



City of Nedlands

Agenda

Special Council Meeting

5 December 2017

Dear Council member

A Special Meeting of the City of Nedlands is to be held on Tuesday 5 December 2017 in the Council chambers at 71 Stirling Highway Nedlands commencing at 6.45 pm for the purpose of accepting the Annual Report 2016/17.

Greg Trevaskis
Chief Executive Officer
1 December 2017

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City of Nedlands

Notice of a Special Meeting of Council to be held in the Council Chambers, Nedlands on Tuesday 5 December 2017 at 6.45 pm for the purpose of accepting the Annual Report 2016/17.

Special Council Agenda

Declaration of Opening

The Presiding Member will declare the meeting open at 6.45 pm and will draw attention to the disclaimer below.

(NOTE: Council at its meeting on 24 August 2004 resolved that should the meeting time reach 11.00 p.m. the meeting is to consider an adjournment motion to reconvene the next day).

Present and Apologies and Leave Of Absence (Previously Approved)

Leave of Absence None
(Previously Approved)

Apologies None as at distribution of this agenda.

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

A member of the public wishing to ask a question should register that interest by notification in writing to the CEO in advance, setting out the text or substance of the question.

The order in which the CEO receives registrations of interest shall determine the order of questions unless the Mayor determines otherwise. Questions must relate to a matter affecting the City of Nedlands.

2. Addresses by Members of the Public

Addresses by members of the public who have completed Public Address Session Forms to be made at this point.

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.

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

However, other members may allow participation of the declarant if the member further discloses the extent of the interest. Any such declarant who wishes to participate in the meeting on the matter, shall leave the meeting, after making their declaration and request to participate, while other members consider and decide upon whether the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

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*.

Councillors and staff are required, in addition to declaring any financial interests to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making procedure.

The following pro forma declaration is provided to assist in making the disclosure.

"With regard to the matter in item x..... I disclose that I have an association with the applicant (or person seeking a decision). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."

The member or employee is encouraged to disclose the nature of the association.

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

Members who have not read the business papers to make declarations at this point.

6. Annual Report 2016/17

Council	5 December 2017
Applicant	City of Nedlands
Officer	Lorraine Driscoll, Director Corporate & Strategy
CEO	Greg Trevaskis
Attachments	1. Annual Report 2016-17 2. Financial Report 2016-17

Executive Summary

The Annual Report for the year ended 30 June 2017 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 the Financial Report. Also included is 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 Council**Council:**

- 1. Accepts the Annual Report of the City of Nedlands for the year ended 30 June 2017, 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 2017 to the adjourned Annual General Meeting of Electors of the City of Nedlands to be held at 6:00pm, Thursday 14 December 2017 at the Adam Armstrong Pavilion.**

ABSOLUTE MAJORITY REQUIRED

Discussion/Overview**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 2017, including the Financial Report and Independent Auditor's Report. The Financial Report comprising the Accounts for the year ended 30 June 2017 was completed and submitted to Council's Auditor Macri Partners who completed their audit in October 2017.

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.

Discussion

Highlights

1. The City completed the multi-functional Allen Park Lower Pavilion refurbishment at a cost of \$1.2m.
2. Nearly 7.2km of the City's roads and 2,115m of footpath were renewed, with a further 89m of new footpaths constructed, along with improving blackspot areas.
3. Sustainability remained a key focus with over 676 street trees and 24,000 native seedlings planted across the City.
4. Our online community engagement hub, "Your Voice" continued to be a major resource for our ratepayers with just under 8,000 visits during the year. We also undertook 80 engagement projects – a significant increase from the 50 in the previous year.

5. The long-standing Summer Concerts in the Park series continued its tradition of entertaining families in our beautiful parks.
6. The City has made significant in-roads in the delivery of contemporary office solutions, rolling out Sharepoint 365 to a large part of the organisation which allows us to place all our corporate knowledge in one place. This also provided for process improvements and maximising efficiencies.
7. Our refurbished customer service centre which includes a break-out office and new system for contact management has enabled us to improve on our top-quality service to our ratepayers and business contacts.
8. The tender to construct the All Abilities Play Space at Beaton Park was awarded and construction began in the second half of 2016/17.
9. The City progressed the potential provision of underground power with a project within the West Hollywood area, in partnership with Western Power, which will continue into the 2017/18 financial year.
10. Much work has been done over the past year to prepare the Local Planning Scheme No. 3 for submission to the State Government.
11. The City continues to focus its resources and efforts into the delivery of the 2013-23 Strategic Community Plan and has done so with success.

Overview of 2016/17 Financial Performance

The City completed the 2016/17 financial year with a surplus net result in the Statement of Comprehensive Income of \$2,775,928 compared to the budget of \$1,902,900. The Statement of Comprehensive Income includes all operating revenues and expenses, both cash and non-cash and grants & contributions. 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 and financing activities. Any shortfall is covered by borrowings and/or transfers from reserves.

Key factors contributing to the variances by Nature or Type between actual and revised budget are provided in this report.

The significant reasons for the variances are:

Operating and Other Revenue

1. Operating revenue for the year was \$32,676,223 compared to the budget of \$31,864,870, which represents an increase of \$811,353 (2.54%).
2. Rates levied were \$262,194 (1.2%) higher than budget due to better than expected increase in interim rates.

3. Operating Grants & Contributions received was \$493,504 (25.24%) higher than budget. This was mainly due to the receipt of \$396,470 operating grants for 2017/18 which was received in advance in this financial year and therefore recorded as income in 2016 /17.
4. Fees and Charges raised were higher than budget by \$230,174 (3.37%), with nil increase in waste collection and bin charge rates. The higher income was due to increased course fees, facility charges, issuance of licenses and sanitation charges.
5. Interest income from investments were less by \$74,393 (10.89%) than budget due to wholesale interest rates decline during the year.
6. Other Revenue was below budget by \$100,125 (16.30%). This was largely due to the WESROC Project of \$127,672, which was subsequently received in 2017/18 financial year and some compensating increased revenue in other areas.

Operating and Other Expenses

1. Operating expenses for the year were \$32,028,345 compared to the budget of \$33,033,870, a decrease of \$1,005,525 (3.04%).
2. Employee costs increased by \$473,536 (3.72%) compared to the budget. This is mainly due to increased leave provisions at year end of \$408,286 due to reduced leave taken by the staff during the year.
3. Materials and Contracts costs decreased by \$1,651,174 (14.97%) compared to the budget. This is due to the deferment of some operating projects due to factors outside the City's control and savings due to constant monitoring of expenses.
4. Utility charges increased by \$106,469 or (13.68%) due to a higher than expected increase in charges.
5. Other expenditure decreased by \$110,153 (10.98%). This was due partly to reduced grants provided by Council.

Balance Sheet Analysis

Capital Works

During the financial year the City spent \$12,170,849 in carrying out its Capital Works program of which \$8,944,870 was spent on improving infrastructure assets – roads, footpaths, drainage, parks and gardens and \$3,225,979 was spent on upgrading and renovating the City's buildings and purchase of plant and equipment.

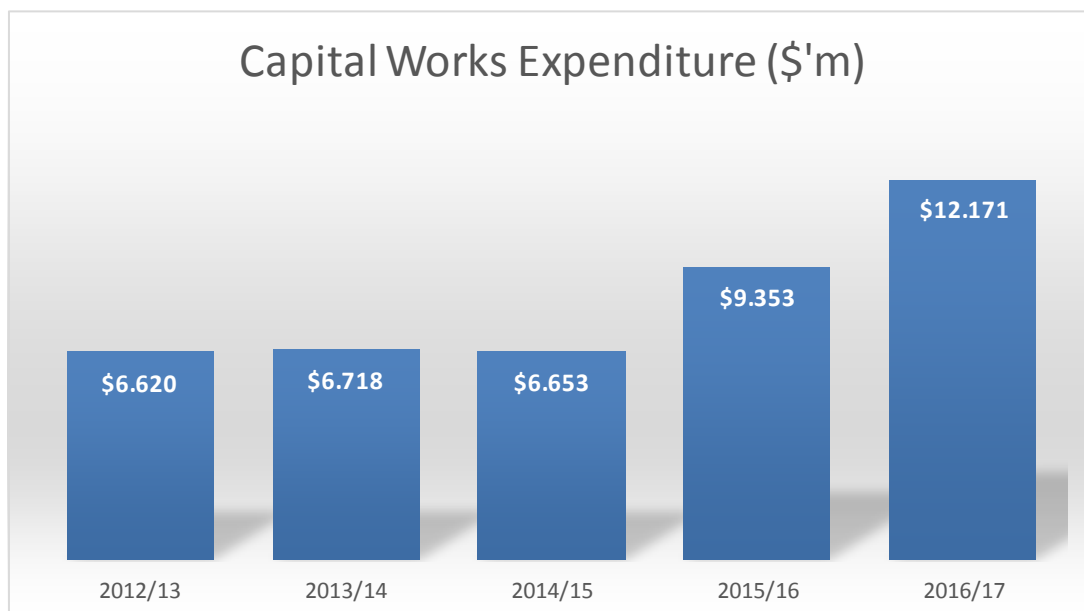
The 2016/17 capital budget was \$14,539,169, of which \$11,420,957, was for improving infrastructure assets and \$3,118,212 was for upgrading and renovating the City's buildings and purchase of plant and equipment.

There were some infrastructure projects which were not fully completed during the year and are carried forward to the 2017/18 financial year and have been re-budgeted in the 2017/18 Budget adopted in June 2017, including the following:

Grant Funded Projects	Amount (\$)
Brockway/Brookdale/Underwood	499,900
Major Projects	Amount (\$)
All Abilities Play Space	1,014,240
Riverwall	877,800

Of the total funds expended on capital works, \$2,204,087 were from grants and contributions and the balance was made up of operating surplus and sale of plant.

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 2016/17 was due to All Abilities Play Space, Allen Park Lower Pavilion Renovations and Road Rehabilitation works at Gallop Road, Boronia Avenue, Leon Road and Princess Road, whilst in 2015/16 was due to the Collegians Football Clubrooms at David Cruickshank Reserve.



Revaluation of Fixed Assets

The Local Government (Financial Management) Regulations 1996 requires all physical assets to be valued on a fair value basis with full implementation by 30 June 2015. We have adopted the requirements of the Department of Local Government and Communities (DLGC) circular (02-2016) and conducted the recurring revaluation of Land and Buildings this Financial Year.

The impact of the revaluation is a surplus of \$284,069,059 and the recognition is in the Statement of Changes in Equity. This is a one-off event due to a change in the valuation methodology, and it is to be noted that the revaluation surplus does not have any impact on the cash position of the City.

The significant value of the revaluation surplus is attributed to the change in the valuation methodology based on Accounting Standard 13 Fair Value Measurement. The City's professional valuers recommend this approach and The Auditors have evaluated the competency and objectivity of the expert valuers and are satisfied that the valuation methodology use is consistent with Regulation 17A(4) of the LG Regulations.

Cash and Cash Equivalents

The cash and cash equivalent balance at 30 June 2017 was \$11,020,622 compared to \$13,205,796, a decrease of \$2,185,174 (16.55%). Reserves included in this balance amounted to \$4,520,429 or 41% of the total. The decrease is due to funding of the increased capital works in this financial year without the requirement of additional borrowings.

Receivables

The increase in Receivables in 2016/17 of \$144,437 compared to the previous year was mainly due to the increase in rates, and fees and charges revenue. As a %, the rates and sundry debtors outstanding compared to rates, and fees and charges revenue for this financial year is 2.76% compared to 2.55% for the previous financial year.

One of the risk factors evaluated in the Notes to the Accounts (Note 4) 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.

Payables

The increase in payables of \$421,404 was as a result of the receipt of higher value capital project invoices towards the end of the year.

Borrowings

The City did not have any additional borrowings during the year. At 30 June 2017, the City had total borrowings of \$6,248,017 after principal repayment of \$939,810 compare to 2015/16 total borrowings of \$7,187,827.

Provisions

The provisions showed an increase of \$206,809 comprising \$136,635 of short term portion and \$70,174 of long term portion. The increase is mainly due to reduced leave taken by employees during the year compared to the previous year.

Financial Performance Indicators

The Financial Ratios in Note 19 to the accounts give an overview of the financial performance of the City in 2016/17 compared with the previous two years. All the ratios except for the Asset Consumption ratio are within recommended standard benchmarks set by the Department of Local Government.

The Asset Consumption Ratio is lower than target due to the aging nature of the City's assets which is being addressed by planned increase in capital expenditure in the coming years.

Ratio	Target	2017	2016	2015
Liquidity - Current Ratio	>1.00	1.35	2.00	2.01
Debt Ratio - Debt Service Cover Ratio	>2.00	6.44	5.94	10.75
Coverage Ratio - Own Source Revenue Coverage Ratio	>40%	94%	92%	98%
Financial Performance - Operating Surplus Ratio	>1%	2%	-3%	6%
Asset Management Ratios - Asset Sustainability Ratio	>50%	165%	129%	92%
Asset Consumption Ratio	90-110%	67%	59%	60%
Asset Renewal Funding Ratio	75-95%	88%	86%	85%

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 provided an Unqualified Opinion following the meeting with the Audit and Risk Committee.

Conclusion

Council's acceptance of the Annual Report for the City of Nedlands for the year ended 30 June 2017 comprising the Annual Report, Financial Report and the Auditor's Report is recommended.

Declaration of Closure

There being no further business, the Presiding Member will declare the meeting closed.