



City of Nedlands

Minutes

Special Council Meeting

9 December 2014

Attention

These minutes are subject to confirmation

Prior to acting on any resolution of the Council contained in these minutes, a check should be made of the Ordinary Meeting of Council following this meeting to ensure that there has not been a correction made to any resolution.

Table of Contents

Declaration of Opening	3
Present and Apologies and Leave Of Absence (Previously Approved)	3
1. Public Question Time	4
2. Addresses by Members of the Public.....	4
3. Disclosures of Financial Interest	4
4. Disclosures of Interests Affecting Impartiality.....	4
5. Declarations by Members That They Have Not Given Due Consideration to Papers.....	4
6. Annual Report 2013-2014	5
Declaration of Closure	13

City of Nedlands

Notice of a Special Meeting of Council held at the City of Nedlands at the Council Chambers, 71 Stirling Highway Nedlands commencing at 6.00pm for the purpose of receiving the Annual Report 2013-2014.

Special Meeting of Council Minutes

Declaration of Opening

The Presiding Member declared the meeting open at 6.036pm and drew attention to the disclaimer below.

Present and Apologies and Leave Of Absence (Previously Approved)

Councillors	His Worship the Mayor, R M Hipkins	(Presiding Member)
	Councillor T P James	Melvista Ward
	Councillor N B J Horley	Coastal Districts Ward
	Councillor L J McManus	Coastal Districts Ward
	Councillor I S Argyle	Dalkeith Ward
	Councillor W R Hassell	Dalkeith Ward
	Councillor S J Porter	Dalkeith Ward
	Councillor B G Hodsdon	Hollywood Ward

Staff	Mr G K Trevaskis	Chief Executive Officer
	Mr M R Cole	Director Corporate & Strategy
	Mr P L Mickleson	Director Planning & Development
	Mr M A Goodlet	Director Technical Services
	Mrs P E Panayotou	Manager Community Service Centres
	Ms P J Huigens	Policy & Projects Officer

Public There were nil members of the public present.

Press The Post Newspaper representative.

Leave of Absence (Previously Approved) Councillor R Binks Hollywood Ward

Apologies Councillor N W Shaw Melvista Ward
Councillor J D Wetherall Hollywood Ward
Councillor K A Smyth Coastal Districts Ward

Absent Councillor G A R Hay Melvista Ward

Disclaimer

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example by reference to the confirmed Minutes of Council meeting.

Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

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1. Public Question Time

Nil.

2. Addresses by Members of the Public

Nil.

3. Disclosures of Financial Interest

The Presiding Member to remind Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

Nil.

4. Disclosures of Interests Affecting Impartiality

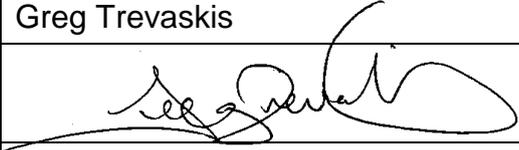
The Presiding Member to remind Councillors and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

Nil.

5. Declarations by Members That They Have Not Given Due Consideration to Papers

Nil.

6. Annual Report 2013-2014

Council	9 December 2014
Applicant	City of Nedlands
Officer	Michael Cole - Director Corporate and Strategy
CEO	Greg Trevaskis
CEO Signature	
Previous Item	Not applicable

Regulation 11(da) – Not applicable – Recommendation adopted

Moved – Councillor Hodsdon
 Seconded – Councillor Hassell

Recommendation to Council

Council:

1. **Accepts the Annual Report of the City of Nedlands for the Year ended 30 June 2014, in accordance with the provisions of Section 5.54 of the *Local Government Act 1995*, and**
2. **Refers the Annual Report for the year ended 30 June 2014 to the Annual General Meeting of Electors of the City of Nedlands to be held at 6:00pm, Thursday 18 December 2014 in the Council Chambers.**

CARRIED UNANIMOUSLY 8/-

Executive Summary

The Annual Report for the year ended 30 June 2014 is presented to Council for acceptance. The Annual report is presented in two parts, being the Annual Report which includes a summary of income and expenditure and a Financial Report, which includes a full set of audited annual financial statements and the Independent Auditor’s report.

Once formally received and accepted by Council, the Annual Report can be referred for discussion at the Annual Electors’ Meeting.

Recommendation to Committee or Council

Council:

1. **accepts the annual report of the City of Nedlands for the Year ended 30 June 2014, in accordance with the provisions of Section 5.54 of the *Local Government Act 1995*, and**

2. refers the Annual Report for the year ended 30 June 2014 to the Annual General Meeting of Electors of the City of Nedlands to be held at 6:00pm, Thursday 18 December 2014 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.

Attached is the Annual Report for the year ended 30 June 2014, including the Financial Report and Independent Auditor's Report. The Financial Report comprising the Accounts for the year ended 30 June 2014 was completed and submitted to Council's Auditor Macri Partners who completed their audit in September 2014.

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.

Key Relevant Previous Council Decisions:

Not applicable.

Consultation

Required by legislation:

Yes

No

Required by City of Nedlands policy:

Yes

No

The Annual Financial report has been presented to the Audit and Risk Committee.

Legislation / Policy

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

See discussion below.

Risk Management

Not applicable.

Discussion

Highlights

The Annual Report identifies many achievements and highlights for 2013-14. Some of these included:

1. Positive response to the Community perceptions survey, ranking the City at that time as the second highest in the metropolitan area;
2. Renewal of the City's waste contract resulting in savings of \$800,000 being passed on the residents;
3. Undertaking a number of successful events including the summer concerts, Emerge Youth Art Awards, Anzac Day and Remembrance Day ceremonies and Blessing of the River ceremony;
4. Establishment of an Arts Committee; and
5. Review of child care services with Point Resolution remaining under Council's control but being run on a break even basis and the leasing of the vacant Melvista Avenue facility to Kidz Galore.

Financial Performance

In terms of Financial Performance the City completed the year with an operating surplus of \$1,825,151. This compares with an operating surplus of \$3,348,500 in the budget adopted in June 2013. 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 unfavourable variance of actual to adopted budget. The operating revenues, excluding contributions for capital acquisitions, were better than budget by \$25,098. The operating expenses show savings of \$313,953. However, grants and contributions

received for capital acquisitions, together with net profit on asset disposals, were below the budget by \$1,862,400.

The significant reasons for the variances are:

Revenue

1. Operating Grants and Contributions show a shortfall of \$261,653 compared to the Budget. This is because part of the operating grant from WA Grants Commission budgeted for 2013/14 financial year was received and recognised as revenue towards the end of the previous financial year. If the grant from the WA Grants Commission is discounted, the City received \$151,874 more from contributions and reimbursements than the amount in the adopted Budget.
2. Fees and Charges raised were better than budget by \$545,431 (8.0%), with sanitation, child care, and cultural activities as well as the hire of recreational facilities as the major contributors to the increased fees.
3. The City earned \$316,157 (29.7%) 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 \$198,872 (1.0%) less than what was anticipated at the time of Budget adoption. The decrease was partly due to the successful appeal by the Australian Institute of Management to have its property treated as rate-exempt, as well as a system error in the rates modelling with respect to vacant land.
5. Other Revenue was more than Budget by \$256,349. This was largely due the increased level of WESROC activities which brought in increased contributions from other WESROC local governments, a grant of \$50,000 linked to the proposed Local Government Reform, the lease of parking area to Hollywood Private Hospital, and the recognition as revenue of sums held as retentions for works since carried out by the City.

Operating Expenses

1. The operating expenses for the year were \$27,775,847. Compared to the Budget of \$28,089,800, this is an overall ‘savings’ of \$313,953 (1.1 %).
2. Employee costs were up by \$818,017 (7.7 %) compared to the Budget. This is partly due to the increase in salaries paid and partly due to the adjustments needed to be made to the Long Service Leave provisions.

1. Materials and Contracts costs are down by \$1,151,430 (11.5%) compared to the Budget. This is partly due to the deferment of some operating projects due to factors outside the City's control, less use of outsourced services, and savings due to a new Waste Services contract in place from December 2013.
2. Insurance expenses have come down by \$65,618. The drop in premiums reflect the City's improved risk managed practices resulting in fewer claims by the City.
3. Other Expenditure is up by \$148,690. This was due to the increase in Elected Members' fees and allowances recommended by the Salaries Tribunal after the Budget had been adopted in June 2013, which more than offset savings in some of the other elements under this heading.

Capital Works

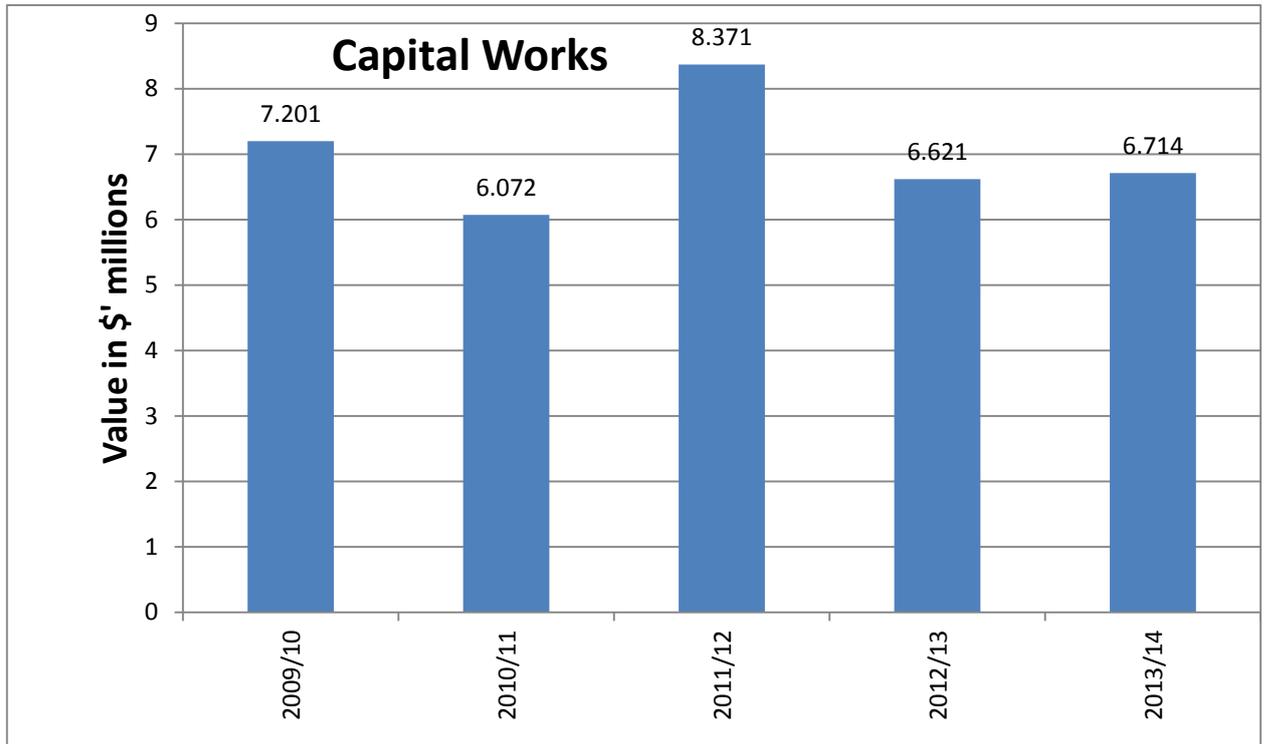
During the financial year the City spent \$6.71 million in carrying out its capital works program. The major share of the funds, \$4.70 million, was utilised in improving infrastructure assets – roads, footpaths, drainage, parks and gardens – with another \$2.01 million used for upgrading and renovating the City's buildings and purchase of plant and equipment.

The original capital budget for the year was \$8.64 million. During the mid-year Budget Review this was amended to \$8.10 million. However, a number of projects were not completed during the year and are carried forward to 2014/15. Some of these have been re-budgeted in the 2014/15 budget adopted in June 2014; the funds carried over for those that have not been re-budgeted include:

Doonan Road - \$ 165,600
West Coast Highway - \$ 132,900
Stirling Highway /Hampden - \$ 550,000
Elizabeth Street - \$ 11,900
Brockway / Brookdale - \$ 45,300
Riverview Ct Drainage - \$ 16,000
Maisonettes (Carports and Store) - \$ 120,000
Daran Park Irrigation Control - \$ 94,000
College Park Bicycle Facility - \$ 63,900
Pt Resolution Playground - \$ 67,000

Of the total funds expended on capital works, \$536,000 were from grants and contributions. The balance was made up of operating surplus, sale of plant, and depreciation write-back.

The values of capital works completed in each of the past 5 years is shown in the following chart. It is to be noted that the high value of capital works in 2011/12 was due to the renovation of John Leckie Pavilion that year.



Revaluation of Assets

The City's Accounting Policy, as well as the Australian Accounting Standards, requires 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 2013/14 financial year the City appointed Griffin Valuation Advisory, independent professional Valuers, to determine the fair value of the City's Land and Buildings. Based on the outcome of the revaluation, the relevant asset records have been amended effective 30 June 2014. The impact of the revaluation is the recognition in Other Comprehensive Income of a notional gain of \$5,630,407, and a corresponding increase in the Asset Revaluation Reserves.

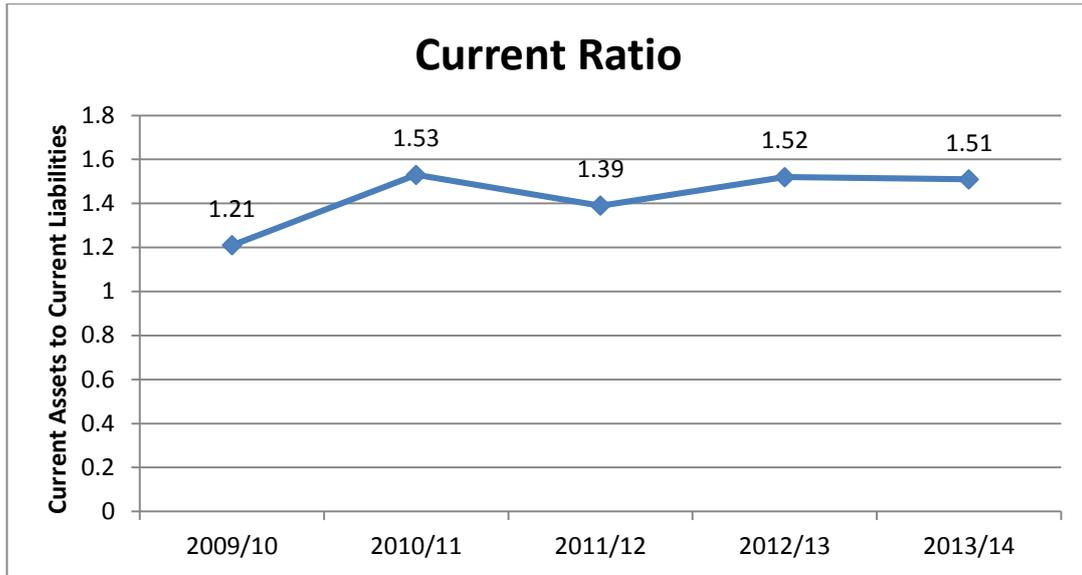
It is to be noted that the revaluation does not have any impact on the cash position of the City.

Financial Performance Indicators

The Financial Ratios in Note 18 to the accounts give an overview of the financial performance of the City in 2013/14 compared with the previous two years. Three of the key indicators are charted below, for the past 5 years.

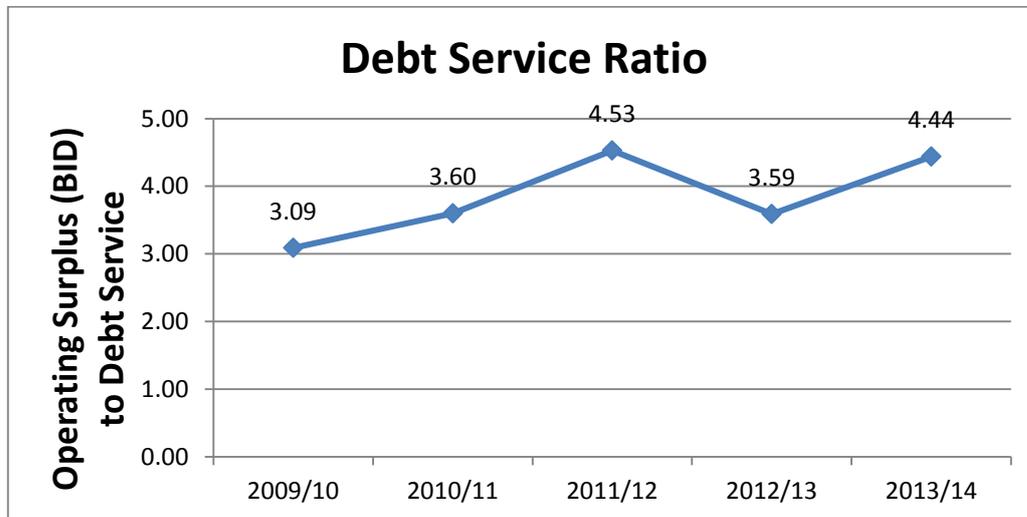
Current Ratio

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.



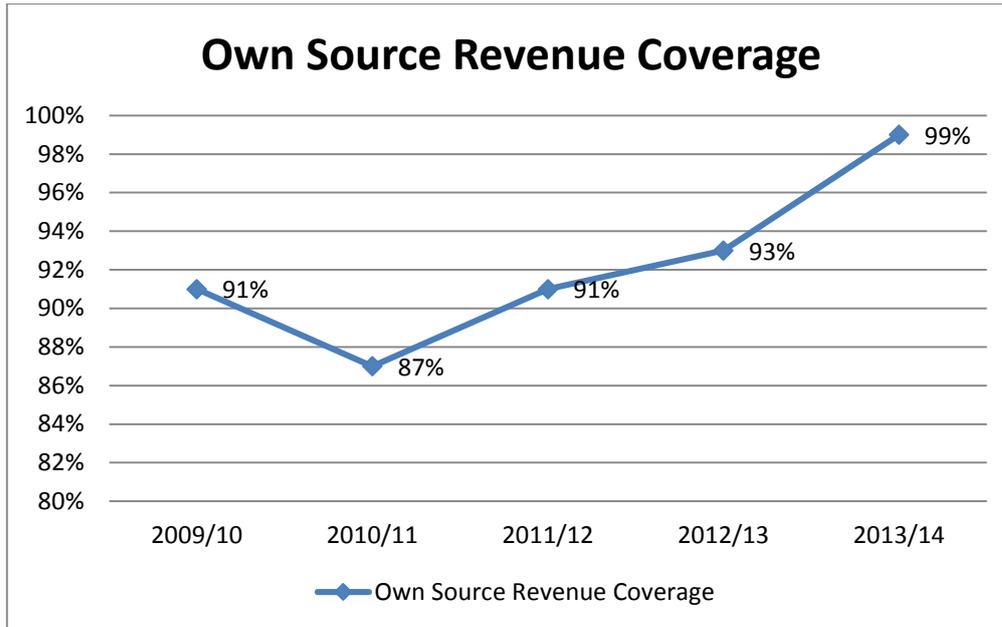
Debt Service Cover Ratio

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 4.44 for 2013/14, 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 Ratio 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 collected by the City.

Credit risk on rates and annual charges is minimal as they are charges on the associated properties, and the City has the ability to recover these debts from the sale of the properties if necessary. The percentage of receivables other than rates shows that the overdue percentage has decreased from 77.03% in 2013 to 48.62% in 2014. The overdue amount has also decreased from \$154,611 in 2013 to \$147,523 in 2014. Of the overdue amount in 2014, 75% is made up of uncollected infringements.

Audit Report

The City’s Auditor, Macri Partners, have completed the audit of the Annual Financial Statements in line with current Australian Standards and have stated that they will give an Unqualified Opinion following the meeting with the Audit and Risk Committee.

Conclusion

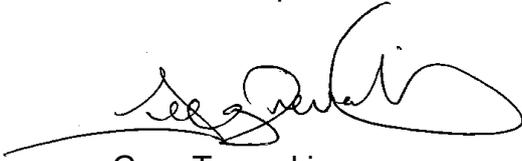
Council’s acceptance of the Annual for the City of Nedlands for the year ended 30 June 2013 comprising the Annual report, Financial Report and the Auditor’s Report is recommended.

Attachments

1. Annual Report 2013-2014
2. Financial Report 2013-2014

Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed 6.08pm

A handwritten signature in black ink, appearing to read 'Greg Trevaskis', written in a cursive style.

Greg Trevaskis
Chief Executive Officer