consultations with Managers of the various Business Units and with the Directors.

### **Legislation / Policy**

This report satisfies the requirements of Local Government (Financial Management) Regulations 1996.

### **Budget/Financial Implications**

The implications of the recommendations in this report are summarized in the revised Rate Setting Statement for 2013/14 (Attachment 2). The surplus to be carried forward to the next financial year is \$ 331,100. This amount is subject to the outcome of the Mid-year Budget Review in January 2014.

## **Risk Management**

The main risk related to the proposals is that there could be over-runs of the operating budget or the capital works budget. Management will monitor and report to Council on a monthly basis variances between the current (revised) budget and actual financial performance for the period, and take appropriate action to minimise the risk.

## **Discussion**

The City has, for a number of years, not carried forward funds allocated to operations and not spent in the Budget year. If the funds were for projects or activities deemed necessary, they are re-budgeted in the following year's Budget.

However, Capital works, especially infrastructure projects, can span two or more financial years. In most cases these are projects which commenced, or were expected to commence, in the second half of the financial year, and will be completed in the first half of the following financial year.

Capital works carried forward from the 2012/13 financial year have been identified, and are listed in Attachment 1. The total funds needed for completion of these projects this financial year amount to \$1,265,300. These funds have been brought forward from the previous year, and are a major component of the increase compared to the surplus funds brought forward on 1 July 2013 as shown in the adopted Budget. It is recommended that the carried forward projects and the respective allocation of the brought funds be entered into the revised 2013/14 Budget.

The second component of the increase in surplus funds brought forward is the receipt in advance of part of the WA Grants Commission grant for 2013/14, amounting to \$413,500, received in late June 2013. It was a requirement of the Department of Local Government that this receipt be recognised as revenue in the 2012/13 year but will require an adjustment so the revenue budget for 2013/14 be reduced by this value.

Another component of the increase in surplus funds brought forward is the advance receipt of part of the grant for the Broadway/Stirling Highway/Hampden Road Blackspot project, amounting to \$306,000. This project has been delayed due to a number of changes to the scope of the project by the Public Transport Authority. The City is now seeking agreement that the project construction and management be handed over to Main Roads WA and Perth Transport Authority, with the City making a contribution as its component of the Blackspot funding. This is being suggested in order to reduce contractual complexity in the design and construction process, thus reducing risk to the City. Consequently, the advance receipt of the grant is to be returned, and the value of the project in the Budget is to be reduced to the City's cash contribution of \$115,000.

A Revised Rate Setting Statement incorporating the recommended budget changes is attached to this Report (Attachment 2).

## **Conclusion**

The objective of the recommendations in this report is to have the 2013/14 Budget updated to reflect the current estimates with regards to operating revenue and expenses, and the capital works to be carried out this financial year.

No new capital project has been identified at this stage, with the changes to the Budget being the capital projects approved for the previous year but not completed in 2012/13. Similarly no new operating expenses are being proposed other than recognise the increase in fees and entitlements for the elected members of Council.

## **Attachments**

2. Capital Works Program- Carried Forward Projects from 2012/13
3. Revised Rate Setting Statement as at 1 November 2013

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| <b>CPS38.13 Annual Report for the year ended 30 June 2013</b> |
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|                           |   |
|---------------------------|---|
| <b>Committee</b>          | 12 November 2013  |
| <b>Council</b>            | 26 November 2013  |
| <b>Applicant</b>          | City of Nedlands  |
| <b>Officer</b>            | Rajah Senathirajah – Manager Finance  |
| <b>Director</b>           | Michael Cole – Director Corporate & Strategy                                      |
| <b>Director Signature</b> |  |
| <b>File Reference</b>     | Fin/008-25  |
| <b>Previous Item</b>      | Nil   |

### **Executive Summary**

The Annual Report for the year ended 30 June 2013, including Audited Financial Report and the Independent Auditor's Report is presented to Council for acceptance. Once formally received and accepted by Council, the Annual Report is to be referred for discussion at the Annual Electors' Meeting.

### **Recommendation to Committee / Council**

#### **Council**

1. in accordance with the provisions of *Section 5.54 of the Local Government Act 1995*, accepts the annual report of the City of Nedlands for the Year ended 30 June 2013 including:
  - a. the Financial Report
  - b. the Independent Auditor's Report; and
2. refers the Annual Report for the year ended 30 June 2013 to the Annual General Meeting of Electors of the City of Nedlands to be held at 6:00pm, Tuesday 10<sup>th</sup> December 2013 in the Council Chambers.

## Strategic Plan

KFA: Governance and Civic Leadership

The report enables Council to assess compliance with the relevant statutory obligations and the financial performance of the City.

## Background

*Section 5.53 of the Local Government Act 1995* requires a Local

Government to prepare an Annual Report for each financial year. The Annual Report is to contain a report from the Mayor, a report from the Chief Executive Officer, the Financial Report for the Financial Year, the Auditor's Report for the Financial Year, a number of other matters in relation to principal activities and such other information as may be prescribed.

Once received and accepted Council is then required by *Section 5.27 of the Local Government Act of 1995* to hold a General Meeting of Electors once every financial year to discuss the contents of the Annual Report for the previous financial year and any other general business.

## Proposal Detail

Attached is the Annual Report Financial Report for the year ended 30 June 2013, including the Financial Report and Independent Auditor's Report. The Financial Report comprising the Accounts for the year ended 30 June 2013 was completed and submitted to Council's Auditor Macri Partners who completed their audit in September 2013.

## Consultation

Required by legislation: Yes  No X

Required by City of Nedlands policy: Yes  No X

## Legislation

*Sections 5.27, 5.29, 5.53, 5.54 and 6.4 of the Local Government Act 1995* respectively deal with the requirement for a General Meeting of

Electors each financial year and the requirement for an Annual Financial Report.

## **Budget/financial implications**

### **Financial Performance**

In terms of Financial Performance the City completed the year with an operating surplus of \$1,136,629. This compares with an operating surplus of \$63,900 in the budget adopted in June 2012. The Operating Statement includes all operating revenues and expenses, both cash and non-cash, as well as grants and contributions for acquisition of assets. In terms of setting its rates Council does not budget to raise rates to recover the non-cash costs of depreciation but does budget to generate sufficient operating revenue to fund its capital works program.

There were several significant factors contributing to the favourable variation of actual to adopted budget. The operating revenues, excluding contributions for capital acquisitions, were better than budget by \$93,956. The operating expenses show savings of \$1,352,290. Grants and contributions received for capital acquisitions, together with net profit on asset disposals, were below the budget by \$373,516. The significant reasons for the variances are:

### **Revenue**

1. Operating Grants and Contributions show an improvement over Budget of \$29,311 (1.6%). Although the City received in late June 2013 an advance of \$413,527 on the 2013/14 operating grant from the Grants Commission, this was largely off-set by \$401,736 of the grant budgeted for 2012/13 being received the previous financial year.
2. Fees and charges raised were better than budget by \$61,213 (1.0%), due mainly to more than anticipated parking infringements being issued.
3. The City earned \$164,958 less than budgeted from the investment of funds surplus to its immediate requirements. This was due to a drop in interest rates by banks, coupled with the restrictions on placement of the funds to the “big four” banks and the maximum percentage that can be placed with any one institution.
4. Rates levied were \$71,911 (0.40%) more than what was anticipated at the time of Budget adoption. The increase was due to improvement to properties, resulting in higher Gross Rental Values.

## Operating Expenses

1. The operating expenses for the year were \$27,103,910.  
  
Compared to the Budget of \$28,456,200, this is an overall 'savings' of \$1,352,290 (4.8 %).
2. Most of the operating expenses were close to budget, with the bulk of the 'savings' coming from depreciation of non-current assets. This reduction in depreciation expenses was due to the revaluation of the roads by components, as required by Accounting Standard AASB 116, at the end of the previous financial year using the Roman II system. Prior to the revaluation roads were treated as one asset type, and all the four components were treated as having identical useful life. After the revaluation each component was assigned its own unique useful life. Road "formation" valued at \$ 18 million was, in keeping with industry practice, assumed to have an indefinite useful life, and hence not subject to depreciation. This resulted in total depreciation dropping by \$1.54 million compared to the Budget, which was adopted before the revaluation was taken into the books.
3. Employee costs were up by \$550,931 (5.7 %) compared to the Budget. The review of salaries in line with the Mercer recommendations resulted in an increase of \$263, 679 above the Budget; the other contributors to the increased employee costs were the additional workers compensation premium of \$112,606 due to the high claims paid out during the year and adjustments of \$174,646 to the long service provisions.
4. Materials and Contracts costs are down by \$287,932 (2.8%) compared to the Budget. This is partly due to the deferment of some operating projects.
6. Insurance expenses have come down by \$55,700. This is mainly due to the drop in premiums on motor vehicles insurance, in turn resulting from the switch to replacement of the light fleet after 3 years instead of after two years' use and the use of market values for the insurance cover.

## Capital Works

During the financial year the City spent \$6.62 million in carrying out its capital works program. The major share of the funds, \$3.58 million, was utilised in improving infrastructure assets –roads, drainage, parks and gardens – with another \$1.34 million used for upgrading and renovating the City’s buildings and purchase of plant and equipment.

The City also purchased the land next to the Administration buildings, together with the house on it, for \$1.71 million. This purchase was fully funded from the City’s Reserves. This is not listed in Note 30 Major Land Transactions in the Financial Statements as the value is below the value for inclusion prescribed in the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996.

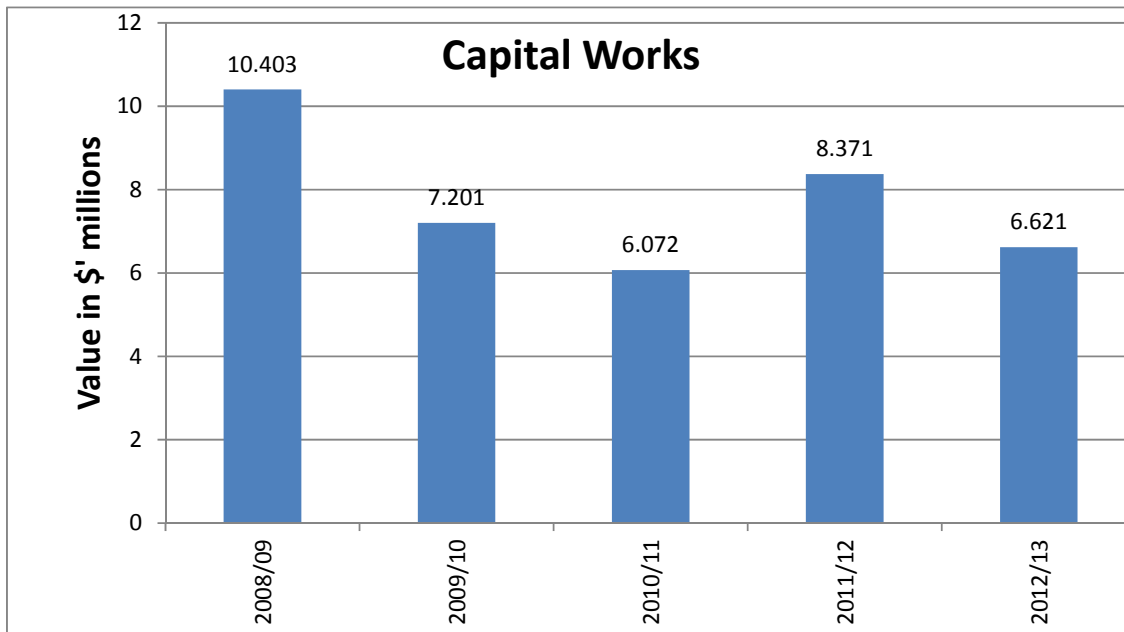
The original capital budget for the year was \$7.09 million. During the mid-year Budget Review this was amended to \$10.01 million. However, a number of projects were not completed during the year and are carried forward to 2013/14. Some of these have been re-budgeted in the 2013/14 budget adopted in June 2013; the funds carried over for those that have not been re-budgeted include:

|                                    |             |
|------------------------------------|-------------|
| River Wall Maintenance (unspent) - | \$306,400   |
| Adams Road                         | - \$171,200 |
| Alfred Road (Black Spot)           | - \$37,000  |
| Stirling Hwy/Vincent St            | - \$20,500  |
| Stirling Hwy/Florence              | - \$20,600  |
| Nedlands Library                   | - \$50,000  |
| Allen Park Lower Pavillion         | - \$60,100  |
| Administration Building Roof       | - \$121,400 |
| City Wide Building Repairs         | - \$60,000  |
| College Park Practice Wickets      | - \$30,100  |
| IT Disaster Recovery Centre        | - \$258,000 |



Of the total funds expended on capital works, \$914,000 were from grants and contributions. The balance was made up of operating surplus, sale of plant, depreciation write-back and drawdown from Reserves.

The value of capital works completed during the past 5 years is shown in the following chart. It is to be noted that the high value of capital works in 2008/09 is due to the construction of the Karrakatta Underpass which was completed in that year. The high value in 2011/12 was due to the refurbishment of John Leckie Pavilion, valued at \$2.6 million.



### Revaluation of Assets

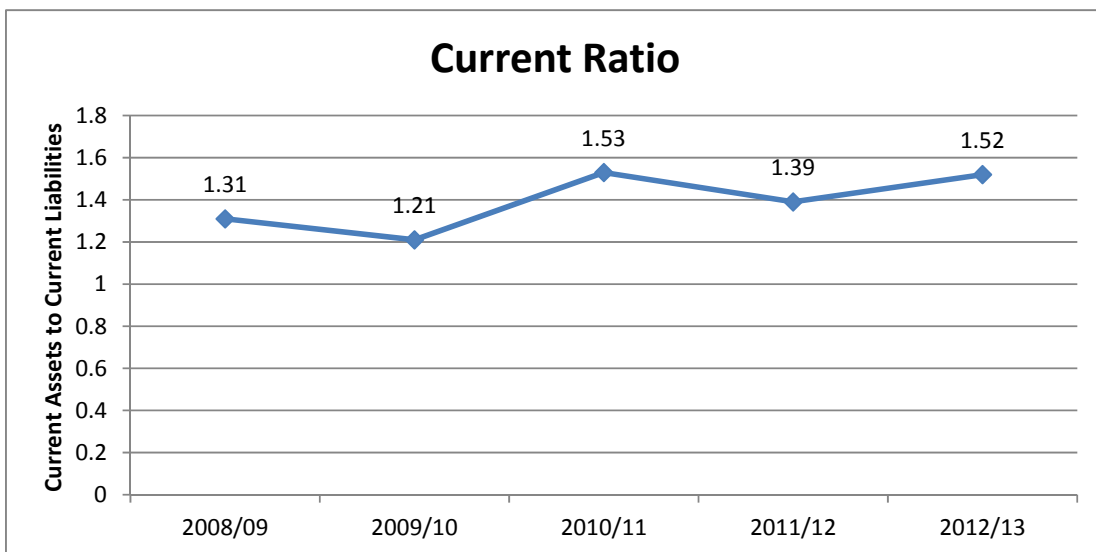
The City's Accounting Policy, as well as the Australian Accounting Standards, requires certain asset classes to be revalued on a regular basis such that the carrying values in the books are not materially different from fair value. Towards the end of 2012/13 financial year the City assessed the fair value of the City's Plant and Equipment, and the relevant asset records have been amended effective 30 June 2013. The impact of the revaluation is the recognition in Other Comprehensive Income of a notional gain of \$458,442, and a corresponding increase in the Asset Revaluation Reserves.

It is to be noted that the revaluation does not have any impact on the cash position of the City.

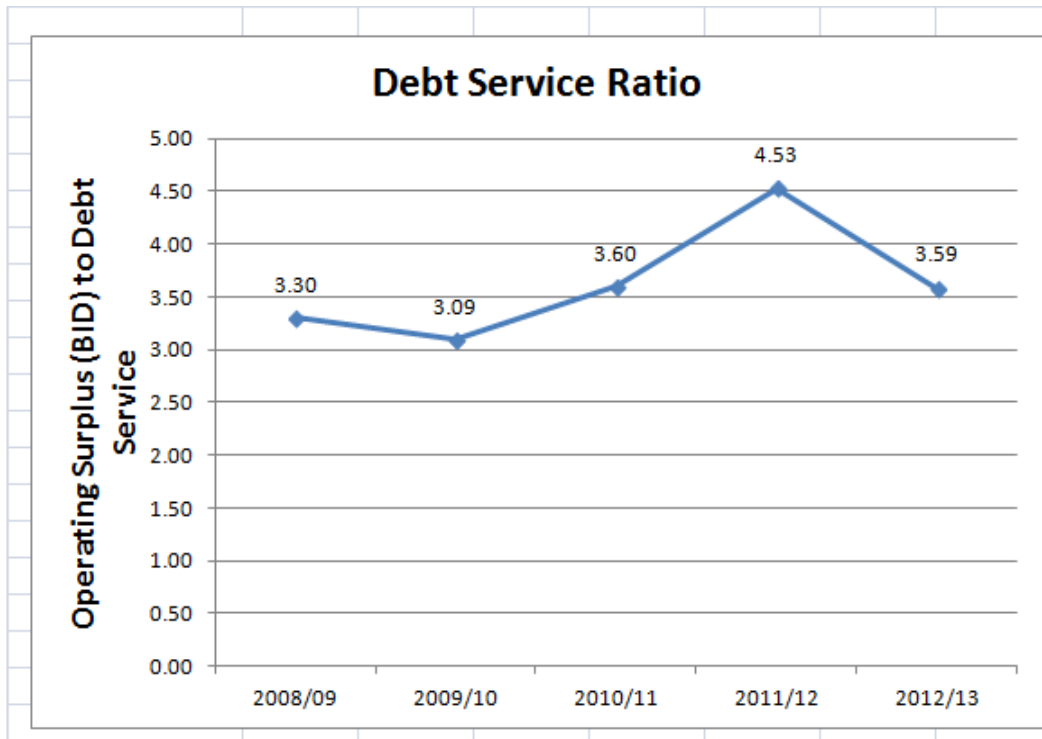
## Financial Performance Indicators

The Financial Ratios in Note 18 to the accounts give an overview of the financial performance of the City in 2012/13 compared with the previous two years. Three of the key indicators are charted below, for the past 5 years.

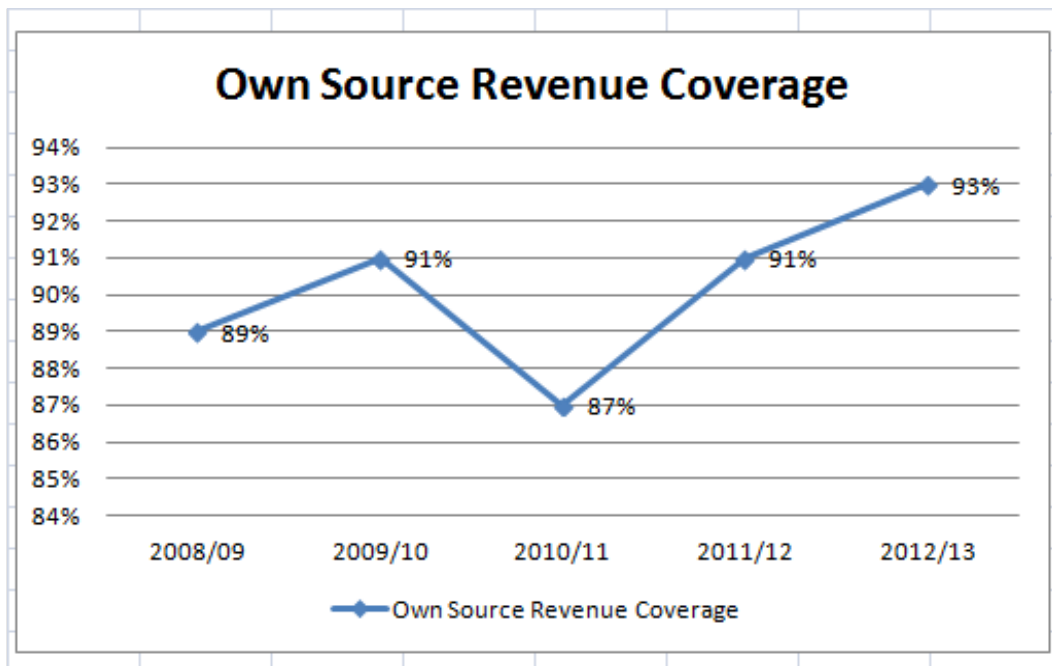
**Current Ratio** - The Current Ratio is a liquidity ratio which indicates the ability of the City to meet its short-term financial obligations out of unrestricted current assets. A ratio greater than 1.00 is preferred. The chart shows that the City has had good liquidity levels of 1.21 to 1.53 over the past 5 years.



**Debt Service Cover Ratio** - The Debt Service Cover Ratio measures the capacity of the City to service its debt (principal and interest, as they become due) out of its available operating surplus before interest and depreciation. A Basic standard is achieved if the ratio is equal to or greater than 2. The City's debt service cover ratio was 3.59 for 2012/13, and has been above 3.09 for the past 5 years.



**Own Source Coverage Ratio** - This ratio is a measure of the City’s ability to cover its costs through its own revenue efforts – rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets. A ratio in the 60% to 90% range is considered healthy for medium sized local governments without a major source of user-pay fee revenue like parking. The City’s Own Source Coverage has averaged around the upper limit of the range over the past five years.



## **Receivables**

One of the risk factors evaluated in the Notes to the Accounts (Note 32) is receivables – the risk that the debts may not be repaid. The percentage of receivables other than rates shows that the overdue percentage has increased from 64.30% in 2012 to 77.03% in 2013. The increase in percentage is due to the decrease in total amount to be received, from \$308,390 in 2012 to \$202,666 in 2013. The overdue amount has also decreased from \$198,291 in 2012 to \$154,611 in 2013. Of the overdue amount in 2013, 79% is made up of uncollected infringements.

## **Audit Report**

The City's Auditor, Macri Partners, has given a standard form unqualified Audit Report for 2011/12.

## **Risk Management**

Not applicable.

## **Conclusion**

That the Committee recommends to Council the acceptance of the Financial Report for the City of Nedlands for the year ended 30 June 2013 comprising the Financial Report and the Auditor's Report.

## **Attachments**

1. Annual Report for the year ended 30 June 2013