

AGENDA.

Special Council Meeting

8 November 2016

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 8 November 2016 in the City of South Perth Council Chamber, Cnr Sandgate Street and South Terrace, South Perth commencing at 7.00pm.

The meeting has been called for the purpose of considering the following items:

- 2015/16 Annual Report and Financial Statements
- Year End Financial Management Account 2015/16
- Audit Completion Report 2015/16
- Recommendations from the CEO Evaluation Committee



MICHAEL KENT
ACTING CHIEF EXECUTIVE OFFICER

4 November 2016

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 meetings of Council and its Committees available to the public.

- **Meet Your Council**

The City of South Perth covers an area of around 19.9km² 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/

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Special Council Meeting - Agenda

1. DECLARATION OF OPENING

2. ANNOUNCEMENTS FROM THE PRESIDING MEMBER

2.1 STANDING ORDERS LOCAL LAW 2007

This meeting is held in accordance with the City's Standing Orders Local Law 2007 which provides rules and guidelines which apply to the conduct of meetings.

2.2 AUDIO RECORDING OF THE COUNCIL MEETING

The meeting will be audio recorded in accordance with Council Policy P673 "Audio Recording of Council Meetings" and Clause 6.15 of the Standing Orders Local Law 2007 "Recording of Proceedings".

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 Presiding Member 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 2015/16 Annual Report and Financial Statements

Location:	South Perth
Ward:	Not Applicable
Applicant:	City of South Perth
File Ref:	D-16-82280
Date:	8 November 2016
Author:	Phil McQue, Manager Governance and Administration
Reporting Officer:	Geoff Glass, Chief Executive Officer
Strategic Direction:	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
Council Strategy:	6.1 Develop and implement innovative management and governance systems to improve culture, capability, capacity and performance.

Summary

This report recommends that the Council adopt the 2015/16 Annual Report and Financial Statements and hold the Electors General Meeting 7.00pm Monday 5 December 2016.

Officer Recommendation

That the Council:

- 1) adopt the 2015/16 Annual Report and Financial Statements shown at attachment 1
- 2) note that the Electors General Meeting will be held 7.00pm Monday 5 December 2016.

Background

The Council is required to accept the Annual Report and Financial Statements and present it to an Electors General Meeting.

Comment

The 2015/16 Annual Report and Financial Statements (shown at **Attachment (a)**) provides our community with an open and accountable insight into how we have progressed our vision and strategic objectives outlined in our Strategic Community Plan 2015-2025, including our main achievements and challenges, our financial performance, and our key targets for the year ahead.

7.6.1 2015/16 Annual Report and Financial Statements

The 2015/16 Annual Report framework is aligned with the City's Strategic Plan and reviews the progress of the City's actions against the key directions and priorities outlined in the Strategic Plan.

The City's 2014/15 Annual Report was the recipient of a Silver Award in the prestigious Australasian Reporting Awards, and this Annual Report will be submitted for consideration in the 2015 /16 Awards.

The Electors General Meeting is scheduled for 7.00pm Monday 5 December 2016.

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 it 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 5 December 2016 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 are design and printing expenses associated with the production of the 2015/16 Annual Report, which is provided for within the Governance and Administration Budget.

Strategic Implications

This report is aligned to the City's [Strategic Community Plan 2015-2025](#).

Sustainability Implications

This report is aligned to the City's [Sustainability Strategy 2012-2015](#).

Attachments

7.6.1 (a): 2015/16 Annual Report.

7.6.1 (b): 2015/16 Annual Financial Statements

7.6.2 Year End Financial Management Accounts 2015/2016

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	Council
File Ref:	D-16-83118
Date:	8 November 2016
Author / Reporting Officer:	Michael J. Kent, Director Financial and Information Services
Strategic Direction:	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
Council Strategy:	6.2 Develop and maintain a robust Integrated Planning and Reporting Framework (in accordance with legislative requirements).

Summary

Management account summaries and detailed narrative comparing actual financial performance against budget expectations at the conclusion of the 2015/2016 year are presented for Council information. Comments are provided on financial performance, year-end financial position and the significant financial variances disclosed therein.

Officer Recommendation

That:

- (a) the year-end Statement of Financial Position and Financial Summaries provided as **Attachment (a) - (e)** be received
- (b) the Schedule of Significant Variances (**Attachment (f)**) not be required as the relevant variances are identified and discussed in the report narrative in accordance with Local Government (Financial Management) Regulation 34
- (c) the Schedule of Movements between the Adopted & Amended Budget **Attachment (g) & (h)** be received
- (d) the Rate Setting Statement provided as **Attachment (i)** 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 more than 120 pages of 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 report reflects the structure of the budget information provided to Council and published in the Annual Management 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 - reflecting the City's actual financial performance against budget targets.

Local Government (Financial Management) Regulation 35 requires significant variances between budgeted and actual results to be identified and comment provided on those variances.

The City adopts a definition of 'significant variances' as being \$5,000 or 5% of the project or line item value (whichever is the greater). Notwithstanding the statutory requirement, the City may elect to provide comment on other lesser variances where it believes this assists in discharging accountability.

To be an effective management tool, the 'budget' against which actual performance is compared is phased throughout the year to reflect the cyclical pattern of cash collections and operating expenditures during the year rather than simply being a proportional (number of expired months) share of the annual budget.

The annual budget has been phased throughout the year based on anticipated project commencement dates and expected cash usage patterns. This provides more meaningful comparison between actual and budgeted figures at various stages of the year. It also permits more effective management and control over the resources that Council has at its disposal.

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. This is consistent with principles of responsible financial cash management.

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. A Rate Setting Statement reflecting the actual performance against the adopted budget is included with the attachments to this report.

A reconciliation of the movements between adopted and revised budget is also provided as is a Statement of Financial Position detailing the City's assets and liabilities and giving a comparison of the value of those assets and liabilities with the relevant values for the equivalent time in the previous year is also provided.

Presenting this composite set of financial statements provides financial accountability to the community and provides the opportunity for more timely intervention and corrective action by management where required.

Comment

The components of the monthly management account summaries presented are:

- Statement of Financial Position - **Attachments (a) & (b)**
- Summary of Non Infrastructure Operating Revenue and Expenditure **Attachment (c)**
- Summary of Operating Revenue & Expenditure - Infrastructure Service **Attachment (d)**
- Summary of Capital Items - **Attachment (e)**
- Schedule of Significant Variances - **Attachment (f)** - Not provided in this report
- Reconciliation of Budget Movements - **Attachments (g) & (h)**
- Rate Setting Statement - **Attachment (i)**

It should be noted that the City's audited statutory financial statements and all accompanying notes and schedules (presented in Agenda Attachment 7.6.1(b)) are simply another view of the management accounts as at 30 June 2016 presented in a particular statutory format - as is demonstrated by the table below.

Management Accounts	Budget	Actual
Revenue - Operating	52,660,096	52,767,364
Revenue - Capital	4,421,999	4,541,062
Revenue Capital - Land Disposal	3,626,363	3,060,808
	\$60,708,458	\$60,369,234
Expenditure - Operating	51,573,477	52,657,298
Expenditure - Capital	36,032,104	28,588,934
	\$87,605,581	\$81,246,232
Statutory Program Based Accounts	Budget	Actual
Revenue - Operating	52,925,765	53,152,185
Revenue - Asset Disposals	449,330	441,683
Revenue - Land Disposal	3,626,363	3,060,808
Revenue - Capital Grants	3,707,000	3,714,558
Movement in Joint Venture Equity	0	0
	\$60,708,458	\$60,369,234
Expenditure - Operating	54,985,367	54,743,951
Expenditure - Carrying Amount	184,226	173,671
Expenditure - Interest & Borrowing Costs	561,373	516,559
Expenditure - Capitalised Assets	3,672,815	2,720,191
Expenditure - Capitalised Infrastructure	10,289,800	7,835,269
Expenditure - Software Capitalised	370,000	341,158
Expenditure - WIP (Property, Plant & Equipment)	16,307,000	13,579,925
Expenditure - WIP (Infrastructure)	1,235,000	1,277,344
Movement in Joint Venture Equity	0	58,164
	\$87,605,581	\$81,246,232

The detailed management accounts referred to above represent more than 120 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 2016 is \$52.76M which represents 100% of the total operating revenue budget. The Chief Executive's Office was 1% ahead of their revenue budget for the year by \$11,705. There was a 2% revenue shortfall from parking enforcement and meter parking but this was offset by a \$26,203 favourable variance on animal control. That variance was due to higher than budgeted dog licence fees and from additional revenue streams generated through the animal care facility.

Financial & Information Services achieved 100% of their revenue budget for 2015/2016. Investment revenues were hard hit by low interest rates and were 4% (\$125,708) under budget expectations at year end. This represents a \$250,000 turnaround from last year's significant favourable result. Offsetting that variance are positive variances in relation to rates (\$30,351 ahead of budget), instalment interest (\$34,426 ahead of budget) and miscellaneous lease and rental revenue (\$37,455 ahead of budget).

The Development & Community Services Directorate finished the year 3% (\$112,483) ahead of budget largely due to a \$100,441 favourable variance on building services revenue. Planning revenue was 3% (\$27,033) under budget expectations as the volume of larger development applications slowed. Revenue performance at the Collier Park Village was in line with budget expectations.

Infrastructure Services concluded the year on budget for its revenue budget expectations. There were small offsetting variances on road grants (12,281 favourable), crossover revenue (\$26,235 favourable), engineering contributions (\$21,690 unfavourable) and contributions for third party park-related works which were 18% (\$49,003) better than budget expectations in net terms. Waste management revenues were on budget.

Golf course revenue finished the year some 2% (\$46,393) over its 2015/2016 revenue budget. Green fees were 3% under budget whilst cart hire and driving range ball revenues were ahead of budget expectations.

Operating Expenditure to 30 June 2016 is \$52.66M which represents 102% of the total budget. Costs within the Chief Executive's Office were 4% (\$246,365) under budget at year end. This was primarily due to an unspent consultancy allocation of \$100,000 in relation to the CPGC, salaries savings from the absence of a substantive CEO for three months and \$38,798 less than budgeted costs for Council Members training. Offsetting these favourable variances, ranger services expenditure was 4% (\$63,035) over budget largely due to higher than budgeted salaries costs and repair costs for parking meters.

Operating Expenditure for the Financial and Information Services area (after allocations outwards) is reported as being 2% (\$87,561) under budget. This result is primarily attributable to a vacant senior position in the finance area offset by an unbudgeted \$58,164 loss on the City's equity in the Rivers Regional Council. This is the second year of such losses which now total \$95,500. The information technology area was 2% (\$17,344) under budget and the customer focus team was 10% (\$34,621) under budget with the variance being attributable to salary savings and savings on consultancy costs. Library services delivered an on budget result with a number of small offsetting operational variances.

Operating Expenses in the Development & Community Services Directorate were 0% (\$34,959) over budget overall at year end. The planning area contributed a \$35,904 (unfavourable) result to this variance with a significant number of small favourable variances being offset by a much larger than budgeted expenditure on legal challenges to the Dan Murphy (ALH) application and the 74 Mill Point Rd development application which in total contributed \$228,480 costs for 2015/2016 against the initial \$50,000 budget for this line item.

Staff vacancies in the building services area earlier in the year resulted in that area delivering a 4% (\$20,104) favourable result. Health services completed the year in line with budget.

In the community, culture and recreation area, expenditure was 0% (\$11,991) under budget due to \$37,620 less than budgeted costs for donations (less applications received), \$16,125 savings for senior citizens costs and \$16,721 savings on major events expenditure. Higher than budgeted salaries expenditure in the arts and events area offset most of the savings noted above.

The Collier Park Village was 2% (\$41,119) over budget at year end, but this was an improvement of around \$80,000 on the previous year. Major factors contributing to the negative aspects of this variance were the \$55,383 over-spend on garden maintenance and the higher than anticipated depreciation expense - although much of this was offset by savings on telephone and utilities costs relative to budget.

The Infrastructure Services directorate was reported as being 5% (\$1,382,788) over budget - but this is essentially attributable to a revision to the (non-cash) depreciation expense attributed to roads, paths, drains and parks infrastructure. Roads, paths and drains depreciation increased by \$1.55M after the revaluation to fair value of these infrastructure assets. Largely, this reflected a change to the valuation of road assets sub-grade in line with contemporary asset management practice and City experience.

The city environment area finished the year slightly less than 1% (\$53,969) favourable. The largest single component of the cash expenditure in this area is park and grounds maintenance which was essentially in line with budget expectations for the year. The streetscapes area finished the year some 10% under budget, reflecting over-budgeting in anticipation of the new contractor's cost regime. Building maintenance was slightly over budget whilst environmental management was 7% over budget due to additional labour costs.

Plant nursery was 17% over budget due to higher operating costs; building maintenance was 4% (\$36,494) over budget with higher than budgeted expenditure on the operations centre, administration building, library and temporary ranger's accommodation. Overheads were fully recovered in both the engineering infrastructure and city environment area.

The engineering infrastructure arm of the Infrastructure Services directorate is disclosed as 17% over budget but this is almost entirely due to higher (non-cash) depreciation expense noted above. Most other cost centres were on budget.

Waste management costs were 2% (\$91,668) under budget at year end with the major factor responsible for this result being savings on the rubbish collection costs and waste site charges. The waste transfer station was 19% over budget due to additional staff costs and a lack of alignment between the rubbish site charges budget and the actual cost allocation model. Overall, the rubbish site charges were still favourable to budget.

Golf course expenditure was 7% (\$160,153) favourable to budget at year end which was attributable to across the board savings on staff costs and course maintenance activities including fertilising, turf renovation and reticulation without adversely impacting course standards.

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 \$18.03M against a budget of \$18.60M - resulting in a 3% under budget result. 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 1.6% under budget overall at year end. The variance was largely due to the absence of a substantive CEO for three months and vacancies in governance and the HR area. A 6.3% unfavourable variance in the ranger services area partly offset these cost savings.

The Financial & Information Services area was 3.4% under budget for staff costs with favourable variances in the directorate administration, finance, information services and customer focus areas. Libraries delivered a 3.3% over budget result at year end due to a higher expenditure on casual staff than was budgeted.

Staff costs in the Development & Community Services directorate were 0.2% under budget overall at year end. Planning services ended the year on budget despite the demands of responding to JDAP applications and SAT appeals whilst building services was 9.7% under budget (but this was offset by consultancy costs) and health services was 4.8% over budget due to the extent of out of hours attendance required. Community culture & recreation was 2.0% over budget at year end. Total staff costs at the Collier Park Retirement Complex were 3.7% under budget at year end.

Infrastructure Services staff costs were 5.1% under budget overall. Directorate Support was 6.4% under budget with the extended absence of a senior role in the asset management area. City Environment salaries finished 6.01% under budget at year end with several vacancies during the year. Engineering Infrastructure finished the year with its salaries expenditure 6.9% under budget again with a senior role vacant for an extended period. Collier Park Golf Course finished the year with a 5.9% saving resulting from staff on long service leave. The transfer station incurred a 14% higher than budgeted staffing cost - a matter that has since been addressed in the 2016/2017 budget.

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

Capital Items

Capital Revenue of \$7.60M represents 94% of the total budget of \$8.05M. There are several offsetting variances and timing differences within the capital revenue area. Land sales revenue was \$565,555 under budget due to the decision not to proceed with the proposed disposal of the Crawshaw Crescent sump land. The City also received some \$87,806 more than was anticipated from CPV unit turnovers.

Capital road grant revenue was 14% (\$194,397) more than budget expectations but building grants revenue was \$195,000 under budget due to a timing difference with the funds only able to be claimed when the work is concluded.

Capital Expenditure of \$28.59M represents delivery of 79% of the Total Budget of \$36.03M, notwithstanding that this is actually the largest capital program that the City has ever delivered. When Council adopted the 2016/2017 Annual Budget, potential carried forward expenditure of \$7.98M was flagged. Following adjustment to reflect actual (rather than projected) expenditure after the year end close-off of accounts, an amount of \$7.25M has now been identified and carried forward into the 2016/2017 budget. Combined with the completed works, this represents 99.5% of the full year budget.

Borrowings

The City undertook planned borrowings of \$5.00M as part of the discretionary funding model for the Manning Community Hub facility during 2015/2016. The borrowings are to be repaid over a 20 year term (maturing in June 2036) and have a fixed interest rate of 3.21%. The City did not act as a guarantor for any new self-supporting loans during the reporting period.

Statement of Financial Position

Current Assets at year end are \$69.33M compared to \$78.44M in 2014/2015. Cash holdings are some \$5.77M lower, with the difference in part represented by \$12.71M planned drawdowns of cash backed Reserves whilst cash was also boosted by Municipal funds of \$7.25M held for carried forward works. The cash balance was also positively impacted by good cash collections during the year.

Receivables are recorded as \$1.12M lower as a consequence of a reduction in GST receivable. Most other receivables categories are very close to prior year levels; reflecting a consistent collection effort year on year. Inventories are slightly higher than last year's levels.

Assets Held for Sale (Ray St land and Manning Commercial land sites) reduced by \$2.00M from the (deferred settlement) Ray St land sale that was concluded in March 2016 and a further \$45,556 for the Manning Commercial Land sale in October 2015. Prepaid expenses are very similar to the previous year level whilst accrued interest revenue on invested funds is lower than at 30 June 2015.

Current Liabilities have been re-stated for the 2015/2016 year (and the 2014/2015 comparatives) following a new accounting standard interpretation requiring the disclosure of the entire Collier Park Village liability to repay departing residents as a current liability rather than a non-current one. The administration disagrees with this accounting treatment as we have 20 years of data showing that on average around 7% of the units have monies refunded in a given year (the definition of a 'current' liability). The remaining 93% are therefore by definition 'non-current'.

7.6.2 Year End Financial Management Accounts 2015/2016

Notwithstanding our fundamental disagreement with this accounting treatment, the administration has re-stated the CPV Liability to reflect it as being 'current' to achieve statutory compliance.

Under this revised disclosure, Current Liabilities are substantially lower than their (re-stated) position at the end of last year being \$39.07M against \$42.73M. This is mainly due to the recognition of the profit from the Ray St land sale as revenue in 2015/2016 (which reduces Income in Advance by \$2.97M) as well as a \$0.84M decrease in the level of year-end creditors. The CPV Liability is \$29.94M at June 2016 compared to \$29.92M the previous year.

Employee Entitlements (under legislation) for annual leave & long service leave have decreased by \$0.24M. Current Loan Liabilities are disclosed as \$1.39M compared to \$1.15M at the same time last year due to the new loan borrowings.

Non-Current Assets as at 30 June 2016 are \$700.27M after capitalising plant and equipment and infrastructure assets created / acquired during the year and after revaluing buildings, roads, paths, drains, park assets and street furniture to fair value (current replacement value) at 30 June 2016. This compares to a value of \$616.88M at this time last year.

During the reporting period, Property Plant & Equipment assets valued at \$2.86M were capitalised and a further \$13.58M worth of Property Plant & Equipment was recognised as Work in Progress. For the same period, Infrastructure assets valued at \$10.95M were capitalised and a further \$1.28M worth of Infrastructure assets were recognised as Work in Progress.

The difference attributable to the fair value revaluation impact of buildings and infrastructure assets for 2015/2016 is shown below:

- Building Assets value increase by \$ 2.4M
- Roads Network value increase by \$ 63.8M
- Paths Network value increase by \$ 1.3M
- Drainage Network value decrease by \$ 0.1M
- Park Assets value increase by \$ 1.1M
- Street Furniture value increase by \$ 0.2M

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 value reflects the disposal of items of plant and equipment, technology and fixtures and fittings and the related depreciation expense on all fixed assets. Non-current Receivables have decreased by \$0.27M due to collections from self-supporting loans whilst Equity in Non-Current Investments has decreased by \$0.06M and Non-Current Assets Held for Sale decreased by \$0.18M.

Non-Current Liabilities finished the year at \$12.09M representing an increase of \$3.73M on the 30 June 2015 balance. The balance of Non-Current Borrowings increased in net terms by \$3.61M after including the new borrowings, reclassifying the current / non-current balance split and removing the loan capital payments made during the year. There was also a \$0.21M 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 the preferred industry benchmark in all financial ratio as is shown in the table below:

Commentary on the financial statements in 2013/2014 highlighted the importance of effectively managing cash liquidity in the upcoming years with conversion of debtors to cash in a timely manner and operating within the approved expenditure budgets needing to be high priorities in the 2014/2015 and 2015/2016 year.

The continuing strength in all financial ratios disclosed for 2015/2016 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	2015/2016	2014/2015	2013/2014
Current Ratio (Preferred ratio is greater than 1.00) (Restated to remove Leasehold Liability)	1.06 1.82	1.12 1.93	0.91 1.70
Operating Surplus Ratio (Preferred ratio is positive-up to 5%)	2.1%	33.9% *	(2.6%)
Own Source Revenue Ratio (Preferred ratio is greater than 40%)	100.0%	143.8%	93.8%
Debt Service Ratio (Preferred ratio is better than 5)	7.72	16.3	2.9
Outstanding Rates Ratio (Preferred ratio is less than 5%)	1.0%	0.7%	0.5%
Asset Sustainability Ratio (Preferred ratio is greater than 90%)	97.1%	100.0%	94.0%
Asset Consumption Ratio (Preferred ratio is between 50% & 70%)	71.9%	70.2%	61.3%
Asset Renewal Funding Ratio (Preferred ratio is between 95% & 100%)	97.7%	95.1%	94.4%

**Impacted by the Civic Triangle land sale - adjusted value excluding the sale is 1.3%*

Financial Health Indicator (FHI) Score

Assessing the financial ratios disclosed above using the WA Treasury Corporation's financial health indicator model for comparing local governments generates a FHI score of 86. A minimum score of 70 is required to reflect sound financial management and the maximum score is 100.

Consultation

This financial report is prepared to provide financial information to Council and to evidence the soundness of the administration's financial management. It also provides information about corrective strategies being employed to address any significant variances and it discharges 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 the financial reports compare actual financial performance to budgeted financial performance for the 2015/2016 period. Such review encourages timely identification of variances which in turn promotes dynamic and prudent financial management.

Strategic Implications

This report is aligned to the City's [Strategic Community Plan 2015-2025](#).

Sustainability Implications

This report is aligned to the City's [Sustainability Strategy 2012-2015](#). Financial reports address the 'financial' dimension of sustainability by promoting accountability for resource use through a historical reporting of performance - emphasising pro-active 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):** Statement of Financial Position
- 7.6.2 (b):** Statement of Financial Position
- 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):** Schedule of Significant Variances (not required as per report)
- 7.6.2 (g):** Reconciliation of Budget Movements
- 7.6.2 (h):** Reconciliation of Budget Movements
- 7.6.2 (i):** Rate Setting Statement

7.7 MATTERS REFERRED FROM COMMITTEE MEETINGS

7.7.1 Recommendations from the CEO Evaluation Committee - 25 October 2016

Location:	City of South Perth
Ward:	Not Applicable
Applicant:	Council
File Ref:	D-16-83871
Date:	8 November 2016
Author:	Sharron Kent, Governance Officer
Reporting Officer:	Phil McQue, Manager Governance and Administration
Strategic Direction:	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
Council Strategy:	6.3 Continue to develop best practice policy and procedure frameworks that effectively guide decision-making in an accountable and transparent manner.

Summary

The purpose of this report is to provide the recommendations from the CEO Evaluation Committee meeting held 25 October 2016 for Council's consideration.

Officer Recommendation

That Council adopt the recommendations of the CEO Evaluation Committee meeting held 25 October 2016:

- 1. Endorse the 2016 Chief Executive Officer Performance and Remuneration Review Process and Timeline*
- 2. Advise the Chief Executive Officer of the process, timeline and proposed engagement of an external facilitator, with the Chief Executive Officer's Annual Report to be considered at a CEO Evaluation Committee Meeting, 21 November 2016*
- 3. Engage Price Consulting Group to assist with the Chief Executive Officer Performance and Remuneration Review, as outlined in the scope of works at an estimated price of \$1,629 (excl. GST)*

Background

The CEO Evaluation Committee meeting was held on 25 October 2016 with the following *confidential* item listed for consideration on the Agenda:

- 2016 Chief Executive Officer Performance and Remuneration Review Process

Comment

The CEO Evaluation Committee resolved to recommend to Council the following:

That the CEO Evaluation Committee:

7.7.1 Recommendations from the CEO Evaluation Committee - 25 October 2016

1. *Endorse the 2016 Chief Executive Officer Performance and Remuneration Review Process and Timeline*
2. *Advise the Chief Executive Officer of the process, timeline and proposed engagement of an external facilitator, with the Chief Executive Officer's Annual Report to be considered at a CEO Evaluation Committee Meeting, 21 November 2016*
3. *Engage Price Consulting Group to assist with the Chief Executive Officer Performance and Remuneration Review, as outlined in the scope of works at an estimated price of \$1,629 (excl. GST)*

Consultation

The CEO Evaluation Committee considered the report in detail at the 25 October 2016 Committee meeting.

Policy and Legislative Implications

This Committee meeting was called in accordance with section 5.4 Calling Council Meetings, *Local Government Act 1995*.

Financial Implications

Nil

Strategic Implications

This report is aligned to the City's [Strategic Community Plan 2015-2025](#).

Sustainability Implications

This report is aligned to the City's [Sustainability Strategy 2012-2015](#).

Attachments

Nil

8. MEETING CLOSED TO PUBLIC

The 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 Audit Completion Report 2015/16

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-16-84873
Date:	8 November 2016
Author / Reporting Officer:	Michael J. Kent, Director Financial and Information Services
Strategic Direction:	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
Council Strategy:	6.2 Develop and maintain a robust Integrated Planning and Reporting Framework (in accordance with legislative requirements).

Officer Recommendation

That Council endorse the Officer Recommendation detailed in the *Confidential* Agenda.

8.2 PUBLIC READING OF RESOLUTIONS THAT MAY BE MADE PUBLIC

9. CLOSURE