

# AGENDA

## Special Council Meeting

11 November 2014

### For the purpose of adopting the 2013/2014 Annual Report and Financial Statements

#### Notice of Meeting

To: The Mayor and Councillors

The next Special Council Meeting of the City of South Perth Council will be held on Tuesday 11 November 2014 in Council Chamber, Sandgate Street, South Perth commencing at 5.30 pm.



CLIFF FREWING  
CHIEF EXECUTIVE OFFICER

7 November 2014



# Our Guiding Values

## **Trust**

Honesty and integrity

## **Respect**

Acceptance and tolerance

## **Understanding**

Caring and empathy

## **Teamwork**

Leadership and commitment

## Disclaimer

The City of South Perth disclaims any liability for any loss arising from any person or body relying on any statement, discussion, recommendation or decision made during this meeting.

Where an application for an approval, a licence or the like is discussed or determined during this meeting, the City warns that neither the applicant, nor any other person or body, should rely upon that discussion or determination until written notice of either an approval and the conditions which relate to it, or the refusal of the application has been issued by the City.

## Further Information

The following information is available on the City's website.

- **Council Meeting Schedule**

Ordinary Council Meetings are held at 7.00pm in the Council Chamber at the South Perth Civic Centre on the fourth Tuesday of every month between February and November. Members of the public are encouraged to attend open meetings.

- **Minutes and Agendas**

As part of our commitment to transparent decision making, the City makes documents relating to council and its committees' meetings available to the public.

- **Meet Your Council**

The City of South Perth covers an area of around 19.9km<sup>2</sup> divided into four wards. Each ward is represented by two councillors, presided over by a popularly elected mayor. Councillor profiles provide contact details for each elected member.

[www.southperth.wa.gov.au/Our-Council/](http://www.southperth.wa.gov.au/Our-Council/)

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# Special Council Meeting Agenda

## **I. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

Chairperson to open the meeting

### **I.1 DISCLAIMER**

The City of South Perth disclaims any liability for any loss arising from any person or body relying on any statement, discussion, recommendation or decision made during this meeting.

## **2. ANNOUNCEMENTS FROM THE PRESIDING MEMBER**

### **2.2 PUBLIC QUESTION TIME FORMS**

Public Question Time forms are available in the Civic Centre foyer and on Council's website for members of the public wanting to submit a written question. In accordance with Clause 6.7 of the Standing Orders Local Law, 'Procedures for Question Time', it is requested that questions be received in advance of the Council Meetings in order for the Administration to have the opportunity to prepare responses.

### **2.3 AUDIO RECORDING OF COUNCIL MEETING**

The meeting may be audio recorded in accordance with Council Policy P673 "Audio Recording of Council Meetings" and Clause 6.16 of the Standing Orders Local Law 2007 which states: "A person is not to use any electronic, visual or vocal recording device or instrument to record the proceedings of the Council without the permission of the Presiding Member".

## **3. ATTENDANCE**

### **3.1 APOLOGIES**

### **3.2 APPROVED LEAVE OF ABSENCE**

## **4. DECLARATION OF INTERESTS**

Conflicts of Interest are dealt with in the *Local Government Act, Rules of Conduct Regulations* and the *Administration Regulations* as well as the City's Code of Conduct 2008. Members must declare to the Chairperson any potential conflict of interest they have in a matter on the Council Agenda.

## **5. PUBLIC QUESTION TIME**

## **6. DEPUTATIONS**

## 7. REPORTS

### 7.6 STRATEGIC DIRECTION 6: GOVERNANCE, ADVOCACY AND CORPORATE MANAGEMENT

#### 7.6.1 Annual Report and Financial Statements 2013/2014

|                             |   |
|-----------------------------|---|
| Location:                   | City of South Perth   |
| Ward:                       | Not Applicable  |
| Applicant:                  | Council   |
| File Ref:                   | D-14-66006  |
| Date:                       | 11 November 2014  |
| Author / Reporting Officer: | Michael Kent, Director Financial and Information Services   |
| Strategic Direction:        | Governance, Advocacy and Corporate Management -<br>- Ensure that the City has the organisational capacity, advocacy and governance framework and systems to deliver the priorities identified in the Strategic Community Plan |
| Council Strategy:           | 6.1 Develop and implement innovative management and governance systems to improve culture, capability, capacity and performance.  |

#### Summary

This report presents for Council's consideration the Annual Report and Financial Statements 2013/2014 and notes the date for the Electors' General Meeting, Monday 15 December 2014.

#### Officer Recommendation

That the Council

- (a) adopt the City of South Perth Annual Report at **Attachment 7.6.1(a)** and Financial Statements 2013/2014 at **Attachment 7.6.1(b)**; and
- (b) notes the date for the Electors' General Meeting for 7.00pm Monday 15 December 2014 in the Council Chamber, City of South Perth, corner Sandgate Street and South Terrace South Perth.

**Absolute Majority Required**

#### Background

The City is required to prepare an annual report each financial year containing a report on the City's activity and performance. This annual report is required to be accepted by the local government no later than 31 December of that financial year.

#### Comment

A draft of the City's 2013/2014 Annual Report is at **Attachment 7.6.1(a)** and the Financial Statements 2013/2014 are at **Attachment 7.6.1(b)**. The Annual Report provides the community with a comprehensive overview and assessment of the City's activities throughout the 2013/2014 financial year.

The framework of the Annual Report is aligned with the City's Strategic Plan 2013/2023 and reviews the progress of the City's actions against the key directions and priorities outlined in the Strategic Plan.

## 7.6.1 Annual Report and Financial Statements 2013/2014

The City has been the recipient of a Bronze Award in the prestigious Australasian Reporting Awards for the previous three annual reports and will be submitting this Annual Report for the 2013/2014 Awards.

The City is required to hold an Electors' General Meeting not more than 56 days after the local government accepts the annual report for the previous financial year, and it is proposed to hold this meeting, 7.00pm Monday 15 December 2014.

### Consultation

The *Local Government Act 1995* provides that the Chief Executive Officer is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government. Public notices will be placed in the *Southern Gazette* advising of the availability of the Annual Report together with details of the proposed Electors' General Meeting, with notices to be displayed on the City's website and City libraries.

This Annual Report will be made available to the public on the City's website with hard copies also available to collect at City Centres and copies also to be made available at the 8 December 2014 Electors' General Meeting.

### Policy and Legislative Implications

Section 5.53(1) of the *Local Government Act 1995* requires a local government to prepare an annual report for each financial year. Sections 5.53(2) of the *Local Government Act 1995* specifies that the annual report is to contain the financial report and auditor's statement for that financial year.

Section 5.54 of the *Local Government Act 1995* prescribes that an annual report for the financial year is to be accepted by the local government no later than 31 December after that financial year.

Section 5.27 of the *Local Government Act 1995* requires a local government to hold an Electors' General Meeting no later than 56 days after the adoption of the Annual Report for that financial year.

### Financial Implications

There will be publication expenses in the production of the 2013/2014 Annual Report and 2013/2014 Annual Financial Statements.

### Strategic Implications

This report is consistent with the [Strategic Community Plan 2013–2023](#), Direction 6 – Governance, Advocacy and Corporate Management “Ensure that the City has the organisational capacity, advocacy and governance framework and systems to deliver the priorities identified in the Strategic Community Plan”.

### Sustainability Implications

The 2013/2014 Annual Report is aligned to the City's Sustainability Strategy 2012/2015.

### Attachments

7.6.1 (a): DRAFT City of South Perth Annual Report 2013/2014

7.6.1 (b): Financial Statements 2013/2014

## 7.6.2 Year End Financial Statements 2014

|                             |   |
|-----------------------------|---|
| Location:                   | City of South Perth   |
| Ward:                       | Not Applicable  |
| Applicant:                  | Council   |
| File Ref:                   | D-14-66038  |
| Date:                       | 11 November 2014  |
| Author / Reporting Officer: | Michael Kent, Director Financial and Information Services   |
| Strategic Direction:        | Governance, Advocacy and Corporate Management -<br>- Ensure that the City has the organisational capacity, advocacy and governance framework and systems to deliver the priorities identified in the Strategic Community Plan |
| Council Strategy:           | 6.1 Develop and implement innovative management and governance systems to improve culture, capability, capacity and performance.  |

### Summary

Management account summaries comparing actual performance against budget expectations for the 2013/2014 year are presented for Council information. Comments are provided on the significant financial variances disclosed therein.

### Officer Recommendation

That...

- (a) the year-end Statement of Financial Position (**Attachment 7.6.2(a-c)**) and Financial Summaries provided as **Attachment 7.6.2(d and e)** be received;
- (b) the Schedule of Significant Variances not be presented for June 2014 as required by Local Government (Financial Management) Regulation 34 - as the detailed information is included in the report narrative;
- (c) the Schedule of Movements between the Adopted & Amended Budget **Attachment 7.6.2(f and g)** be received;
- (d) the Rate Setting Statement **Attachment 7.6.2(h)** be received.

### Background

Local Government (Financial Management) Regulation 34 requires the City to present monthly financial reports to Council in a format reflecting relevant accounting principles. A management account format, reflecting the organisational structure, reporting lines and accountability mechanisms inherent within that structure is considered the most suitable format to monitor progress against the budget. The information provided to Council is a summary of the detailed line-by-line information supplied to the City's departmental managers to enable them to monitor the financial performance of the areas of the City's operations under their control. This also reflects the structure of the budget information provided to Council and published in the Annual Budget.

Combining the Summary of Operating Revenues and Expenditures with the Summary of Capital Items gives a consolidated view of all operations under Council's control. It also measures actual financial performance against budget expectations.

Regulation 35 of the Local Government (Financial Management) Regulations requires significant variances between budgeted and actual results to be identified and comment provided on those identified variances. The City has adopted a definition of

## 7.6.2 Year End Financial Statements 2014

'significant variances' of \$5,000 or 5% of the project or line item value - whichever is the greater.

The local government budget is a dynamic document and is necessarily progressively amended throughout the year to take advantage of changed circumstances and new opportunities. Whilst the original adopted budget is relevant at July when rates are struck, it should, and indeed is required to, be regularly monitored and reviewed throughout the year. Thus the Adopted Budget evolves into the Amended Budget via the regular (quarterly) Budget Reviews.

For comparative purposes, a summary of budgeted revenues and expenditures (grouped by department and directorate) is provided to reflect a reconciliation of movements between the 2013/2014 Adopted Budget and the 2013/2014 Amended Budget including the introduction of the capital expenditure items carried forward from the previous year.

A Statement of Financial Position detailing the City's assets and liabilities and giving comparative values for those assets and liabilities at the equivalent time in the previous year provides financial accountability to the community for resource use.

### Comment

The components of the monthly management account summaries presented are:

- Balance Sheet - **Attachments 7.6.2(a and b)**
- Summary of Non Infrastructure Operating Revenue and Expenditure **Attachment 7.6.2(c)**
- Summary of Operating Revenue & Expenditure - Infrastructure Service **Attachment 7.6.3(d)**
- Summary of Capital Items - **Attachment 7.6.3(e)**
- Schedule of Significant Variances - Not presented
- Reconciliation of Budget Movements - **Attachment 7.6.2(f and g)**
- Rate Setting Statement - **Attachment 7.6.2(h)**

The City's audited statutory financial statements and all accompanying notes and schedules (presented in Agenda Attachment 7.6.2(2) ) are simply another view of the management accounts as at 30 June 2014 presented in a particular statutory format - as is demonstrated by the table below.

| <u>Management Accounts</u>       | <u>Budget</u>       | <u>Actual</u>       |
|----------------------------------|---------------------|---------------------|
| Revenue - Operating              | 47,950,245          | 47,866,647          |
| Revenue - Capital                | 3,475,689           | 3,168,215           |
|                                  | <u>\$51,425,934</u> | <u>\$51,034,862</u> |
| Expenditure - Operating          | 50,154,413          | 47,242,106          |
| Expenditure - Capital            | 13,206,592          | 11,256,394          |
|                                  | <u>\$63,361,005</u> | <u>\$58,498,500</u> |
| Statutory Program Based Accounts | <u>Budget</u>       | <u>Actual</u>       |
| Revenue - Operating              | 48,915,515          | 48,722,593          |
| Revenue - Asset Disposals        | 316,230             | 271,097             |
| Revenue - Capital Grants         | 2,194,189           | 1,875,969           |
| Movement in Joint Venture Equity | 0                   | 165,203             |
|                                  | <u>\$51,425,934</u> | <u>\$51,034,862</u> |



## 7.6.2 Year End Financial Statements 2014

|  |              |              |
|--|--------------|--------------|
| Expenditure - Operating                  | 52,660,890   | 49,584,071   |
| Expenditure - Carrying Amount            | 656,757      | 150,170      |
| Expenditure - Interest                   | 641,726      | 635,733      |
| Expenditure - Capitalised Assets         | 2,388,446    | 2,449,359    |
| Expenditure - Capitalised Infrastructure | 7,013,186    | 5,555,957    |
| Expenditure - WIP (Buildings)            | 0            | 31,384       |
| Expenditure - Software Capitalised       | 0            | 91,826       |
|  | \$63,361,005 | \$58,498,500 |

The detailed management accounts referred to above represent more than 110 pages of detailed operational financial information that is then aggregated into a series of summarised schedules to enable Council Members to take an oversight view of the City's finances.

### Operating Items

Organisational Operating Revenue to 30 June 2014 is \$47.87M which represents 100% of the total revenue budget. The CEO Office exceeded their revenue budget for the year by \$66,389. Revenue in this area relates to income generated by the Ranger Services team and a further (unbudgeted) \$50,000 grant towards the due diligence activities of Stage 1 of local government reform.

Financial & Information Services met their revenue budget for 2013/2014. Whilst investment revenues were 3% (\$73,822) under budget expectations at year end, revenue from rates was \$61,695 ahead of budget.

The Planning & Community Services Directorate finished the year 1% (\$29,323) over budget largely due to a \$93,948 favourable variance on planning revenue which helped to offset a \$106,555 shortfall in the Community Development area with event revenue \$42,773 under budget, recreation revenue under budget due to a lesser state government contribution for the Club Development Officer position and a weaker than expected performance on facility hire. Building Services revenue was almost on budget at year end. Revenue performance at the Collier Park Village was just 1% (\$14,978) under budget.

Infrastructure Services concluded the year 1% (\$87,889) under revenue budget expectations. This was largely attributable to a 17% shortfall (\$72,508) in the Nursery revenue budget and the deferral of a vehicle trade in in the Infrastructure Administration area. Contributions for third party park-related works were very close to budget in net terms whilst waste management revenues were 1% (19,416) under budget.

Golf course revenue finished the year some 1% (\$31,631) under its significantly increased 2013/2014 revenue budget. Green fees were 1% ahead of budget but lease revenue was less than had been budgeted for due to the new lease not having been successfully introduced in line with the original timeline.

Operating Expenditure to 30 June 2014 is \$47.24M which represents 94% of the total budget. Costs within the Chief Executive's Office were 5% (\$282,265) under budget at year end. This was primarily due to the unspent portion of the local government reform allocation which has been carried forward to 2014/2015. Savings against budget for official council functions was also a major contributor to the favourable variance.

Operating Expenditure for the Financial and Information Services area (after allocations outwards) is reported as being 2% (\$140,494) under budget. There are a number of small favourable variances contributing to this result including a less than budgeted requirement to provide for doubtful debts, savings on professional services, bank fees and stationary. The Information Technology and Customer Focus areas were 6% (\$79,000) under budget expectations due to savings on consultancy and software licensing.

Library Services delivered a 1% (\$29,342) unfavourable result with the variance representing a number of very small operational over-spends.

Operating Expenses in the Planning & Community Services Directorate were 2% (\$227,754) under budget overall at year end. The Planning area contributed \$86,461 of this variance through salary savings due to a vacant position and deferral of heritage consultancy costs into 201/2015. Extended vacancies in the Building Services area earlier in the year resulted in that area delivering a \$92,981 saving.

In the Community, Culture and Recreation area expenditure was 1% (\$58,351) over budget largely in relation to non-controllable cost at senior citizens centres.

The Collier Park Village was 2% (\$24,397) over budget at year end - with the major contributing factors being garden and minor maintenance costs.

Infrastructure Services Directorate was reported as being 8% (\$2,244,333) under budget but it is important to recognise that this is almost entirely attributable to a revision to the (non-cash) depreciation expense attributed to roads, paths and drains infrastructure. This reflected a change to the depreciation 'useful lives' and depreciation rates for such infrastructure in line with contemporary asset management practice and city experience.

The largest single part of the cash expenditure in City Environment is park and grounds maintenance which was within 1% of budget expectations for the year. The City Environment area finished the year 1% (\$65,784) unfavourable. Streetscape maintenance was 2% over budget because of the service level necessarily provided to manage risk and maintain the desired standard of streetscapes. Building maintenance was under budget whilst Environmental Management on budget. Overheads were under-recovered in the City Environment area to the tune of \$209,049 - unfortunately offsetting a portion of the savings in other areas within this department for the year.

The Engineering Infrastructure arm of the Infrastructure Services Directorate is disclosed as 20% under budget but this is largely attributable to lower depreciation expense noted above. Road, path and drain maintenance was slightly over budget whilst overheads were favourable to budget.

Waste management costs were 4% (\$212,098) under budget at year end with the major factor responsible for this result being savings on the kerbside rubbish collection pickup. The waste transfer station was 2% over budget. Golf course expenditure was 1% (\$17,461) favourable against budget at year end - mainly attributable to a number of small favourable variances on course maintenance costs offsetting higher staff costs.

### Employee Costs

Salary and associated costs for the year include superannuation and amounts transferred to provisions for statutory employee entitlements such as annual and long service leave. These costs totalled \$18.10M against a budget of \$18.002M - resulting in an unfavourable variance of 0.5%. Employee entitlements mentioned above (annual & long service leave) are partly cash-backed as part of our responsible financial management practice.

Staff costs within the Chief Executive's Office which includes Human Resources, Communications, Governance and Rangers areas were 0.5% under budget overall at year end. The Financial & Information Services area was under budget for staff costs within Finance, Information Services and the Customer Focus Team whilst Libraries contributed to a 2% over budget result at year end.

Staff costs in the Planning & Community Services Directorate were 1.9% under budget at year end. Planning Services ended the year 4.6% under budget whilst Building Services was 27.2% under and Health Services was 3.9% over budget. Community Culture & Recreation was 3.3% over budget at year end. Total staff costs at the Collier Park Retirement Complex were 1.9% over budget at year end.

Infrastructure Services staff costs were within 1.7% of budget overall. Directorate Support was 0.8% under budget. City Environment salaries finished 0.2% over budget at year end whilst Engineering Infrastructure finished with its salaries expenditure 1.0% over budget. Collier Park Golf Course finished the year with a 13.6% unfavourable variance on staff costs which was partly offset by less use of outsourced services.

Staff costs recorded in the accounts include all temporary staff costs for the year as well as costs relating to permanent staff.

### Capital Items

Capital Revenue of \$3.17M represents 91% of the total budget of \$3.47M. There are a number of offsetting variances and timing differences within the capital revenue area. Lease premium revenue generated on sale of CPV independent living units generated a \$179,560 favourable variance as a higher than anticipated number of units was turned over. Contributions towards building works was some \$352,478 under budget for the year - but there are two items representing revenues associated with the Animal Care Facility and the Manning Men's Shed that cover this value that are timing differences only and will be received in 2014/2015.

Capital road grant revenue was less (\$156,538) than budget expectations due to some projects showing a timing difference with the funds only able to be claimed when the work is concluded. The City also received an unbudgeted reimbursement of \$268,055 for previously incurred costs relating to underground power works.

Capital Expenditure of \$11.26M represents 85% of the Total Budget of \$13.21M. When Council adopted the 2013/2014 Annual Budget, potential carried forward expenditure of \$1.99M was flagged. Following adjustment to reflect actual (rather than projected) expenditure after the year end close-off of accounts, an amount of \$1.95M has now been identified and approved for carry forward into the 2014/2015 budget. Combined with the completed works, this represents 100% of the full year budget.

### **Borrowings**

There were no City borrowings planned or undertaken during 2013/2014 but the City did act as a guarantor for a self-supporting loan for \$0.80M for the South Perth Bowling Club during the reporting period. Repayments of principal and interest associated with the South Perth Bowling Club loan are expected to be fully serviced from the club's own funds without impost on City ratepayers.

### **Statement of Financial Position**

Current Assets at year end are \$51.67M compared to \$49.80M in 2012/2013. Cash holdings are some \$3.19M higher - representing in part funds held for carried forward works but also reflecting very good cash collections throughout the year. Receivables are recorded as \$1.8M lower reflecting a \$1.1M lower GST receivable amount as well as reductions in UGP receivable. Inventories are slightly higher than last year's levels.

Assets Held for Sale (buildings on the Civic Triangle site) has added some \$0.3M (at cost) to Current Assets this year. Prepaid expenses are significantly higher than the previous year level whilst accrued interest revenue on invested funds is also slightly higher than at 30 June 2013.

Current Liabilities are disclosed as being significantly higher than their position at the end of last year being \$11.42M against \$8.69M. However, this is largely due to the recognition of a \$2.36M deposit on the deferred settlement Ray St land disposal as Income in Advance.

Excluding the impact of that accounting treatment, the change in current liabilities is only \$0.4M which relates to timing differences on accounts payable. Employee Entitlements (under legislation) for annual leave & long service leave have necessarily increased by \$0.4M. Current Loan Liabilities are \$0.4 lower than at the same time last year due to the new self-supporting borrowings.

Non-Current Assets as at 30 June 2014 are \$567.97M after capitalising infrastructure assets created during the year - and revaluing buildings, roads, paths and drains to (fair value) current replacement value at 30 June 2014. This compares to \$516.11M at this time last year.

The difference attributable to the revaluation impact of buildings and infrastructure assets is shown below:

- Building Assets                      value increase by \$ 17.3M
- Roads Network                        value increase by \$ 11.5M
- Paths Network                         value increase by \$ 1.8M
- Drainage Network                    value increase by \$ 15.1M
- Parks Assets                          value increase by \$ 7.8M

These valuation adjustments reflect recognition of Buildings and the nominated Infrastructure Asset classes at fair value (current replacement cost). The remainder of the change in non-current asset reflects the capitalisation of new plant and equipment, technology and fixtures and fittings and the related depreciation expense on all fixed assets. Non-current receivables have decreased by \$0.40M due to accelerated collections from the UGP Stage 5 Project whilst Equity in Non-Current Investments has increased by \$0.16M.

Non-Current Liabilities finished the year at \$438.77M - a decrease of \$2.85M on the 30 June 2013 balance. The CPV Leaseholder Liability increased by increased slightly from \$28.6M to \$29.3M this year. The increase was a consequence of higher market values being paid for the residential units - with the attendant obligation to refund the larger values to departing residents. The resulting increase in leaseholder liability is

## 7.6.2 Year End Financial Statements 2014

offset by an increase in Investments associated with the Reserve Fund in which the refundable amounts are quarantined. The \$2.06M liability associated with Accommodation Bonds at the Collier Park Hostel was fully extinguished upon the closure of the hostel in April 2014.

The balance of Non-Current Borrowings decreased in net terms by \$1.6M after including the new self-supporting borrowings, reclassifying the current / non-current balance split and removing the loan capital payments made during the year. There was also a \$0.02M increase in Non-Current Provisions for Employee Entitlements.

### Financial Ratios

The City's solid financial position and longer term financial sustainability are reflected in the key financial ratios associated with the Integrated Planning & Reporting Framework with the City meeting or being close to the preferred industry benchmark in all but one financial ratio as is shown in the table below:

Commentary on the financial statements last year highlighted the importance of effectively managing cash liquidity in the upcoming year with conversion of debtors to cash in a timely manner and operating within the approved expenditure budgets needing to be high priorities in the 2013/2014 year. The improvement in all financial ratios disclosed for 2013/2014 compared to the previous two years demonstrates how effectively the challenge has been met throughout the last year - and it demonstrates that the City does have an appropriate longer term financial strategy in place to steadily build and enhance its financial sustainability.

| Financial Ratio  | 2013/2014 | 2012/2013 | 2011/2012 |
|--|-----------|-----------|-----------|
| Current Ratio<br>(Preferred ratio is greater than 1.1)   | 1.70:1    | 1.61:1    | 1.15:1    |
| Operating Surplus Ratio<br>(Preferred ratio is positive-up to 5%)  | (2.6%)    | (2.5%)    | (9.1%)    |
| Own Source Revenue Ratio<br>(Preferred ratio is greater than 40%)  | 93.8%     | 92.4%     | 86.4%     |
| Debt Service Ratio<br>(Preferred ratio is between 2:1 & 5:1)   | 2.95:1    | 4.49:1    | 4.51:1    |
| Outstanding Rates Ratio<br>(Preferred ratio is less than 5%)   | 0.5%      | 1.0%      | 1.2%      |
| Asset Sustainability Ratio<br>(Preferred ratio is greater than 90%)                                      | 94.0%     | 85.1%     | 84.2%     |
| Asset Consumption Ratio<br>(Preferred ratio is between 50% & 70%)  | 61.3%     | 55.9%     | 54.1%     |
| Asset Renewal Funding Ratio<br>(Preferred ratio is between 95% & 100%)<br>* New Ratio for 2012/2013 year | 94.4%     | 98.9%     | N/A       |

During the year the City put in place some important structural initiatives which will see a steady improvement in the Operating Surplus Ratio in future years.

**Consultation**

This is a financial report prepared to provide financial information to Council and the City's administration to provide evidence of the soundness of financial management being employed by the administration. It also provides information and discharges financial accountability to the City's ratepayers.

**Policy and Legislative Implications**

This report is in accordance with the requirements of the Section 6.4 of the *Local Government Act* and Local Government Financial Management Regulation 34.

**Financial Implications**

The attachments to this report compare actual financial performance to budgeted financial performance for the period. This provides for timely identification of variances which in turn promotes dynamic and prudent financial management.

**Strategic Implications**

This matter relates to Strategic Direction 6 "Governance, Advocacy and Corporate Management" identified within Council's Strategic Plan 2013-2023, which is expressed in the following terms:

*Ensure that the City has the organisational capacity, advocacy and governance framework and systems to deliver the priorities identified in the Strategic Plan.*

**Sustainability Implications**

This report is aligned to the City's [Sustainability Strategy 2012-2015](#) and addresses the 'financial' dimension of sustainability by promoting accountability for resource use through a historical reporting of performance - encouraging dynamic financial management through proactive identification and response to apparent financial variances. Furthermore, through the City exercising disciplined financial management practices and responsible forward financial planning, we can ensure that the consequences of our financial decisions are sustainable into the future.

**Attachments**

- 7.6.2 (a):** Balance Sheet A
- 7.6.2 (b):** Balance Sheet B
- 7.6.2 (c):** Summary of non Infrastructure Operating Revenue and Expenditure
- 7.6.2 (d):** Summary of Operating Revenue & Expenditure - Infrastructure Service
- 7.6.2 (e):** Summary of Capital Items
- 7.6.2 (f):** Reconciliation of Budget Movements A
- 7.6.2 (g):** Reconciliation of Budget Movements B
- 7.6.2 (h):** Rate Setting Statement



## 8. MEETING CLOSED TO PUBLIC

Chief Executive Officer advises that there are matters for discussion on the agenda for which the meeting may be closed to the public, in accordance with section 5.23(2) of the Local Government Act 1995.

Reports regarding these matters have been circulated separately to Councillors.

### 8.1 MATTERS FOR WHICH THE MEETING MAY BE CLOSED

#### 8.1.1 Auditors Completion Report for the Year ended 30 June 2014

*This item is considered **confidential** in accordance with the Local Government Act 1995 section 5.23(2) (h) as it contains information relating to "such other matters as may be prescribed"*

|                             |   |
|-----------------------------|---|
| Location:                   | City of South Perth   |
| Ward:                       | Not Applicable  |
| Applicant:                  | Council   |
| File Ref:                   | D-14-66021  |
| Date:                       | 11 November 2014  |
| Author / Reporting Officer: | Michael Kent, Director Financial and Information Services   |
| Strategic Direction:        | Governance, Advocacy and Corporate Management -<br>- Ensure that the City has the organisational capacity, advocacy and governance framework and systems to deliver the priorities identified in the Strategic Community Plan |
| Council Strategy:           | 6.1 Develop and implement innovative management and governance systems to improve culture, capability, capacity and performance.  |

#### Recommendation

That the following agenda items be considered in closed session, in accordance with section 5.23(2) of the Local Government Act 1995, as specified:

#### 8.1.1 Auditors Completion Report for the Year ended 30 June 2014

Item 8.1.1 confidential in accordance with the Local Government Act 1995 section 5.23(2) (h) as it contains information relating to "such other matters as may be prescribed"

### 8.2 PUBLIC READING OF RESOLUTIONS THAT MAY BE MADE PUBLIC

## 9. CLOSURE

