**

Corporate & Strategy Reports

Committee Consideration – 15 March 2019

Council Resolution – 26 March 2019

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| CPS04.19 List of Accounts Paid – January 2019 |

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| **Committee** | 12 March 2019 |
| **Council** | 26 March 2019 |
| **Applicant** | City of Nedlands |
| **Officer** | Vanaja Jayaraman – Manager Finance |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Creditor Payment Listing January 2019 2. Purchasing Card Payments January 2019 (29th December 2018 – 28th January 2019) |

**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 January 2019** **(refer to attachments).**

**Discussion/Overview**

**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. This list is to include the following information:

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.

**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 Manager Finance and the Director Corporate and Strategy (or designated alternative officers).

**Conclusion**

The List of Accounts Paid for the month of January 2019 complies with the relevant legislation and can be received by Council (see attachments)

**Consultation**

Required by legislation: Yes  No

Required by City of Nedlands policy: Yes  No

**Budget/Financial Implications**

Nil.

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| CPS05.19 2018 Compliance Audit Return |

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| **Committee** | 12 March 2019 |
| **Council** | 26 March 2019 |
| **Applicant** | City of Nedlands |
| **Officer** | Stacey Gibson – PA to Director Corporate & Strategy |
| **Director** | Lorraine Driscoll – Director Corporate & Strategy |
| **Attachments** | 1. Compliance Audit Return 2018 |

**Executive Summary**

The 2018 Compliance Audit Return is an annual return that is required to be reviewed and adopted by Council prior to submission to the Department of Local Government by 31 March 2019. The Audit and Risk Committee are required to review the return and is to submit results for that review to Council.

**Recommendation to Committee**

**Council adopts the 2018 Compliance Audit Return as per recommendation by the Audit and Risk Committee.**

**Discussion/Overview**

Local governments are required to complete the annual Compliance Audit Return. The attached return for the City of Nedlands is for the period 1 January 2018 to 31 December 2018. It is required to be considered and adopted by Council and submitted to the Department of Local Government by 31 March 2019. The Audit and Risk Committee is required to review the return and is to submit the results of that review to Council.

In accordance with Regulation 14 and 15 of the Local Government (Audit) Regulations 1996 the Compliance Audit Return 2018 must be:

1. Presented to the Audit and Risk Committee for review and then presented to Council;
2. Adopted by Council;
3. Recorded in the minutes of the meeting at which it was adopted; and
4. A certified copy of the return, along with a copy of the minutes recording its adoption, to be submitted to the Department of Local Government by 31 March 2019.

The City’s 2018 Compliance Audit Return was completed in February following a review and assessment of:

* Council meeting agendas and minutes;
* Performance plans, media advertisements, procedures and policies, registers, delegation records, local laws; and
* Interviews with responsible officers.

**Key Relevant Previous Council Decisions:**

Not applicable.

**Consultation**

The Audit and Risk Committee is required to review the return and is to submit the results of that review to Council.

**Budget/Financial Implications**

The 2018 Compliance Audit Return has been conducted using internal resources and there are no other financial impacts.

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| **CPS06.19 Mid-Year Budget Review – 2018/19** |

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| **Committee** | 12 March 2019 |
| **Council** | 26 March 2019 |
| **Applicant** | City of Nedlands |
| **Director** | Vanaja Jayaraman – Acting Director Corporate & Strategy |
| **Attachments** | 1. Revised Rate Setting Statement for the year ending 30 June 2019; 2. List of Changes Required to the Revised Operating Budget 2018/19; and 3. List of Changes Required to the Revised Capital Works & Acquisition Program Budget 2018/19 |

**Executive Summary**

Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year, as per Local Government (Financial Management) Regulations 1996. Management carried out this review in February 2019, and the recommendation for changes to the current Budget are submitted for consideration and adoption by Council.

**Recommendation to Committee**

**Council:**

1. **receives and adopts, in accordance with Regulation 33A of the Local Government (Financial Management) Regulations 1996, the mid-year budget review and the revised Rate Setting Statement for the year ending 30 June 2019;**
2. **notes the brought forward surplus from 2017/2018 Financial Year of $2,201,756;**
3. **notes the requested changes to the current 2018/19 Annual Budget listed in Attachments 2 and 3, and summarised in this report;**
4. **approves the reduced borrowings by a total of $2,011,275 comprising $1,661,275 for the underground power project and $350,000 for capital works programs. The revised total borrowings is $2,407,286 compared to $4,418,561 as per the adopted budget.**
5. **approves the decrease in transfers to reserves of $2,758,000 and transfers from reserves of $587,500. The revised total transfer to reserves is $1,708,816 compared to $4,466,816 as per the adopted budget. The revised total transfer from reserves is $2,658,005 compared to $3,245,505 as per the adopted budget.**
6. **Approves the Revised Budget incorporating all the changes listed in Attachments 2 and 3 of this report, providing an estimated net deficit of $255,322 (Attachment 1).**

**ABSOLUTE MAJORITY REQUIRED**

**Discussion/Overview**

**Background**

Regulation 33A of the Local Government (Financial Management) Regulations 1996 requires as follows:

* 1. Between 1 January and 31 March in each year a local government is to carry out a review of its annual budget for that year.
  2. Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
  3. A council is to consider a review submitted to it and is to determine\* whether or not to adopt the review, any parts of the review or any recommendations made in the review.
  4. Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

\*Absolute majority required.

**Consultation**

Required by legislation: Yes  No

Required by City of Nedlands policy: Yes  No

**Budget/Financial Implications**

As outlined in this report.

**Discussion**

Accounts which are anticipated to vary from the adopted Budget are identified and submitted for the Budget adjustment. These submissions are reviewed by the respective directors and submitted for Council approval (Attachment 1, 2 & 3 to this Report).

Any variance between the carried forward surplus from 2017/2018 financial year estimated during the Budget process and actual surplus following the audit of the Annual Financial Statements is also considered as part of this Mid-Year Budget Review.

A Revised Rate Setting Statement incorporating the budget changes requested and the variance in the estimated surplus brought forward is also submitted for Council approval (Attachment 1). It is noted that the net impact of the changes is an estimated deficit to be carried forward at the end of this financial year of $255,322.

This Mid-Year Budget Review deals mainly with the amendments to the Operating Budget deemed necessary due to changes in the assumptions that were used in developing the Operating Budget towards June of last year. Amendments to the Capital Budget are also requested as some projects have to be deferred due to factors outside the control of the Administration, re-scoped due to additional information available or completed under/over the budget.

**Operating Revenue (excluding Rates)**

2018/19 Adopted Budget $10,568,349

2018/19 Post Audit Budget $12,257,149

2018/19,Mid-Year Revised Budget $12,384,931

Accumulated Variance (Favourable) $1,816,582

Significant factors contributing to this increased income include:

* Favourable – Increase of $1,695,590 in service charge rated on the single payment option for the underground power project which is approximately 76% of affected rate payers compared to the budget of 25%.
* Unfavourable – Decrease in building services sundry income of $98,000 due to lower applications
* Favourable – Increase in fees and charges for PRCC of $35,000 based on increased number of children at centre
* Favourable – Increase in fees and charges for development applications of $47,000 due to increase in applications
* Favourable – Increase in course fees at Tresillian of $20,000 due to higher number of participants

**Operating Expenditure**

2018/19 Adopted Budget $34,877,022

2018/19 Post Audit Budget $34,945,102

2018/19,Mid-Year Revised Budget $31,659,466

Accumulated Variance (Favourable) $3,217,556

Significant factors contributing to this reduced expenditure include:

* Favourable – Decrease in depreciation on non-current assets of $2,765,900 mainly arising from revaluation of infrastructure performed as at 30 June 2018 which saw a decrease in the valuation.
* Favourable – Decrease in salaries of $186,100 across various departments due to delay in back-filling vacancies.
* Favourable – Decrease in ICT expenditure of $92,700 arising from efficiencies identified and some projects being postponed to the next financial year.
* Favourable – Decrease in footpath maintenance and sustainability project works of $79,400 arising from efficiencies identifies.
* Favourable – Decrease in interest expense of $51,720 due to lower level of borrowings.
* Favourable – Decrease in donations for community development of $17,000.

**Capital Expenditure**

2018/19 Adopted Budget $13,885,100

2018/19 Post Audit Budget $14,374,887

2018/19 Mid-Year Revised Budget $13,606,630

Accumulated Variance (Favourable) $278,470

The City’s 2018/19 capital works budget was developed to align with the four-year priorities within the Strategic Community Plan. The capital works program is on track to deliver almost all of the infrastructure and building works planned for the 2017/18 financial year.

Significant factors contributing to the decreased expenditure arises from some projects being postponed, completed under-budget and off-set by some completed over-budget and some additional projects to be included in the capital works programme for the year. Major changes in projects include:

* Intersection Smyth Road/Monash Avenue – increase in expenditure by $250,000 due to increased scope
* Drabble House – added on as capital works for $190,000
* Maisonettes – decrease is expenditure of $114,200 due to reduced scope of works
* College Park Family Centre – decrease in expenditure of $210,000 due to reduced scope of works
* College Park UG Irrigation system – decrease in expenditure of $412,480 due to change in project
* Point Resolution Construct DUP – added capital works of $113,650
* Allen Park Floodlights – increase by $111,682 due to additional requirements

In consideration of the above as well as adjustments across the program (identified during the design and construction processes) the capital works program approved is recommended to be decreased by an accumulated amount of $278,470.

The detail of the proposed changes to the program are presented in table form in attachment 3.

**Transfer to Reserves**

There is an overall reduction of $2,758,000 in the transfer to reserves. The budgeted sale of a property is not expected to proceed which reduced the transfer to reserves by $3,339,000 and additional transfers to reserves for projects postponed to the next financial year of $547,000 and transfer of $34,000 to the plant reserve.

**Transfer from Reserves**

There is an overall reduction of $587,000 in the transfer from reserves due to reduced scope of capital works for some projects.

**Risk Management**

Extensive consultation has been performed within the organisation as part of the review process to minimise any significant variation from the Original Budget. Management will continue to monitor and report to Council on a monthly basis variance between the Revised Budget and actual financial performance for the period.

**Conclusion**

The outcome of the Budget Review shows an estimated end of year deficit of $255,322, compared with the deficit of $122,494 in the Post Audit Budget, and a deficit of $594,370 in the Annual Budget adopted in June 2018.

While there are several individual variations this is not unusual in a rapidly changing landscape in Local Government industry, and the Budget Review process was instituted under Local Government (Financial Management) Regulations 1996 to enable local governments to take into account the changes.

The Budget Review is recommended for adoption and for the above adjustments to be approved.