



**CITY OF BAYSWATER**

# **MINUTES**

**FOR THE**

**ORDINARY MEETING**

**OF COUNCIL**

**12 December 2017**





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**CITY OF BAYSWATER**

**Minutes** of the Ordinary Meeting of the Bayswater City Council which took place in the Council Chambers, City of Bayswater Civic Centre, 61 Broun Avenue, Morley on ***12 December 2017***.

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**MINUTES****1. OFFICIAL OPENING**

Notice is hereby given that the Ordinary Council Meeting will be audio recorded in accordance with the resolution of Council of 17 May 2016.

Persons are not permitted to record (visual or audio) at the Council meeting without prior approval of the Council.

The Chairperson, Cr Dan Bull, Mayor, welcomed those in attendance and declared the meeting open for the ordinary business of Council at 6.31pm.

**1.1 Traditional Owners Acknowledgement**

The Chairperson, Cr Dan Bull, Mayor respectfully acknowledged the past, present and future traditional custodians of the land on which we are meeting, the Whadjuk (Perth) region people of the Noongar nation. Cr Dan Bull, Mayor acknowledged and respected their continuing culture and the contribution they make to the life of this city and this region.

**1.2 Declaration of Due Consideration**

*The Chairperson read the Declaration of Due Consideration and all Councillors present raised their hands to indicate that due consideration was given to all matters contained in the Agenda.*

**2. RECORD OF ATTENDANCE, APOLOGIES, ABSENCE AND LEAVE OF ABSENCE (PREVIOUSLY APPROVED)****Attendance, Apologies and Absence****Members**West Ward

Cr Dan Bull, Mayor (Chairperson)  
Cr Giorgia Johnson (from 6.52pm)  
Cr Lorna Clarke

Central Ward

Cr Chris Cornish, Deputy Mayor  
Cr Barry McKenna

North Ward

Cr Brent Fleeton  
Cr Stephanie Gray  
Cr Filomena Piffaretti

South Ward

Cr Catherine Ehrhardt

Cr Elli Petersen-Pik

**Officers**

Mr Andrew Brien

Mr Doug Pearson

Mr Des Abel

Ms Carissa Bywater

Mr Darren Beltman

Ms Danica Kay

Chief Executive Officer

Director Technical Services

Director Planning and Development Services

Director Finance and Corporate Services

Acting Director Community Services

Governance Support Officer

**Observers**

Press - 1

Public - 27

**Leave of Absence**

Cr Sally Palmer

**Apologies**

Nil.

**4.2 Application for Leave of Absence****COUNCIL RESOLUTION**

That Leave of Absence be granted as follows:

**CR DAN BULL, MAYOR** from 18 January 2018 to 24 January 2018 inclusive; and**CR BARRY McKENNA** from 8 January 2018 to 30 January 2018 inclusive;**CR BRENT FLEETON MOVED, CR CATHERINE EHRHARDT SECONDED****CARRIED: 9/0**

### 3. PUBLIC QUESTION TIME

In accordance with section 5.24(1)(a) of the *Local Government Act 1995*, time is allocated for questions to be raised by members of the public, as follows:

- (1) The minimum time to be allocated for the asking of and responding to questions raised by members of the public at ordinary meetings of councils and meetings referred to in regulation 5 is 15 minutes.
- (2) Once all the questions raised by members of the public have been asked and responded to at a meeting referred to in sub regulation (1), nothing in these regulations prevents the unused part of the minimum question time period from being used for other matters.

Pursuant to regulation 7(4)(a) of the *Local Government (Administration) Regulations 1996*, questions from the public must relate to a matter affecting the local government.

In accordance with section 5.25(1)(f) of the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996* regulation 11(e) a summary of each question raised by members of the public at the meeting and a summary of the response to the question will be included in the minutes of the meeting.

Where a question is taken on notice at the meeting, in accordance with clause 5.6(7)(b) of the *City of Bayswater Standing Orders Local Law 2013* a summary of the response to the question will be included in the minutes for the following Council meeting.

The City will continue to provide written responses to those questions taken on notice at the meeting but will no longer include associated forms and personalised correspondence as part of Council Minute appendices.

#### 3.1 Responses to Public Questions Taken 'On Notice'

**Ian Walters - 124 Laurence Street, Bedford**

##### Question 1

**Firstly congratulations on your appointment, Can you confirm audio is working.**

**I refer to my question raised at the last ordinary meeting of Council to the chair of the Audit and Risk Committee via the Chair - subject compliance with Accounting Standards Mr Mayor when can I expect an answer, the reply at the meeting was several days, several weeks have passed.**

##### Answer 1

Further to your query around the inclusion of the termination benefit paid to the former Chief Executive Officer, I write to confirm this disclosure will be made in Note 17 of the 2016-17 financial statements. At the time of writing this, the Auditors Report has not been received, however the final audited statements will be posted on the City's website as soon as they are available.

### 3.2 Public Question Time

Public Question Time commenced at 6:32pm.

The following questions were submitted in writing:

**Barry Kramer - Central Ward**

**Question 1**

**I take note of the amount of Committees individual Councillors have volunteered to be on, so as a voluntary decision of each councillor, committee meetings do not in any way effect the amount of the set CoB Attendance Fee they are paid.**

**As the position of LG Councillor is officially recognised as a voluntary position, will Councillors be paid the "Meeting attendance fee" if they do not attend an "Ordinary Council Meeting" (sick or on leave) as this is the most important meeting where total ratepayer representation is needed and the only meeting where all council decisions can be officially ratified?**

**Answer 1**

Cr Dan Bull, Mayor advised that the Salary and Allowances Tribunal Determination from earlier this year confirmed that there are basically two methods by which councillors can receive fees. That is either by way of attendance fees pursuant to section 5.98(1) of the Local Government Act, or by way of an annual fee - once the Council has resolved by absolute majority to do so (which is pursuant to section 5.99 of the LG Act).

I have been advised that previously Council resolved by absolute majority to provide an annual allowance as determined by the Tribunal. This allowance is paid quarterly in arrears and isn't affected based on attendance at Council or Committee meetings. Because of this, as it currently stands a Councillor who does not attend a Council or Committee Meeting will still receive the quarterly payment.

In terms of the meetings where decisions of Council are binding (referred to in your question as "officially ratified"), Council has provided delegated authority to both Standing Committees (Planning and Development Services Committee, and Community, Technical, Finance and Corporate Services Committee) to make decisions in accordance with their terms of reference, the provisions of the Act and the limits of the delegation. That way, binding decisions are made at these two committee meetings in addition to the Ordinary Council Meetings.

**Stephanie Phelps - 46 Kenilworth Street, Maylands**

**Question 1**

**Can the Council please advise its preferred route for the planned Ellenbrook rail line, how that position will benefit the City and in particular activate Morley centre and what Council is doing to advocate for its preferred route.**

**Answer 1**

Cr Dan Bull, Mayor advised that the City has approached the PTA, local member for Maylands and the Minister for Transport and we are continuing those discussions. The Minister for Transport has indicated that the State will make an announcement about the Bayswater Train Station and therefore the Ellenbrook rail line early next year around February. There will be more information to come.

**Mabel Jean Percsy - 4 Cannon Street, Bayswater 6053**

**Question 1**

I presented a petition to Council in support of Thuy Tran continuing as lessee for the cafe and following that I received a letter from Mr. Matt Turner. Later copies of the petition were forwarded to all council members.

Looking at the minutes of the meeting 18th April, I read "Submission one.... "A member of the public...." (No mention of a petition being received or discussed) so I ask "was this petition discussed and taken into account when considering the Operator for Bayswater Waves Cafe?"

**Answer 1**

The petition was circulated to Councillors when it was received in September 2017 and was also subsequently sent to all Councillors again on 21 November 2017 as part of a submission by Ms Tran.

**Question 2**

Over the years Thuy and her staff have supplied a friendly atmosphere and service. This in turn has encouraged circles of friends to enjoy coffee time after the classes provided by the Bayswater Waves which has been the basis of firm friendships.

"Did the members of the Council give this any consideration when deciding for Operator 4?"

**Answer 2**

Council will be debating this matter later in the evening and will give consideration to the matters raised.

**Question 3**

The range of food items is wide and satisfying. The range of the menu is excellent, serving a wide range of healthy food. The usual Sausage roll to fresh salads (Fruit and vegetable) Prices range between \$3.50 to \$8.50.

I can remember the minimum range of food supplied by previous lessees of this cafe and was rarely tempted to take advantage of it.

"Have the council members disregarded the ratepaying customer's opinions in making their decision?"

**Answer 3**

Council will be debating this matter later in the evening and will give consideration to the matters raised.

**Joe Lee - 44 Samson Street, White Gum Valley 6162**

**Question 1**

In the last 2 weeks prior to 5 December 2017 (closing date for public submission for the Bayswater Waves Cafe lease application), some Supervisors of the Bayswater Wave Aquatic Centre have said to Ms Thuy Tran - Operator 3 (the current Operator of the Bayswater Waves Cafe) that they have been informed by the Council, that a new operator other than her will be taking over the lease of the cafe on 15 January 2018. Staff members of the Centre also mentioned to her that the Management of the Centre have told them of the same thing.

It was noted in the last few days that some individuals who dealt with the Management of the Bayswater Waves Aquatic Centre several months ago have been told to postpone their business propositions until January because a new operator (not the current Operator i.e. Ms Thuy Tran - Operator 3) will be taking over the lease of the cafe and that they should then contact the new operator and not Ms Thuy Tran for the moment.

All these is within the period 27 July 2017 and 5 December 2017 when the Council was inviting the public for Expression Of Interest to operate the Bayswater Waves Cafe whose lease is up for renewal.

It was said that some of these individuals are considering providing these information out into the open.

**Please comment?**

Answer 1

As the City's intention to lease the Bayswater Waves Café has been advertised in the local paper, it is possible that some community members and staff have seen the advertisement and chosen to approach the current operator about the advertisement. Any final decision to enter into a lease needs to be made by Council.

Question 2

As published in the City's website: The City of Bayswater Council's 12 December 2017 Analysis of the Submissions stated - "The City's officers are satisfied that the real estate agent provided (Ms Thuy Tran) Operator 3 with all the relevant information and full disclosure of the process in which to prepare and present an offer to the City".

What fair and due process did the City undertake in order to arrive at this conclusion?

Why did City officers not contacted Ms Thuy Tran - Operator 3 who emailed several times to the Council that she has documentary proof of her correspondence with the real estate agent but instead they chose to ignore her emails and decide on the issue unilaterally?

Ms Thuy Tran - Operator 3 informed the Council that she has proof that highlighted misinformation given her and her not being provided by the agent with the Council's revised Heads of Agreement (which stated the new selection criteria, one of them being the Council's disapproval of the '5 years + 5 years' option). As a result she yet again, to her detriment, included the same '5 years + 5 years' option in her second Heads of Agreement (23 October 2017) that she had in her initial first Heads Of Agreement (27 July 2017).

As published in the City's website: The City of Bayswater Council's 12 December 2017 Analysis of the Submissions stated - "Operator 3 has proposed to remove the '5 years + 5 years' term option due to a perception that the council will not find this term favourable...".

The real estate agent informed Ms Thuy Tran - Operator 3 that the Lease Term is up for negotiation between the Council and applicant and encouraged her to submit her offer on the lease term. Hence, Ms Thuy Tran - Operator 3 included the '5 years + 5 year' option (an option that she is familiar with and has been operating on ever since running the lease of the Cafe) in her initial and first Heads of Agreement offer. She then included it again in her second Heads of Agreements, uninformed by the agent of the existence of the Council's revised Head of Agreement which stated it does not support the '5 years + 5 years' option.

She only discovered of the '5 year + 5 year' term option disapproval after the Council has already chosen their preferred operator i.e. Operator 4 on 14 November 2017 and published their Analysis. Having now known what she didn't know then, her Submission (20 November 2017) was intended to urgently address that issue which have already by then deeply prejudiced her application as seen in the Council's Analysis published in their website (14 November 2017). It is through this factual chronology of events that she "proposed to remove the '5 years + 5 years' term option!"

Why has the City's officers not published these factual chronology of events but instead presented in their Analysis report (12 December 2017) that Ms Thuy Tran - Operator 3 has removed the '5 years + 5 years' in what seems like an afterthought to be competitive at the last minute?

Answer 2

All those who expressed interest, including Ms Tran, were given an equal opportunity to present, confidentially, best offer for the lease of the café to the City's appointed real estate agent. City officers met personally with Ms Tran and have discussed her emails, including the process undertaken, on the telephone on a number of occasions and they have been made available to Councillors for consideration this evening. Ms Tran has made an assumption that a 5+5 year term will not be acceptable to Council because Operator 4 proposed a single 5 year term, however that has not been used as a selection criteria in the City's reports.

Question 3

As published in the City's website: In the Council's Conclusion (12 December 2017) it stated: Regarding Operator 4 (the preferred operator), "they have committed to provide \$25,000 to \$30,000 to upgrade the appearance and amenity of the cafe". In the Heads Of Agreement, the Council did not stipulate this "upgrading of the cafe" as a criteria of selection of operators, and neither was this mentioned in their Analysis report of the selection process (14 November 2017), yet in the Analysis of Submission (12 December 2017) this non-criteria, something not asked for, is now stated as one of the deciding factors in favouring Operator 4. Hence yet again disadvantaging Ms Thuy Tran - Operator 3.

How is this a fair, equitable and transparent selection process?

Answer 3

The proposal from another potential operator to upgrade the appearance and amenity of the café is relevant to the City's decision on the lease because it adds value to the operation of Bayswater Waves. All those who expressed interest were given an equal opportunity to present, confidentially, their best offer for the lease of the café.

**Thuy Tran - PO Box 1430, Joondalup 6919**

Question 1

Would it not be in the best interest of the cafe and the City of Bayswater if the current lessee, were to continue to lease the premises given the current lessee:

1. Presents ZERO risk to the Council as we:
  - Have always paid rent on time;
  - Have been an excellent tenant in the last 10 years;
  - Have operated the cafe successfully in the last 10 years and is unlikely to withdraw or have the lease assigned during the term of the lease;
  - Provides excellent customer service to patrons (as evinced by a petition signed by more than 100 patrons);

- Provides a diverse menu with low prices (which has remain unchanged for 10 years);
  - Attract patrons to the centre - specifically to purchase food from the cafe;
  - Has a fantastic relationship with all staff and personnel in the centre;
2. Values and supports the community and various community groups such as pensioners, disability groups, charity groups, women's group, groups operating in the centre (such as the aerobics group & gym group) by:
- Offering large discounts;
  - Allowing groups to use the function room at either no charge or a nominal fee;
  - Allowing groups to fundraise with a sausage sizzle on the premises; and
  - Hiring young teenagers who are patrons of the centre because we truly believe in giving back to the local community,
  - Has taken steps to meet with Brett Williams from Response Marketing Solutions with a view to increase the cafe's future revenue which would support the City's long term financial plan.

Answer 1

Council will be debating this matter later in the evening and will give consideration to the matters raised.

Question 2

The current lessee in the past 10 years has made various proposals for changes for the improvement of the amenities and facade of the cafe, all of which have all been declined by the Council. The Council has never indicated that it would consider or desire any modification to the premises. In knowing that Council now shares the current lessee's vision for visual betterment for the cafe, may we ask if facelift to the cafe to a high standard place us in a position for consideration as the successful applicant?

Answer 2

The City is not aware of any specific proposals from the current operator to upgrade the amenities and façade of the café. Council will be debating this matter later in the evening and will give consideration to the matters raised.

Question 3

Is it accurate to assess granting a lease to operator 4's risks of operating as nil given:

1. Operator 4 has no experience in operating a cafe of a seasonal nature where in winter there are very few patrons and there is a struggle to make ends meet.
2. Prior to the current lessee taking over the premises, the two operators immediately before were unable to cope with the seasonal nature of the business.
3. Operator 4's proposed menu lacks diversity or creativity in comparison to the nutritious & healthy Asian delights offered by the current lessee - which the patrons are currently accustomed to?

Answer 3

Operator 4 is considered to have extensive experience operating cafés and restaurants. Council will be debating this matter later in the evening and will give consideration to the matters raised.



**Ollie Rundell - 33 Oldfield Road, Girrawheen**

**Question 1**

We note that Mr Matt Turner made the recommendation to the Council that Operator 4 is partly favoured since he will be revamping the appearance of the cafe. May we ask that given that Operator 3 has provided such certainty & stability & high quality of food and service for the last 10 years, if Operator 3 can deliver further improvements through a facelift to the shop and increased revenue, will that qualify them to be strongly considered as the successful applicant?

**Answer 1**

Council will be debating this matter later in the evening and will give consideration to the matters raised.

**Question 2**

The cafe offers many yummy & healthy home-made delights like their famous rice paper rolls & Asian rice dishes and wholemeal banana bread with mostly bananas as the sweetener. If Operator 3 was not in the picture any more, will the next operator have as diverse a menu which is so delicious at the same time, or will we have to get used to regular things, unexciting things that every other cafes offer?

**Answer 2**

Council will be debating this matter later in the evening and will give consideration to the matters raised.

**Question 3**

This cafe has gone from strength to strength in the numbers of patrons over the years, especially in the summer time, compared to other cafes in other Aquatic Centres & compared to other operators in this centre before them. With so many cafe owners pulling the pin in this very difficult economic climate, & with so many pulling the pin in seasonal businesses like this one, is it reasonable to put any one else in, other than the current operator, & see the "rug pulled from under us"?

**Answer 3**

Council will be debating this matter later in the evening and will give consideration to the matters raised.

**The following questions were submitted verbally:**

*Cr Giorgia Johnson arrived to the meeting at 6.52pm.*

**Tony Green - PO Box 1639, Morley 6943**

**Question 1**

Why is Cr Petersen-Pik minuted as leaving the meeting at 8.18pm and returning at 6.38pm almost two hours before he left the meeting? If you do not possess a time machine, then this surely must be a typo?

**Answer 1**

Cr Dan Bull, Mayor advised that this is a typographical error and the Chief Executive Officer will ensure the minutes are amended.

**Question 2**

**Why, given your brand new, high fidelity audio system, and my reading out my address aloud, and the address being types on my question have you changed it from PO Box 1639 Morley WA 6943 to 49 Hudson Street, Bayswater?**

**Answer 2**

Cr Dan Bull, Mayor advised that the Chief Executive Officer will look at this and rectify the minutes.

**Question 3**

**Who is responsible for proof reading of these minutes and is it one their Key performance Indicators, and will these minutes be corrected during 5.1 this evening, because they are obviously incorrect?**

**Answer 3**

The Chief Executive Officer, Andrew Brien advised that he checks the minutes and will ensure that the minutes are corrected.

**Question 4**

**Has Council decided to make a submission to WALGA on the review of the Local Government Act 1995? If so, will the details of this submission be made available to the ratepayers?**

**Answer 4**

Cr Dan Bull, Mayor advised that there is always the potential for the Council to make a submission and he is encouraging members of the public to make a submission as well. His personal concern with it coming to Council is that if a Council resolution is made, and a Councillor wants to make a personal submission contrary to the Council.

**Dominic Cuscuna - Maylands Park Shopping Centre - Shop 6, 238 Guildford Road, Maylands**

***CR LORNA CLARKE DECLARED A FINANCIAL INTEREST***

***In accordance with section 5.60A of the Local Government Act 1995, Cr Lorna Clarke declared a financial interest in this item as she is employed by the Police Minister and this question is about community safety. At 6.57pm Cr Lorna Clarke withdrew from the meeting.***

**Question 1**

**In respect to Councillor Elli Petersen-Pik's motion on tonight's agenda, can the City please advise if ratepayers are still paying for a 24 hours security watch service, plus how many security watch officers and vehicles are on patrol during the daylight hours and after hours?**

**Question 2**

**Isn't true that the City's CCTV system has been regularly used by the City's officers and the WA Police in respect to Anti-Social incidents aggressive harassment by homeless and indigenous people in Maylands, plus related crime around the Guildford Road business precinct, including at our shipping centre?**

**Question 3**

**Can the City please arrange much more visibility for its Security Watch patrols and Rangers in order to reduce the ongoing issue of homeless people continually harassing visitors to Maylands and detracting customers to our shopping centre and Maylands Town Centre in general?**

*Cr Brent Fleeton left the meeting at 6.58pm*

**Answer 1-3**

Cr Dan Bull, Mayor advised that automatically linking crime to homelessness is not necessarily an appropriate way forward. Homelessness is a complex social issue that needs to be tackled in a number of ways.

Darren Beltman, Director Community Services further advised that yes the security services is still operating on a three shift rotating roster, two officers are rostered for each shift in separate vehicles and there are shift overlaps. The CCTV footage is only provided to police and other law enforcement agencies. Upon request from the police for CCTV footage for an incident is provided and yes there is a system in Maylands to provide footage to police. The City does target patrols in particular areas, last summer when there was larger than average incidents in the Maylands area we did do extra foot patrols and we do that whenever there is a spike in incidents in any particular area.

**Chris O'Brien - 22 Turon Street, Bayswater**

**Question 1**

**In regards to the alignment of islands with the bike boulevard on May Street, doesn't allow for long vehicles or trailers to navigate May Street, and kerbings are now scuffed. Is the City looking at the design to try and improve this matter?**

*Cr Brent Fleeton and Cr Lorna Clarke returned to the meeting at 7.03pm*

**Question 2**

**Turon Street to Lawrence Street speed humps informing people that there is a bike boulevard coming up, the underpass at Whatley Crescent exists into Mills Reserve taken down to one lane with a large speed hump which holds up traffic.**

**Answer 1**

Doug Pearson, Director Technical Services advised that the City is currently undertaking consultation for stage 2 of the bike boulevard and is writing to people for their comments. We can certainly look at the alignment for trailers in certain points. The intent of the speed humps is to slow traffic, and it is a one way slow point. We are happy to take on feedback for the next stage.

**Glen Fonseca - 37 Iolanthe Street, Bassendean**

**In regards to 11.2 - Bayswater Café, I have sent my questions in via email about 6pm tonight; however most of the questions have already been raised tonight. Do we get a chance to discuss it later?**

Cr Dan Bull, Mayor advised that that the item will be discussed and debated by Council later tonight. I have read aloud all the questions and responses for the benefit of Council and Councillors will take it into consideration.

**Public Question Time was closed at 7.06pm.**

**4. LEAVE OF ABSENCE****4.1 Leave of Absence (Previously Approved)**

Councillor	Date of Leave	Approved by Council
Cr Elli Petersen-Pik	15 December 2017 to 15 January 2018 inclusive	SCM: 31.10.2017
Cr Sally Palmer	11 December to 21 December 2017 inclusive	SCM: 31.10.2017
Cr Brent Fleeton	21 December 2017 to 8 January 2018	OCM 14.11.2017
Cr Stephanie Gray	2 January to 25 January 2018	OCM 14.11.2017

**5. CONFIRMATION OF MINUTES****5.1 Ordinary Meeting: 14 November 2017****COUNCIL RESOLUTION**

The Minutes of the Ordinary Council Meeting held on Tuesday, 14 November 2017 which have been distributed, are to be presented for confirmation as a true and correct record subject to the changes raised during public question time (Correcting the time Cr Petersen-Pik left the meeting and the address for Mr Tony Green).

**CR BARRY McKENNA MOVED, CR STEPHANIE GRAY SECONDED**

**CARRIED: 10/0**

**5.2 Planning and Development Services Committee Meeting: 7 November 2017****COUNCIL RESOLUTION**

That Council accepts the minutes of the Planning and Development Services Committee meeting held on Tuesday, 7 November 2017 which have been distributed and acknowledges the decisions made at the Committee Meeting in accordance with section 5.17 of the *Local Government Act 1995*, and the Committees delegation of powers and duties.

**CR BRENT FLEETON MOVED, CR LORNA CLARKE SECONDED**

**CARRIED: 10/0**

**5.3 Community, Technical, Finance and Corporate Services Committee Meeting: 8 November 2017****COUNCIL RESOLUTION**

That Council accepts the minutes of the Community, Technical, Finance and Corporate Services Committee meeting held on Wednesday, 8 November 2017 which have been distributed, and acknowledges the decisions made at the Committee Meeting in accordance with section 5.17 of the *Local Government Act 1995*, and the Committees delegation of powers and duties.

**CR STEPHANIE GRAY MOVED, CR CHRIS CORNISH, DEPUTY MAYOR SECONDED**

CARRIED: 10/0

**6. DISCLOSURE OF INTEREST SUMMARY****6.1 Disclosures at Ordinary Council Meeting**

In accordance with section 5.60A and 5.65 of the *Local Government Act 1995* the following disclosures of financial interest were made at the meeting:

Date	Name	Item No.	Item Name
<i>December 2017</i>	<i>Cr Lorna Clarke</i>	<i>14.1</i>	<i>Cr Elli Petersen-Pik - Community Safety and Vulnerable People</i>
<i>December 2017</i>	<i>Cr Giorgia Johnson</i>	<i>9.1</i>	<i>Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25</i>

In accordance with section 5.61 of the *Local Government Act 1995* the following disclosures of indirect financial interest were made at the meeting:

Nil.

In accordance with section 5.60B and 5.65 of the *Local Government Act 1995* the following disclosures of proximity interest were made at the meeting:

Date	Name	Item No.	Item Name
December 2017	Cr Giorgia Johnson	9.1	Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25
December 2017	Cr Stephanie Gray	9.1	Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25
December 2017	Cr Filomena Piffaretti	9.1	Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25
December 2017	Cr Lorna Clarke	9.1	Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25
December 2017	Cr Dan Bull, Mayor	9.1	Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25
December 2017	Cr Chris Cornish, Deputy Mayor	9.1	Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25
December 2017	Cr Barry McKenna	9.1	Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25

In accordance with authority delegated by the Minister for Local Government, the Deputy Director General – Regulation has approved the City's application, under section 5.69(3)(a) of the *Local Government Act 1995*(the Act). This approval allows the disclosing Councillors:

- Mayor Dan Bull;
- Deputy Mayor Chris Cornish;
- Councillor Sally Palmer;
- Councillor Lorna Clarke;
- Councillor Giorgia Johnson;
- Councillor Filomena Piffaretti; and
- Councillor Stephanie Gray

To fully participate in the discussion and decision making relating to the below mentioned item at the City's Ordinary Council Meeting of 12 December 2017:

**9.1 Proposed Amendment No.73 to Town Planning Scheme No.24 – Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25**

Subject to the following conditions:

1. The approval is only valid for the 12 December 2017 Ordinary Council Meeting when agenda item 9.1 is considered;
2. All Councillors must declare the nature and extent of their interests at the abovementioned meeting when the matter is considered, together with the approval provided;
3. The CEO is to provide a copy of the Department's letter of approval to the abovementioned Councillors;
4. The CEO is to ensure that the declarations, including the approval given and any conditions imposed, are recorded in the minutes of the abovementioned meeting, when the item is considered;
5. The CEO is to provide a copy of the confirmed minutes of the abovementioned meeting to the Department, to allow the Department to verify compliance with the conditions of this approval; and
6. The approval granted is based solely on the interests disclosed by the abovementioned Councillors, made in accordance with the application. Should other interests be identified, these interests will not be included in this approval and the financial interest provisions of the Act will apply.

In accordance with regulation 11 of the *Local Government (Rules of Conduct) Regulations 2007* the following disclosure of interests affecting impartiality (Elected Members) were made at the meeting:

Date	Name	Item No.	Item Name
December 2017	Cr Lorna Clarke	13.5	City of Bayswater Annual Financial Statements

**7. URGENT BUSINESS**

Nil.

**8. PETITIONS**

Nil.

**ORDER OF BUSINESS**

Items were dealt with in the following order: Items 9.1, 11.1, 11.2, 11.3, 13.5 and 13.6.

All remaining items were carried by en bloc resolution.

**9. PLANNING AND DEVELOPMENT SERVICES COMMITTEE REPORTS****9.1 Proposed Amendment No. 73 to Town Planning Scheme No. 24 - Rezoning of Residential R17.5/25 and Residential R20/25 Areas to Residential R25**

**Reporting Branch:** Strategic Planning and Place Services  
**Responsible Directorate:** Planning and Development Services  
**Refer:** Item 9.1.5: PDSC 5.12.2017  
Item 9.2: PDSC 21.03.2017  
Item: 10.1: OCM 31.01.2017  
Item: 10.7: OCM 2.08.2016  
Item: 13.23: OCM 25.11.2008  
Item: 12.4.4: OCM 27.06.2006

**CR BARRY McKENNA DECLARED A PROXIMITY INTEREST**

*In accordance with section 5.60b of the Local Government Act 1995, Cr Barry McKenna declared a proximity interest in this item as he has a dual coded property R17.5/25 as his primary residence. At 7.15pm, Cr Barry McKenna withdrew from the meeting.*

**CR DAN BULL, MAYOR DECLARED A PROXIMITY INTEREST**

*In accordance with section 5.60b of the Local Government Act 1995, Cr Dan Bull, Mayor declared a proximity interest in this item as his property of 64A Wyatt Road, Bayswater is dual zoned R17.5/25. Cr Dan Bull, Mayor remained in the room during voting on this item under approval from the Minister.*

**CR CHRIS CORNISH, DEPUTY MAYOR DECLARED A PROXIMITY INTEREST**

*In accordance with section 5.60b of the Local Government Act 1995, Cr Chris Cornish, Deputy Mayor declared a proximity interest in this item as his wife owns property which is dual coded at 130 The Strand, Bedford. Cr Chris Cornish, Deputy Mayor remained in the room during voting on this item under approval from the Minister.*

**CR LORNA CLARKE DECLARED A PROXIMITY INTEREST**

*In accordance with section 5.60b of the Local Government Act 1995, Cr Lorna Clarke declared a proximity interest in this item as her primary residence in Bayswater is affected by the rezoning. Cr Lorna Clarke remained in the room during voting on this item under approval from the Minister.*

**CR FILOMENA PIFFARETTI DECLARED A PROXIMITY INTEREST**

*In accordance with section 5.60b of the Local Government Act 1995, Cr Filomena Piffaretti declared a proximity interest in this item as she owns one property in the City of Bayswater zoned R17.5/25 with her husband. Cr Filomena Piffaretti remained in the room during voting on this item under approval from the Minister.*

**CR STEPHANIE GRAY DECLARED A PROXIMITY INTEREST**

*In accordance with section 5.60b of the Local Government Act 1995, Cr Stephanie Gray declared a proximity interest in this item as she is a co-owner of her residential property in Nornada currently zoned Residential 17.5/25. Cr Stephanie Gray remained in the room during voting on this item under approval from the Minister.*



**CR GIORGIA JOHNSON DECLARED A PROXIMITY AND FINANCIAL INTEREST**

*In accordance with section 5.60b of the Local Government Act 1995, Cr Giorgia Johnson declared a proximity interest in this item as she resides in an area affected by this decision - 33 Leake Street, Bayswater. Cr Giorgia Johnson remained in the room during voting on this item under approval from the Minister.*

**EXECUTIVE SUMMARY****Application:**

Council consideration is sought regarding final approval of Amendment No. 73 to the City's Town Planning Scheme No. 24 (TPS 24) to rezone Residential R17.5/25 and Residential R20/25 areas to Residential R25.

**Key Issues:**

- Council at its Ordinary Meeting held 21 March 2017 resolved to initiate Amendment No. 73 for public advertising.
- The proposed scheme amendment was advertised for a period of 42 days and no submissions were received.

**BACKGROUND**

Council at its Planning and Development Services Committee Meeting held 21 March 2017 considered proposed Amendment No. 73 to TPS 24, and resolved in part as follows:

*"That Council:*

1. *Initiates Amendment No. 73 to the City of Bayswater Town Planning Scheme No. 24 to rezone the areas zoned Residential R17.5/25 and Residential R20/25 to Residential R25.*

*...*

4. *Upon Notice of Assessment from the Environmental Protection Authority being received (and issues raised being complied with), causes the proposed scheme amendment documentation to be advertised for public comment for 42 days by way of:*

- (a) Notification being published in the local newspaper/s;*
- (b) The relevant public authorities being notified in writing of the amendment details;*
- (c) All land owners directly affected by the amendment being notified in writing of the amendment details;*
- (d) Information being placed on the City's engagement website; and*
- (e) Hard copies of the amendment documentation made available for inspection at the City of Bayswater Civic Centre, City of Bayswater libraries, Max Tulley Office and Information Centre and the RISE One Stop Shop.*

*..."*

A report seeking Council to recommend approval of Amendment No. 73 to TPS 24 was referred to the Planning and Development Services Committee Meeting held 5 December 2017. The item was not considered at the Committee meeting due to a loss of quorum.

**CONSULTATION****Environmental Assessment and Heritage Referral**

The scheme amendment documentation was referred to the then Environmental Protection Authority, now the Department of Water and Environmental Regulation (DWER), for assessment.

In correspondence dated 24 July 2017 the DWER advised the City that the proposed scheme amendment would not require environmental assessment.

In correspondence dated 13 July 2017 the then State Heritage Office, now the Department of Planning, Lands and Heritage, advised the City that it had no objection to the proposed scheme amendment.

#### Public Advertising

Following notification from the DWER the City undertook public advertising of the proposed amendment in accordance with point 4 of the Council resolution of 21 March 2017.

No submissions were received during the public advertisement period.

#### **ANALYSIS**

In light of no submission being received through the consultation process, it is considered that no modification is required to the proposed scheme amendment and the amendment can be approved as previously initiated by Council.

#### **OPTIONS**

The following options are available to Council:

OPTION	BENEFIT	RISK
1. Adopt Amendment No. 73 to rezone Residential R17.5/25 and Residential R20/25 areas to Residential R25 with no modification(s) and forward it to the WAPC for final approval.  <b>Estimated Cost:</b> <ul style="list-style-type: none"> <li>\$500 (for Gazettal notification)</li> </ul>	<ul style="list-style-type: none"> <li>The proposed scheme amendment is consistent with the City's adopted Local Housing Strategy.</li> <li>The proposed scheme amendment would reduce significant advertising costs for the City.</li> <li>The proposed scheme amendment will reduce red tape.</li> </ul>	<ul style="list-style-type: none"> <li>Residents may feel excluded by virtue of the loss of opportunity to provide comment on such matters.</li> </ul>
2. Adopt Amendment No. 73 to rezone Residential R17.5/25 and Residential R20/25 areas to Residential R25 with modification(s) and forward it to the WAPC for final approval.  <b>Estimated Cost:</b> <ul style="list-style-type: none"> <li>\$500 (for Gazettal notification)</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on the modification(s) proposed.</li> </ul>	<ul style="list-style-type: none"> <li>Dependent on the modification(s) proposed.</li> </ul>
3. Advise the WAPC that the City does not wish to proceed with Amendment No. 73.  <b>Estimated Cost:</b> <ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>Residents continue to have the opportunity to provide comment on such matters.</li> </ul>	<ul style="list-style-type: none"> <li>Advertising costs associated with each application.</li> <li>Unnecessary processes to assess, advertise and determine development and subdivision applications.</li> </ul>

**CONCLUSION**

In light of the above, it is recommended that Council proceed with Option 1 to adopt Amendment No. 73 to rezone Residential R17.5/25 and Residential R20/25 areas to Residential R25 with no modifications and forward it to the Western Australian Planning Commission (WAPC) for final approval.

**FINANCIAL IMPLICATIONS**

The City's 2017-2018 Budget contains funds for gazettal notification of scheme amendments. The costs of the various options are detailed in the 'Options' section above.

**STRATEGIC LINK**

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme: Our Built Environment  
Aspiration: A quality and connected built environment.  
Outcome B3: Quality built environment.

**COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS**

Part 5 of the *Planning and Development (Local Planning Schemes) Regulations 2015* prescribes the process for scheme amendments.

**VOTING REQUIREMENTS**

Simple Majority required.

**ATTACHMENTS**

Nil.

**COUNCIL RESOLUTION****(OFFICERS RECOMMENDATION)**

That Council:

1. Recommends approval of Amendment No. 73 to the City of Bayswater Town Planning Scheme No. 24 to rezone Residential R17.5/25 and Residential R20/25 areas to Residential R25.
2. Authorises the affixing of the Common Seal to the scheme amendment document, and the documentation be forwarded to the Western Australian Planning Commission for approval.

**CR STEPHANIE GRAY MOVED, CR ELLI PETERSEN-PIK SECONDED**

**CARRIED: 9/0**

*Cr Barry McKenna returned to the meeting at 7.15pm*

**10. COMMUNITY, TECHNICAL, FINANCE AND CORPORATE SERVICES COMMITTEE REPORTS**

Nil.

**11. OFFICER REPORTS**

**11.1 Appointment of Members to Policy Committee.docx**

**Reporting Branch: Governance**

**Responsible Directorate: Executive Services**

**Refer: Item 10.8 SCM 31 10 2017, Item 11.2 OCM 12 09 2017, Item 11.1 OCM 25 06 2017**

**EXECUTIVE SUMMARY**

**Application:**

For Council to consider the appointment of representatives to the Policy Review and Development Committee (the Committee). Note this item was postponed from the Special Council Meeting held on 31 October 2017.

**Key Issues:**

- Council is required to appoint four Elected Members to the Policy Review and Development Committee.
- The Policy Review and Development Committee is required to meet at least five times per annum, when suitable, at the City of Bayswater Civic Centre.
- The fees associated with membership on the Policy Review and Development Committee, are included as part of the annual Sitting Fees paid to Councillors.

**BACKGROUND**

At the Ordinary Council Meeting held on 25 June 2017 Council endorsed the CEO's Organisational Assessment Report (the CEO's Report). One of the recommendations of the CEO's Report was the establishment of the Committee.

At the Ordinary Council meeting held on 12 September 2017 Council endorsed the establishment of the Committee, composed of four council members, the Mayor, the CEO and the Director of Finance and Corporate Services.

Council adopted the following terms of reference for the Committee:

- To review all existing City of Bayswater policies (excluding Planning Policies) within a two year period, in line with the Local Government Election Cycle and facilitate the development of new policies for the consideration by Council as required.
- To make recommendations to Council on matters related to policy, policy review and policy development.
- To explore opportunities that promote policy development in all areas that are within the Council's jurisdiction.

- To allow any draft policy developed and fully considered by another Committee of Council to be referred directly to Council for consideration.
- To provide City of Bayswater councillors with assistance and support to develop new policies.

The Committee is an advisory committee and has not been delegated any of Council's decision making authority.

At the Special Council Meeting held on 31 October 2017 it was moved that the appointment of members to the Committee be deferred pending further information being received regarding proposed portfolios for Councillors.

However, at the Ordinary Council Meeting held on 14 November 2017 Council rejected the motion that the CEO develop a policy on Councillor Portfolios and that two Councillors per portfolio be appointed for a 12 month period.

## **CONSULTATION**

No external consultation has taken place on this matter.

## **ANALYSIS**

N/A

## **OPTIONS**

The following options are available to Council:

- Support as recommended; or
- Support with amendments.

## **STRATEGIC LINK**

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme:	Leadership and Governance
Aspiration:	Open, accountable and responsive service
Outcome L1:	Accountable and good governance

## **COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS**

Section 5.8 of the *Local Government Act 1995* states:

*"A Local Government may establish Committees of 3 or more persons to assist the Council and to exercise the powers and discharge the duties of the Local Government that can be delegated to Committee."*

## **VOTING REQUIREMENTS**

Absolute Majority Required.

## **ATTACHMENTS**

Nil

**OFFICER'S RECOMMENDATION**

That:

1. In accordance with the provisions of the *Local Government Act 1995* Council appoints the following members to the Policy Review and Development Committee for the term 12 December 2017 to 12 October 2019:
  - (i) \_\_\_\_\_;
  - (ii) \_\_\_\_\_;
  - (iii) \_\_\_\_\_; and
  - (iv) \_\_\_\_\_.
2. The purpose of the Policy Review and Development Committee is to:
  - Review all existing City of Bayswater policies (excluding Planning Policies) within a two year period, in line with the Local Government Election Cycle and facilitate the development of new policies for the consideration by Council as required.
  - Make recommendations to Council on matters related to policy, policy review and policy development.
  - Explore opportunities that promote policy development in all areas that are within the Council's jurisdiction.
  - Allow any draft policy developed and fully considered by another Committee of Council to be referred directly to Council for consideration.
  - Provide City of Bayswater Councillors with assistance and support to develop new policies.
3. In accordance with Section 5.11A of the *Local Government Act 1995*, all Councillors who are not Members of the Policy Review and Development Committee be appointed as Deputy Members to that Committee for the term 12 December 2017 to 12 October 2019. If a Member is unable to attend a meeting, the order of appointment of the Deputy at that meeting will be based on:
  - (i) Councillor of the same Ward as the Member of the Committee; and
  - (ii) Length of service.
4. The first Committee meeting is to be held in February 2018, in the week preceding the Community Technical and Corporate Services Committee meeting.

**COUNCIL RESOLUTION**

That:

1. In accordance with the provisions of the *Local Government Act 1995* Council appoints the following members to the Policy Review and Development Committee for the term 12 December 2017 to 12 October 2019:
  - (i) Cr Dan Bull, Mayor;
  - (ii) Cr Catherine Ehrhardt;
  - (iii) Cr Brent Fleeton;
  - (iv) Cr Filomena Piffaretti;
  - (v) Cr Lorna Clarke; and
  - (vi) Cr Elli Petersen-Pik.
2. The purpose of the Policy Review and Development Committee is to:

- Review all existing City of Bayswater policies (excluding Planning Policies) within a two year period, in line with the Local Government Election Cycle and facilitate the development of new policies for the consideration by Council as required.
  - Make recommendations to Council on matters related to policy, policy review and policy development.
  - Explore opportunities that promote policy development in all areas that are within the Council's jurisdiction.
  - Allow any draft policy developed and fully considered by another Committee of Council to be referred directly to Council for consideration.
  - Provide City of Bayswater Councillors with assistance and support to develop new policies.
3. In accordance with Section 5.11A of the *Local Government Act 1995*, all Councillors who are not Members of the Policy Review and Development Committee be appointed as Deputy Members to that Committee for the term 12 December 2017 to 12 October 2019. If a Member is unable to attend a meeting, the order of appointment of the Deputy at that meeting will be based on:
- (i) Councillor of the same Ward as the Member of the Committee; and
  - (ii) Length of service.
4. The first Committee meeting is to be held in February 2018, in the week preceding the Community Technical and Corporate Services Committee meeting.

CR CHRIS CORNISH, DEPUTY MAYOR MOVED, CR BRENT FLEETON SECONDED

CARRIED: 10/0

**11.2 Bayswater Waves Cafe - New Lease**

<b>Location:</b>	<b>Bayswater Waves Aquatic Centre - Reserve 38313, 160 Broun Avenue, Morley</b>
<b>Owner:</b>	<b>City of Bayswater</b>
<b>Reporting Branch:</b>	<b>Strategic Planning and Place Services</b>
<b>Responsible Directorate:</b>	<b>Planning and Development Services</b>
<b>Refer:</b>	<b>Item 9.1: OCM 14.11.2017 Item 9.1.7: PDSCM 7.11.2017 Item 9.1.8: PDSCM 18.4.2017 Item 20.1.1: OCM 8.3.2016 Item 18.1: OCM 22.5.2007 Item 12.6.1: OCM 24.4.2007 Item 9.5: OCM 12.4.2007 Item 11.5.2: OCM 13.12.2005 Item 11.6.1: OCM 26.7.2005</b>

***Confidential Attachment - in accordance with Section 5.23(2)(e) of the Local Government Act 1995 - information that has a commercial value to a person.***

**EXECUTIVE SUMMARY****Application:**

Council consideration is sought on the final approval of a proposed new lease for the café at Bayswater Waves Aquatic Centre.

**Key Issues:**

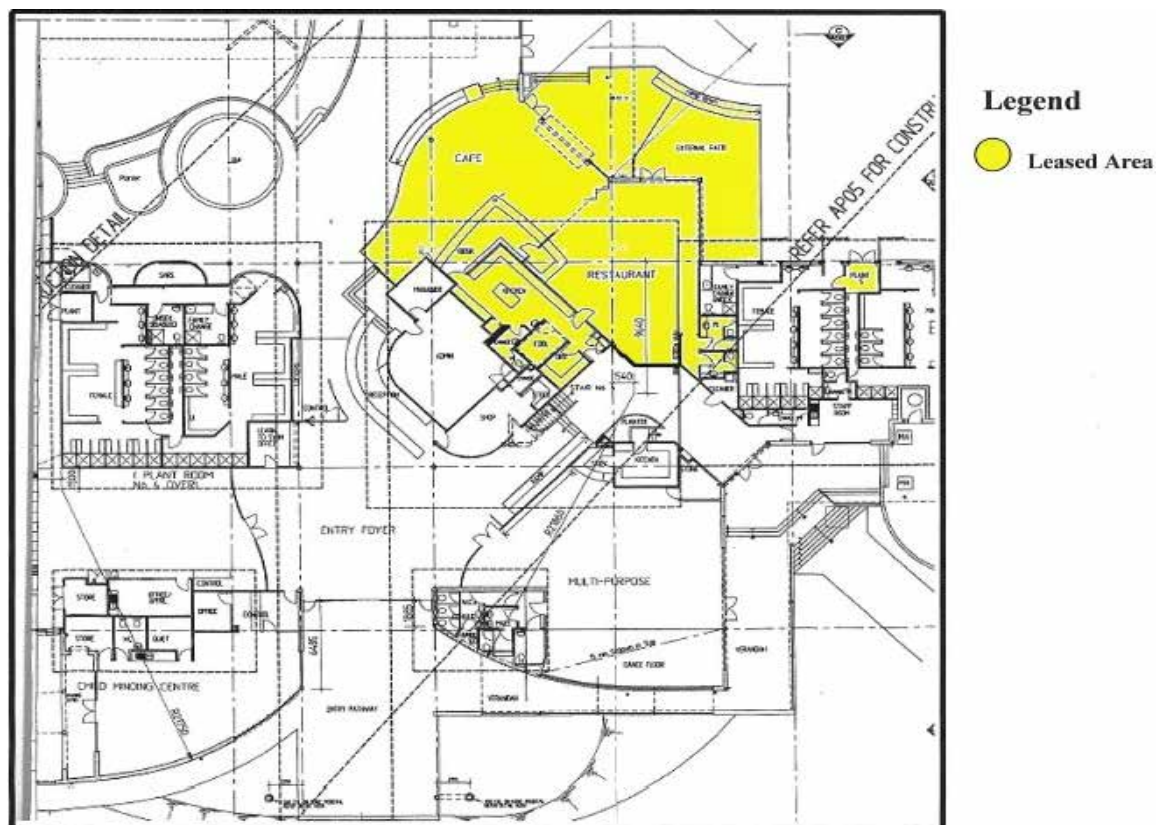
- Council at its Ordinary Meeting held 14 November 2017 accepted the offer from Operator 4 to lease the Café at Bayswater Waves, excluding the function room subject to a 14-day public notice in a local newspaper.
- The City received three submissions on the disposal (via lease) of the property during the public notice period.

**BACKGROUND**

The current lease for the operation of the Bayswater Waves Café was approved by Council in September 2000 for an initial five-year term. Subsequently, Council have approved the assignment of the lease to new operators and the addition of two further five-year terms. The original lease and all options to renew expired on 29 February 2016. The lessee is currently on monthly holding over basis.

The café at 'Bayswater Waves, and the attached function room, are centrally located in the facility, overlooking the indoor pools and have an area of approximately 390m<sup>2</sup>. The lease area is highlighted on the plan below.





The original lease term and all options to renew expired early 2016 and the existing operator is continuing on a monthly holding-over basis as permitted under the lease. Council considered the lease at its Ordinary Meeting held 8 March 2016 and resolved:

*"That Council:*

- 1. Approves the City to review the principles of the long-term management and the options of procuring those services in relation to the Bayswater Waves café and the City to present a report regarding this matter to a Councillor workshop.*
- 2. Continues the monthly holding-over tenancy with Dau Tran and Thuy Tran for the café at Bayswater Waves Aquatic Centre, Reserve 38313, 160 Broun Avenue, Embleton on the same terms and conditions as the existing lease until the management review and procurement of a new lease has been completed."*

The matter was reported to the Councillor Workshop held 14 March 2017 and the café management principles and options were presented to Councillors.

Council at the Planning and Development Services Committee meeting held 18 April 2017, considered management principles and options for a new lease, and resolved:

*"That:*

- 1. Council approves the process of disposition of the café, and the function room as a non-mandatory option, at Bayswater Waves Aquatic Centre - Reserve 38313, 160 Broun Avenue, Morley, by private treaty following marketing by an appointed real estate agent, in accordance with section 3.58 of the Local Government Act 1995.*
- 2. The City to appoint a suitably qualified and experienced real estate agent to market the lease of the café at Bayswater Waves Aquatic Centre - Reserve 38313, 160 Broun Avenue, Morley and manage the negotiation process.*
- 3. The City officers prepare a report to Council for consideration of all final offers received for the lease of the café, and the function room as a non-mandatory option, at Bayswater Waves Aquatic Centre - Reserve 38313, 160 Broun Avenue, Morley."*

Following Council's resolution, the City appointed Colliers International to market the new lease, and manage and negotiate with potential new lessees.

Council at the Planning and Development Services Committee meeting held 7 November 2017, considered a proposed new lease for the café at Bayswater Waves and the option to separately lease the function room for another use, and resolved:

*"That the item be deferred to the next Ordinary Council meeting."*

Council at its Ordinary Meeting held 14 November 2017, considered a proposed new lease for the café at Bayswater Waves and the option to separately lease the function room for another use, and resolved:

*"That Council:*

- 1. Accepts the lease offer from Operator 4 contained in Confidential Attachment 4, excluding the function room, subject to notice of the intention to lease the Café at Bayswater Waves Aquatic Centre - Reserve 38313, 160 Broun Avenue, Morley by private treaty being given, in accordance with section 3.58 of the Local Government Act 1995, and a further report be referred to Council to consider any submissions received during the public notice period.*

*..."*

## **CONSULTATION**

Following acceptance of the lease offer from Operator 4 by Council, a statutory public notice in relation to disposal (via lease) of the property was published in the Eastern Reporter newspaper, inviting comment for a 14 day period.

Three submissions were received during the public notice period, two of which were from Operator 3. The key matters raised in the submissions are addressed below.

## ANALYSIS

### Submission One

The first submission received was from a member of the public recommending the City to continue leasing the café to the current operator, highlighting their customer service and interaction skills, the quality of their food and beverage and the happy and pleasant environment in which they create.

### Submissions Two and Three

Submissions two and three were made by Operator 3 (**Confidential Attachment 1**), who raised issues with the expression of interest process and proposed to modify some of the terms of their original lease offer.

#### Expression of Interest Process

Operator 3 raised concerns in their submission that they were not properly informed by the City's appointed real estate agent about the lease process, what information should be presented in their submission and what conditions or requirements Council would find favourable.

The City officers are satisfied that the City's appointed real estate agent provided Operator 3 with all the relevant information and full disclosure of the process in which to prepare and present an offer to the City.

The real estate agent has informed the City that Operator 3 was advised that they are unable to disclose any information regarding any of the other potential operators' offer information or whether their offer was competitive in regards to the other offers received.

#### Lease Term

Operator 3 has now proposed to remove the '5 years + 5 years lease' term option from their proposal. The following table shows the revised lease term option in comparison with the subject lease offer from Operator 4.

Name	Operator 3	Operator 4
Term	5 Years	5 Years
Original Term Option	5 Years + 5 Years	-
Revised Term Option	-	Unchanged

Operator 3 has proposed to remove the '5 years + 5 years' term option due to a perception that Council will not find this term favourable as it may prevent the City from seeking new operators for 15 years. Removing this term is consistent with Operator 4's proposal, which does not propose a lease term option.

Base Rent

Operator 3 has now proposed to increase the base rent from \$26,000 + GST per annum to \$30,000 + GST per annum. The following table shows the revised base rent amount in comparison with the subject lease offer from Operator 4.

Name	Operator 3	Operator 4
<b>Original Base Rent</b>	\$26,000 + GST per annum	\$29,000 + GST per annum
<b>Revised Base Rent</b>	\$30,000 + GST per annum	Unchanged

Operator 3 has proposed to increase the base rent to \$30,000 + GST per annum, which is \$1,000 more than the accepted lease offer from Operator 4.

Modified Lease Terms

The table below shows the adjusted proposed lease terms of Operator 3 in comparison to the proposed terms of Operator 4.

Name	Operator 3	Operator 4
<b>Term</b>	5 Years	5 Years
<b>Option</b>	-	-
<b>Base Rent</b>	\$30,000 + GST per annum	\$29,000 + GST per annum
<b>Rent Reviews</b>	Fixed 5% annual increase	Fixed 5% annual increase
<b>Percentage Rent *</b>	10%	10%
<b>Rent Free</b>	Nil	Nil
<b>Proposed Hours of Operation</b>	Summer Weekdays: 7am-7:30pm Weekends: 7:30am - 7pm Winter Weekdays: 8am-6:30pm Weekends: 8am - 6:30pm	6am - 6pm seven days a week
<b>Any Further Notes</b>	N/A	Commitment to provide \$25,000 to \$30,000 to upgrade the appearance and amenity of the café.

Conclusion

While Operator 3 has proposed to increase the base rent by \$1,000 per annum more than the subject lease offer from Operator 4, it is still considered that Operator 4 has made the most acceptable offer as they propose a competitive base rent amount, they have relevant industry experience, they have committed to provide \$25,000 to \$30,000 to upgrade the appearance and amenity of the café and they have a menu that provides a wide range of options including some healthy options at an affordable price point that will meet the community's expectations.

If Council decides not to grant final approval to Operator 4's lease offer and instead decides to accept Operator 3's modified lease offer or any other lease offer, this intention would need to be readvertised as per Section 3.58 of the *Local Government Act 1995*.

## OPTIONS

The following options are available to Council in relation to the offers received:

OPTION		BENEFIT	RISK
1.	Grant final approval to the lease of the cafe to Operator 4.  <b>Estimated Cost:</b> <ul style="list-style-type: none"><li>Nil</li></ul>	<ul style="list-style-type: none"><li>Disposal could raise revenue in line with the City's Long Term Financial Plan.</li><li>Transparent process for the lease.</li><li>Commitment to provide \$25,000 to \$30,000 to upgrade the appearance and amenity of the café.</li></ul>	<ul style="list-style-type: none"><li>Nil.</li></ul>
2.	Accept another offer received and advertise the intention to dispose of the cafe via private treaty.  <b>Estimated Cost:</b> <ul style="list-style-type: none"><li>\$400 for notice of intention to lease in a local newspaper.</li></ul>	<ul style="list-style-type: none"><li>Disposal could raise revenue in line with the City's Long Term Financial Plan.</li><li>Transparent process for the lease.</li></ul>	<ul style="list-style-type: none"><li>Other operators may not be interested in the lease anymore.</li><li>It will further delay determining the future of the lease of the café due to the requirement to readvertise the lease offer.</li></ul>
3.	Do not grant final approval to the lease of the cafe to Operator 4 and recommence the process.  <b>Estimated Cost:</b> <ul style="list-style-type: none"><li>Nil</li></ul>	<ul style="list-style-type: none"><li>The City may receive a higher offer to lease the Bayswater Waves Café.</li></ul>	<ul style="list-style-type: none"><li>It is unlikely the City will receive further applications to operate the lease.</li><li>It will further delay a new operator commencing at the café.</li><li>A new operator may not commence until after the peak summer season, making it difficult for them to grow the business over the winter months.</li></ul>

## CONCLUSION

In light of the above, it is recommended that Council grants final approval to the lease of the café at Bayswater Waves Aquatic Centre to Operator 4 (Option 1).

## FINANCIAL IMPLICATIONS

Disposal (via lease) would provide income as outlined in the City's Long Term Financial Plan.

## STRATEGIC LINK

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme: The Local Economy

Aspiration: Our vibrant business hubs provide opportunities for business growth, community activity, learning and employment opportunities.  
Outcome E3: Growth of local and new business.

### **COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS**

Section 3.58 of the *Local Government Act 1995* applies to the disposal (via lease).

### **VOTING REQUIREMENTS**

Simple Majority required.

### **ATTACHMENTS**

1. Submissions Two and Three from Operator 3 - (Confidential)
2. Operator 4's Offer - (Confidential)

### **COUNCIL RESOLUTION**

#### **(OFFICERS RECOMMENDATION)**

That Council grants final approval to the lease of the café at Bayswater Waves Aquatic Centre - Reserve 38313, 160 Broun Avenue, Morley to Operator 4 as contained in their lease offer in Confidential Attachment 2.

CR DAN BULL, MAYOR MOVED, CR STEPHANIE GRAY SECONDED

CARRIED: 8/2

**For:** Cr Bull, Mayor, Cr Cornish, Deputy Mayor, Cr Gray, Cr Ehrhardt, Cr McKenna, Cr Clarke, Cr Johnson and Cr Petersen-Pik

**Against:** Cr Fleeton and Cr Piffaretti

**11.3 Mertome Village - Business Plan**

**Location:** 30 Winifred Road, Bayswater  
**Owner:** City of Bayswater  
**Responsible Directorate:** Finance and Corporate Services  
**Refer:** Item 13.9 OCM 06.12.2016  
Item 13.8 OCM 23.08.2016  
Item 13.6 OCM 02.08.2016  
Item 11.2 OCM 28.03.2017

**EXECUTIVE SUMMARY****Application:**

For Council to adopt the Business Plan for the proposed disposal (via a long-term lease arrangement) of Lot 16 (30) Winifred Road, Bayswater.

**Key Issues:**

This report seeks Council's adoption of the Business Plan for the proposed disposal (via a long-term lease arrangement) of Lot 16 (30) Winifred Road, Bayswater.

**BACKGROUND**

Council resolved at its meeting of 2 August 2016 to, inter alia, approve option 4a:

*"transfer ownership of the assets to a professional aged care operator [(through a long-term lease {a})]"*.

Essentially, this means the City of Bayswater will be pursuing a long-term lease arrangement for the land and selling the business and any assets held by the City associated with Mertome Village.

As part of this resolution, Council approved the objectives for redevelopment of Mertome Village and selection criteria for evaluation of any submissions received.

Following this resolution, a number of tasks have been undertaken and comprise:

- Engagement of the following service providers: commercial advisory; legal advisory and probity auditor services. These services are required to facilitate a successful outcome and manage the various complexities of the proposed transaction;
- Develop and advertise the Business Plan for the disposal of Lot 16, 30 Winifred Road, Bayswater. The Business Plan was advertised on 13 December ('Eastern Suburbs Reporter') and 14 December ('The West Australian') and also on the City's website; it was also available for inspection at, or obtainable from, the Customer Services Centres at the City's Administration Centre; Morley Galleria; and The RISE; as well as all of the City's libraries. Submissions closed 25 January 2017; no submissions were received in response to this advertised Business Plan;
- Develop and provide updates to keep the community informed on this project;
- Clarification of arrangements with respect to Department of Housing units located on Lot 16 and forming part of Mertome Gardens;
- Preparation and advertising of Expressions of Interest documentation including an Information Memorandum. The Information Memorandum contained details about the Proposal, the transaction process and any specific requirements that the City of Bayswater may impose on a sale which may not be otherwise expected. Its purpose was to provide potential purchasers with enough information to enable them to determine:

- whether they are interested in proceeding further with any potential acquisition of the Business;
  - whether they are interested in entering into a long-term lease with Council for the relevant land; and
  - if they are, an indicative price they would be willing to pay for the Business and lease of the Facility.
- At its meeting on 28 March 2017, Council approved and shortlisted the proposal received from Hall & Prior and Heathley to proceed as the preferred proponent to the tender/due diligence stage. It was also resolved that Council proceeds to the next stage of the process which comprises (amongst other things) negotiating and signing a partly binding and partly non-binding Heads of Agreement with Hall & Prior and Heathley and facilitates Hall & Prior and Heathley doing further due diligence.
  - On 20 October 2017, the City of Bayswater entered into a Heads of Agreement (HOA) with Fresh Fields Aged Care Pty Ltd and Heathley Asset Management Limited (Buyer). Under the HOA, if the Buyer wishes to proceed with a long-term lease of Lot 16, it must submit to the City a further non-binding proposal setting out the proposed commercial terms of the disposal of Lot 16 by long-term lease and disposal of the business assets associated with Mertome Village (Further Proposal).
  - At its meeting on 14 November 2017, Council authorised Juniper to not make the vacant units on the Railway Reserve land forming part of Mertome Gardens available to prospective residents pending a final decision on the Mertome redevelopment project.

## CONSULTATION

As part of maintaining open communication, a number of meetings have been held with residents of the village over the past two years culminating in Council's resolution of 2 August 2016 to essentially pursue a long-term lease arrangement for the land and sell the business and assets situated on Lot 16, 30 Winifred Road, Bayswater held by the City of Bayswater.

Since this resolution, Council, at its meeting of 23 August 2016, endorsed the Community Engagement Plan for the Redevelopment of Mertome Village project. Information sheets have been sent to residents and 'drop in' sessions also held at the Mertome Hall as part of the commitment given to keeping residents informed. The Mertome project has also featured in a number of corporate publications and media articles.

## ANALYSIS

### Business Plan

As noted in the background section of this report, the City has advertised the Business Plan for the proposed disposal of Lot 16 (30) Winifred Road, Bayswater by way of a long-term lease pursuant to section 3.59(4)(a)(iii) of the *Local Government Act 1995* (the Act).

The submission period closed on 25 January 2017. No submissions were received by the City in response to advertising. For the sake of completeness, and to ensure compliance with the Act, it is recommended that Council formally passes a resolution resolving to adopt the Business Plan before the Buyer submits a Further Proposal (if any) to the City for its consideration.

If the City and the Buyer are able to reach a mutually-acceptable position in relation to the Further Proposal (Final Proposal), the HOA contemplates that the City must then proceed to advertise the Final Proposal by local public notice in accordance with the requirements of s.3.58(4) of the Act before it makes a final decision to enter into the final lease of Lot 16 with the Buyer.



Other

The Heads of Agreement requires that the Buyer provides a "Further Proposal" no later than 20 December 2017. An automatic extension of 4 weeks from 20 December then applies to provide opportunity for the parties to reach a mutually-acceptable position in relation to the Further Proposal. Having regard to the time of year and to ensure that there is adequate opportunity for the parties to do this, the City has offered to increase the Second Exclusivity Period to 8 weeks.

**OPTIONS**

The following options are available to Council:

OPTION		BENEFIT	RISK
1.	That Council notes that no submissions were received during the state-wide public notice period (which closed 25 January 2017) and adopts the Business Plan without modification.	<ul style="list-style-type: none"> <li>Adoption of the Business Plan satisfies the City's compliance requirements under the <i>Local Government Act 1995</i> and allows the City to progress negotiations with the Buyer if it receives a Further Proposal from the Buyer.</li> </ul>	<ul style="list-style-type: none"> <li>There is no risk as adoption of the Business Plan does not commit the City to entering into a binding long-term lease with the Buyer.</li> </ul>
2.	That Council notes that no submissions were received during the state-wide public notice period of the Business Plan and adopts the Business Plan with minor modifications.	<ul style="list-style-type: none"> <li>Adoption of the Business Plan (with minor modifications) satisfies the City's compliance requirements under the <i>Local Government Act 1995</i> and allows the City to progress negotiations with the Buyer if it receives a Further Proposal from the Buyer.</li> </ul>	<ul style="list-style-type: none"> <li>Given the stage of the transaction and the status of negotiations with the Buyer, there is no advantage to the City in considering or proposing minor amendments to the Business Plan at this time. Doing so may unsettle the Buyer.</li> </ul>

**CONCLUSION**

Option 1 is recommended as this will enable the City to comply with its obligations under the *Local Government Act 1995* with respect to the Mertome Village transaction process and facilitate progression of next steps.

**FINANCIAL IMPLICATIONS**

An allocation of \$200,000 has been made in the 2017-18 budget for redevelopment of Mertome Village. This allocation provides for legal advisory, commercial advisory and ancillary costs of this project.

**STRATEGIC LINK**

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme:	Our Community.
Aspiration:	An active and engaged community.
Outcome C1:	A strong sense of community through the provision of quality services and facilities.

**COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS**

Section 17 of the *Retirement Villages Act 1992* states that a resident has a right to occupy his/her residential premises until:

- the resident dies; or
- the residence contract is terminated by the resident in accordance with the residence contract or under the *Retirement Villages Act 1992*; or
- the resident abandons the residential premises; or
- the residence contract is terminated by the State Administrative Tribunal (SAT); or
- the holder of the mortgage, charge or other encumbrance that was in existence before the commencement of this section becomes entitled to vacant possession of the premises in pursuance of rights conferred by the mortgage, charge or other encumbrance.

So, while a resident has a contract (which they all do), they cannot be moved out of Mertome Village without their consent, and any redevelopment needs to happen in consultation with residents.

Notwithstanding this, the Railway Reserve land (comprising Lots 402, 403, 404, 405 and 406 on Plan 3404 forming part of Mertome Gardens) has no registered memorial; this adds a further layer of complexity to be resolved as part of this project.

The City has already undertaken a section 3.59 business plan process in relation to this transaction, however section 3.58 of the Act requires, inter alia, the City to prepare and advertise the proposed lease and obtain a market valuation before agreeing to dispose of Lot 16 by long-term lease. This will be attended to in due course should the transaction progress to that stage.

**VOTING REQUIREMENTS**

***ABSOLUTE MAJORITY REQUIRED.***

**ATTACHMENTS**

1. Business Plan

**COUNCIL RESOLUTION****(OFFICERS RECOMMENDATION)**

**That Council:**

1. Notes that no submissions were received during the public notice period (which closed 25 January 2017).
2. Adopts the Business Plan for the proposed disposal (via a long-term lease arrangement) of Lot 16 (30) Winifred Road, Bayswater and resolves to proceed with the transactions proposed by the Business Plan.

**CR BRENT FLEETON MOVED, CR CATHERINE EHRHARDT SECONDED**

**CARRIED: 10/0 BY ABSOLUTE MAJORITY VOTE**

Attachment 1



## BUSINESS PLAN

### MAJOR LAND TRANSACTION

The proposed disposal (via a Long-Term Lease arrangement)  
of  
Lot 16 (30) Winifred Road, Bayswater

Submissions are invited on the proposal and should be addressed to:

City of Bayswater  
PO Box 467  
MORLEY WA 6943

To be received by: 25 January 2017



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## 1. Introduction

This Business Plan has been prepared to comply with the provisions of the *Local Government Act 1995* (the Act) with respect to 30 Winifred Road, Bayswater, being Lot 16 on Diagram 75448, the land in Certificate of Title Volume 1846/Folio 421 (Land). This is the site of the Mertome Village that is owned in freehold by the City of Bayswater.

Mertome Village is an Independent Living Unit (ILU) site in Bayswater which operates in accordance with the *Retirement Villages Act 1992* and subordinate legislation. Mertome Village is currently managed by Uniting Church Homes (Juniper) under a Management Agreement between the City of Bayswater and Juniper.

The City of Bayswater is proposing to sell its interest in the business and assets associated with Mertome Village (Business) and grant a Long-Term Lease to the purchaser of the Business in relation to the Land (Long-Term Lease), together referred to as the "Proposed Transaction".

At its meeting of 2 August 2016 Council supported the disposal of the Land (via a Long-Term Lease arrangement), and has prepared this Business Plan to be exhibited for public comment.

The major land transaction is the grant of a 99-year Long-Term Lease under which the City of Bayswater will dispose of a leasehold interest in the Land to the purchaser of the Business. The sale of Business aspects are included in this Business Plan for context only. There will be a formal consultation period with respect to this Business Plan for six weeks. Please send any submissions by email to [mail@bayswater.wa.gov.au](mailto:mail@bayswater.wa.gov.au) or by mail to:

City of Bayswater  
PO BOX 467  
MORLEY WA 6943

## 2. Background

At the time of construction, Mertome Village was the first of its kind to be built by a local government, with the objective of allowing local residents to age within their community. The complex is now over 40 years old and much of the original accommodation requires significant upgrading or redevelopment to position Mertome Village strongly into the future as a relevant and contemporary retirement housing option for future generations.

There have been significant changes in the aged care and retirement living industries during the past few years, with the implementation of the "Living Longer, Living Better" (LLLBB) reforms in aged care, and the changes to the *Retirement Villages Act 1992*. It is anticipated there will be more changes as aged care and seniors' services become more consumer-directed and competition emerges.

Given the change in the operating environment and the magnitude of the proposed investment in Mertome, the City's advisors raised concern with the capability and capacity of the City to manage the development process and ongoing aged care and retirement living operations. Accordingly, and further to Council's resolution at its meeting of 27 October 2014, two options were shortlisted for further consideration:

- Option 3: Specialist Operator engaged to manage redevelopment program; and
- Option 4: Transfer ownership of the assets to a professional aged care operator (through either a lease or sale arrangement).

After extensive consultation with the residents of Mertome Village and analysis of options available, Council resolved at its meeting on 2 August 2016 to:

*"Transfer ownership of the assets to a professional aged care operator [(through a Long-Term Lease (a)] for the redevelopment of Mertome Village."*

The Long-Term Lease will include terms and conditions agreed between the City and the buyer including those listed below. The list of terms and conditions below is indicative only and is not an exhaustive list of the proposed terms and conditions of the Long-Term Lease.

1. Lessor: City of Bayswater
2. Lessee: Buyer of Business
3. Guarantor: as required by the City
4. Premises: the whole of the Land
5. Commencement Date: Date of settlement of the contract of sale and purchase of the Business.
6. Term: 99 years
7. Permitted Use: Provision of care, accommodation and residential facilities for aged persons in the form of a retirement village and/or residential aged care facility and matters relating to the provision of such care, accommodation and residential facilities.
8. Naming Rights
9. Amount payable by the Lessee for grant of the Lease
10. The Lessee must pay all rates, taxes, levies, charges and outgoings that are attributable to the Premises as if the Lessee was the owner of the Premises
11. Insurance obligations of the Lessee
12. Indemnity and release in favour of the City
13. Reservations to the City
14. Assignment and Subletting provisions
15. Lessee must comply with all Laws
16. Lessee must repair, maintain and undertake all structural work on the Premises
17. Development risk
18. Works and development obligations
19. No fetter of the City's discretion in the lawful exercise of any of its functions and powers as a local government
20. No warranties by the City



21. Make good obligations by the Lessee
22. Damage and destruction clause
23. Default and termination clause
24. GST clause
25. Registration of the Lease
26. Other special conditions as required by the City.

### 3. *Local Government Act 1995 (the Act) requirements*

This Business Plan has been prepared to comply with the provisions of section 3.59 of the Act and the *Local Government (Functions and General) Regulations 1996* on the basis that the City is proposing to enter into a major land transaction where the total value of the consideration under the Proposed Transaction may be more than the prescribed amount (i.e. more than \$10 million).

In accordance with Council's resolution of 6 December 2016, this Business Plan will be advertised in *The West Australian* newspaper inviting public submissions on the proposal detailed in the Business Plan for a period of six weeks. Additionally, a public notice will be included in the *Eastern Reporter* Community newspaper. For the duration of the consultation period, the Business Plan will be available online at [www.bayswater.wa.gov.au](http://www.bayswater.wa.gov.au) and may be inspected at, or obtained from, the Customer Services Centres at the City's Administration Centre, Morley; Morley Galleria; and The RISE and all of the City's Libraries.

In addition to the minimum legislative requirements for community consultation, the City has already engaged in discussions with the local community on this important Proposed Transaction. Following the final day for submissions, Council will consider any submissions made during the advertising period and may resolve to proceed with the Proposed Transaction. If Council decides to proceed with the Proposed Transaction the City will comply with the further obligations of the Act as required. In the event that Council makes significant changes to the Proposed Transaction, a further six week advertising period will take place. The notice to be used for this proposal is provided as **Attachment 1**.

Submissions on this Business Plan are to be forwarded to the City of Bayswater, PO Box 467, MORLEY WA 6943.

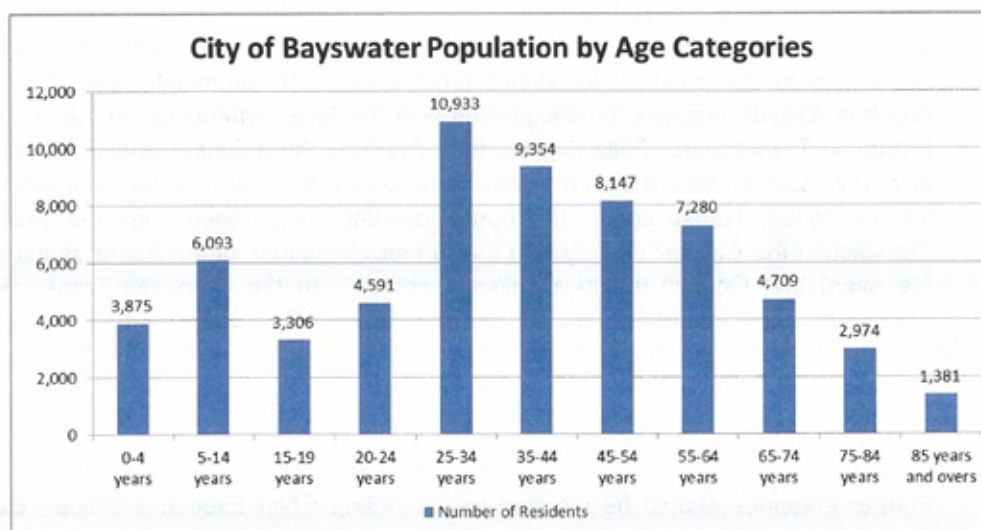
Further enquiries should be directed to the Acting Chief Executive Officer, Carissa Bywater, or by email to [carissa.bywater@bayswater.wa.gov.au](mailto:carissa.bywater@bayswater.wa.gov.au).

#### 4. Expected effect on the provision of facilities and services by the local government

The disposal by way of the sale of the Business and the Long-Term Lease arrangement will have an effect on the provision by the City of Bayswater, of existing facilities and services associated with Mertome Village. Juniper currently manages Mertome Village on behalf of the City. It is intended that the City will terminate the Management Agreement with Juniper so that the buyer, as owner of the Business and lessee of the Land, can assume management of Mertome Village. The result of the Proposed Transaction will be that the City will not be operating and maintaining the Mertome Village, and it is expected that the buyer will redevelop Mertome Village (as the buyer sees fit) while being obliged to continue to operate Mertome Village in accordance with the *Retirement Villages Act 1992 (WA)* and subordinate legislation. The redevelopment of Mertome Village may facilitate a high-quality outcome that should benefit residents of Mertome Village through more professional aged care and retirement living expertise without the associated financial exposure to the City and the broader community.

#### 5. Expected effect on other persons providing facilities and services in the district

Information from the 2011 Census (ABS) details the City of Bayswater's population as follows:



Council has recognised the need to redevelop Mertome Village; to enable sustainable redevelopment the disposition of freehold land (via a Long-Term Lease arrangement) is intended.



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Developers of aged persons housing will be advantaged by the current use and preservation of the Land for retirement living; also having a suitable zoning and density code. Developers will be provided an opportunity to enhance facilities and services available to the ageing population and will contribute to the connectivity of the existing services and facilities provided within the City.

The City leases the building on the Land known as Tranby Hostel to Juniper to operate a Residential Care Facility. The lease provides for:

- a. an original term of two years from 1 July 2013 to 31 May 2015; and
- b. a further term of two years from 1 June 2015 to 31 May 2017.

Further discussion with Juniper is required with respect to arrangements at the expiry of this current lease.

## **6. Expected financial effect on the local government**

Valuation information dated 11 August 2016 estimated that a lessee may pay 25% of the gross market estimate for a 99-year lease; a shorter lease term may result in a reduced return.

The disposal by way of the sale of the Business and the Long-Term Lease arrangement is expected to provide a positive financial return. The expected financial return will be determined through the tender process with the final agreement to be approved by Council. The resident liability of \$4,977,588 (2014-15 refundable contributions) would be acquired by the lessee as part of this arrangement and the cash price paid to the City would be reduced by this same amount.

The value of the leased site would be influenced by a number of variables, including:

- prevailing property market conditions and competitive influences;
- the intended mix, density and format of the development;
- any other restrictions or requirements imposed by the lessor; and
- the probability that the tenure might be extended and renegotiated before the conclusion of the original term.

Consideration needs to be given to the related real estate agent fees and settlement costs for the lease of the Land.

Corporate and legal advisory services will be in the order of \$200,000.

Any net financial benefits provided by the disposal (via a Long-Term Lease arrangement) will assist in funding the due diligence and ancillary requirements necessary to facilitate the Proposed Transaction.

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Any financial returns in excess of these costs may be used for other community projects as determined by Council as part of the final transaction process requirements. Notwithstanding this, the operating costs for the City's Residential Care Facilities and Retirement Villages are maintained separate and distinct from the City of Bayswater's Municipal Fund and general operations. Generally, the Independent Living Unit (ILU) fund covers the operating deficit of the Mertome Village which, for the year ended 30 June 2016, was \$111,654. Copies of the financial statements for the City's Aged Persons accounts are available from the City's corporate website or upon request.

#### **7. Expected effect on matters referred to in the local government's plan prepared under section 5.56**

Section 5.56 of the Act requires that a local government plan for the future. As part of complying with this section, the City of Bayswater has developed a Strategic Community Plan 2016-26. This plan encompasses values and principles that address the desires of the Bayswater community, both currently and for the future. The redevelopment of Mertome Village is featured as a component of the strategy to *"provide local accommodation facilities which allow ageing in place"* (B5.1).

In addition, Council adopted a Community Engagement and Communications Plan for the redevelopment of Mertome Village at its Ordinary Meeting on 2 August 2016. The intent of this Plan is to keep stakeholders informed and provide the public with balanced and objective information to assist them in understanding the problems, alternatives, opportunities and solutions.

#### **8. The ability of the local government to manage the undertaking or the performance of the transaction**

The City of Bayswater ordinarily administers large-scale financial undertakings in its day-to-day business as a Local Government entity, with the assistance of suitably-qualified professionals and specialist advisors as required.

The City has the capability and capacity to implement the Proposed Transaction and has engaged Ansell Strategic to provide the City with corporate advisory services and Jackson McDonald to provide legal advisory services.

Development of the site will be subject to normal planning and building approval processes administered by the City's Planning Directorate. The management of this disposal is within the resources and capacity of the City of Bayswater.

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**Attachment 1:**

The following advertisement was placed in:

- *'Eastern Suburbs Reporter'* on 13 December 2016; and
- *'The West Australian'* on 14 December 2016.



## Proposed Land Transaction

### **Lot 16, 30 Winifred Road, Bayswater (Mertome Village)**

The City of Bayswater currently has freehold ownership of Lot 16, 30 Winifred Road, Bayswater, and is proposing to dispose of it by entering into a Long-Term Lease arrangement with a suitably-qualified operator for the redevelopment of Mertome Village which is situated on this land.

This Business Plan has been prepared in accordance with Council's resolution of 2 August 2016. A copy of this Business Plan may be inspected at, or obtained from, the Customer Services Centres at the City's Administration Centre, Morley; Morley Galleria; and The RISE; all of the City's libraries and the City's website: [www.bayswater.wa.gov.au](http://www.bayswater.wa.gov.au)

Comments must be made in writing to:

City of Bayswater  
PO Box 467  
MORLEY WA 6943  
Or by email to [mail@bayswater.wa.gov.au](mailto:mail@bayswater.wa.gov.au)

For further information, contact the undersigned on (08) 9272 0620.  
Submissions close 25 January 2017.

**Carissa Bywater**  
**Acting Chief Executive Officer**



**13. MANAGEMENT/ADVISORY COMMITTEES****13.5 City of Bayswater Annual Financial Statements****Reporting Branch: Financial Services****Responsible Directorate: Finance and Corporate Services*****CR LORNA CLARKE DECLARED AN IMPARTIAL INTEREST***

*In accordance with regulation 11 of the Local Government (Rules of Conduct) Regulations 2007, Cr Lorna Clarke declared an impartial interest in this item as she is a social member of the Baysie Bowls Club. Cr Lorna Clarke remained in the room during voting on this item.*

**EXECUTIVE SUMMARY****Application:**

For the Audit and Risk Management Committee to endorse to Council the General Purpose Financial Statements and to receive the Audit Completion Reports for the period ended 30 June 2017.

**Key Issues:**

- This report presents the General Purpose Financial Statements for the period ended 30 June 2017 and the Independent Auditor's Report in respect of those financial statements.
- The annual financial statements comprise the consolidated City of Bayswater General Purpose Financial Statements and City of Bayswater Aged Persons Homes General Purpose Financial Statements.

**BACKGROUND**

The *Local Government Act 1995* (the Act) requires the City to prepare an annual report for each financial year. Section 5.54 of the Act requires that the annual report (which includes the financial report for the year) be accepted by the local government no later than 31 December for the previous financial year.

The Council is required to accept the full annual financial statements as per section 6.4(2) of the Act.

The City of Bayswater (Council) includes the City of Bayswater Aged Persons Homes. Due to legislative requirements a separate financial report is required for this entity.

The Independent Auditor's Report has been received from the City's auditors for the City of Bayswater (Consolidated) (**Attachment 1**).

**CONSULTATION**

Grant Thornton, the City's external auditors, have been invited to attend the Audit and Risk Management Committee meeting to discuss the City of Bayswater's Independent Auditor's Report.

**ANALYSIS**

The Annual Financial Statements show a positive end to the 2016-17 financial year for the City as evidenced by the following:

**City of Bayswater (including Aged Persons Homes) - General Purpose Financial Statements:**

1. Current Ratio or Liquidity: 2.05 (Target > 1).
2. Operating Surplus Ratio - The City's ability to cover daily operational expenses and have revenue available for capital works: 1.18% (Target > 1%).
3. Asset Sustainability Ratio - Indicates whether the City is renewing or replacing assets at the same rate as they are wearing out: 109.86% (Target 90-110%).
4. Asset Renewal Funding Ratio - The ability of the City to fund its projected asset renewal/replacement programmes: 82% (Target 75-95%).
5. Municipal and Aged Care Reserve funds have increased from \$42,200,344 to \$44,417,329.
6. Total Equity for the City has increased from \$753,689,115 to \$786,204,500.

**OPTIONS**

Not applicable.

**CONCLUSION**

The 2016-17 annual financial statements have been completed and will be included in the City of Bayswater Annual Report 2016-17 and accessible on the City's website.

**FINANCIAL IMPLICATIONS**

The increased level of surplus achieved at the end of the 2016-17 financial year will have a positive impact on the opening balance for the next financial year. This surplus will be addressed when making the adjustments for carried forward capital projects in 2016-17 and during the 2017-18 mid-year review.

**STRATEGIC LINK**

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme: Leadership and Governance.  
Aspiration: Open, accountable and responsive service.  
Outcome L1: Accountable and good governance.

**COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS**

The annual financial statements have been prepared in accordance with all relevant statutory requirements and Australian Accounting Standards.

The audit is undertaken in accordance with Australian Auditing Standards and Auditing Guidance Statements adopted by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia; the *Local Government Act 1995* and the Local Government (Audit) Regulations 1996.

Regulation 51(2) of the Local Government (Financial Management) Regulations 1996 requires that a copy of the 2016-17 annual financial report is to be submitted to the Department of Local Government, Sport and Cultural Industries, within 30 days of receipt by the Chief Executive Officer of the auditor's report on that financial report.

**VOTING REQUIREMENTS**

Audit and Risk Management Committee  
Simple Majority required

Ordinary Meeting of Council  
***ABSOLUTE MAJORITY REQUIRED***

**ATTACHMENTS**

1. General Purpose Financial Statements - City of Bayswater (Consolidated), including the Independent Auditor's Report

**COUNCIL RESOLUTION**  
**(OFFICERS RECOMMENDATION)**

That the Audit and Risk Management Committee recommends to Council that:

1. The consolidated City of Bayswater General Purpose Financial Statements for the year ended 30 June 2017, including the Independent Auditor's Report ***Attachment 1*** of this report be accepted.
2. In accordance with regulation 51(2) of the Local Government (Financial Management) Regulations 1996, Council submit a copy of the 2016-17 Annual Financial Report to the Department of Local Government, Sport and Cultural Industries, within 30 days of receipt by the Chief Executive Officer of the auditor's report on that financial report.

CR CHRIS CORNISH, DEPUTY MAYOR MOVED, CR BARRY McKENNA SECONDED  
CARRIED: 10/0 BY ABSOLUTE MAJORITY VOTE

Attachment 1



## City of Bayswater

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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A Quality Lifestyle in a Sustainable Environment



City of Bayswater

## City of Bayswater

General Purpose Financial Statements  
for the year ended 30 June 2017

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**Overview**

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for City of Bayswater.
  - (ii) All figures presented in these financial statements are presented in Australian Currency.
  - (iii) Council has the power to amend and reissue the financial statements.
-



## City of Bayswater

### General Purpose Financial Statements for the year ended 30 June 2017

## Understanding Council's Financial Statements

### Introduction

Each year, individual Local Governments across Western Australia are required to present a set of audited Financial Statements to their Council and Community in accordance with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

### About the Certification of Financial Statements

The Financial Statements must be certified by the Chief Executive Officer as (i) presenting fairly the Council's financial results for the year and complying with (ii) Australian Accounting Standards and the *Local Government Act 1995*.

### What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

The format of the Financial Statements is standard across all Western Australian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and the requirements as set down in the Western Australian Local Government Accounting Manual.

The Financial Statements incorporate 6 "primary" financial statements:

#### 1. A Statement of Comprehensive Income - (by Nature or Type)

A summary of Council's financial performance for the year, listing all income & expenses by their "nature or type". This allows users of the financial statements to identify a break up of operating revenues and expenses for the year.

#### 2. A Statement of Comprehensive Income - (by Program)

A summary of Council's financial performance for the year, listing all income & expenses by "program". This allows users of the financial statements to identify the cost relating to each Council Program and whether or not these costs were recovered from Program revenues.

#### 3. A Statement of Financial Position

A 30 June snapshot of Council's financial position listing its assets & liabilities.

#### 4. A Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

#### 5. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent across operating, investing & financing activities.

#### 6. A Rate Setting Statement

A Statement showing the amount of rates budgeted to be raised during the year to fund the Council's proposed Programs (and any budget surplus/deficit from prior years).

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 6 Primary Financial Statements.

### About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialise in Local Government).

In Western Australia, the Auditor provides an audit report that provides an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

### Who uses the Financial Statements?

The Financial Statements are publicly available documents and are used by (but not limited to) Councillors, Residents and Ratepayers, Employees, Suppliers, Contractors, Customers, the Department of Local Government, and Financiers including Banks and other Financial Institutions.

Under the *Local Government Act 1995* the Financial Statements must be made available at the office of the Council.

Financial Statements 2017

**City of Bayswater****General Purpose Financial Statements**  
for the year ended 30 June 2017*Local Government Act 1995**Local Government (Financial Management) Regulations 1996***Statement by Chief Executive Officer**

The attached financial report of the City of Bayswater being the annual financial report and supporting notes and other information for the financial year ended 30 June 2017 are in my opinion properly drawn up to present fairly the financial position of the City of Bayswater at 30 June 2017 and the results of the operations for the financial year then ended in accordance with the *Australian Accounting Standards* and comply with the provisions of the *Local Government Act 1995* and the regulations under that Act.

Signed on the

15<sup>th</sup>

day of

December

2017

  
\_\_\_\_\_  
Andrew Brien**CHIEF EXECUTIVE OFFICER**

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Financial Statements 2017

## City of Bayswater

Statement of Comprehensive Income (by Nature or Type)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Revenue</b>				
Rates	24(a)	41,957,660	42,390,859	39,545,895
Operating Grants, Subsidies & Contributions	28	17,227,933	12,674,693	14,440,462
Fees & Charges	27	20,681,030	21,466,673	20,848,009
Interest Earnings	2(a)	2,719,055	2,467,420	2,599,587
Other Revenue		18,866	561,801	707,029
		<u>82,604,544</u>	<u>79,561,446</u>	<u>78,140,983</u>
<b>Expenses</b>				
Employee Costs	31	(31,538,786)	(31,887,604)	(30,514,431)
Materials & Contracts		(31,498,949)	(30,419,250)	(29,528,037)
Utilities		(3,618,899)	(3,587,949)	(3,602,397)
Depreciation & Amortisation	2(a)	(11,955,277)	(10,288,420)	(10,434,757)
Interest Expenses	2(a)	(1,862)	(2,135)	(3,308)
Insurance		(829,220)	(754,903)	(740,411)
Other Expenditure		(69,575)	-	-
		<u>(79,512,568)</u>	<u>(76,940,261)</u>	<u>(74,823,341)</u>
<b>Operating Result from Continuing Operations</b>		<u>3,091,976</u>	<u>2,621,185</u>	<u>3,317,642</u>
Non-Operating Grants, Subsidies & Contributions	28	4,012,352	2,325,351	2,101,034
Fair Value Adjustment to Non Financial Assets through Profit and Loss	2(a)	(2,738,340)	-	(8,561,184)
Net Share of Interests in Controlled Entities, Associated Entities & Joint Ventures	17	838,637	-	2,770,033
Profit on Asset Disposals	21	-	250	490,071
Loss on Asset Disposal	21	(422,968)	(204,488)	(407,810)
		<u>1,689,681</u>	<u>2,121,113</u>	<u>(3,607,856)</u>
<b>Net Result - Surplus (Deficit)</b>		<u>4,781,657</u>	<u>4,742,298</u>	<u>(290,214)</u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	13	27,733,728	-	4,058,901
<b>Total Other Comprehensive Income</b>		<u>27,733,728</u>	<u>-</u>	<u>4,058,901</u>
<b>Total Comprehensive Income</b>		<u>32,515,385</u>	<u>4,742,298</u>	<u>3,768,687</u>

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

## City of Bayswater

Statement of Comprehensive Income (by Program)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Revenue</b>				
General Purpose Funding		47,348,277	47,010,496	43,141,441
Law, Order, Public Safety		317,948	304,640	314,892
Health		241,236	244,730	307,266
Education & Welfare		12,844,770	10,786,315	12,369,967
Housing		89,193	98,450	103,525
Community Amenities		12,445,369	11,895,090	11,362,954
Recreation & Culture		7,529,889	8,150,825	7,827,486
Transport		1,168,940	435,700	1,474,130
Economic Services		461,834	550,200	569,283
Other Property & Services		157,088	85,000	670,039
		<u>82,604,544</u>	<u>79,561,446</u>	<u>78,140,983</u>
<b>Expenses (excl. Finance Costs)</b>				
Governance		(5,814,021)	(5,906,610)	(3,878,133)
General Purpose Funding		(1,026,515)	(1,068,630)	(743,426)
Law, Order, Public Safety		(2,812,659)	(2,490,733)	(2,633,658)
Health		(1,514,108)	(1,706,430)	(1,552,122)
Education & Welfare		(12,651,336)	(11,895,273)	(12,529,934)
Housing		(151,435)	(122,867)	(140,761)
Community Amenities		(13,615,550)	(13,519,073)	(12,570,747)
Recreation & Culture		(28,713,098)	(28,340,059)	(28,272,475)
Transport		(9,205,760)	(8,295,899)	(8,316,950)
Economic Services		(1,489,012)	(1,521,082)	(1,518,786)
Other Property & Services		(2,517,212)	(2,071,470)	(2,663,041)
		<u>(79,510,706)</u>	<u>(76,938,126)</u>	<u>(74,820,033)</u>
<b>Finance Costs</b>				
	2(a)			
Recreation & Culture		(1,862)	(2,135)	(3,308)
		<u>(1,862)</u>	<u>(2,135)</u>	<u>(3,308)</u>
<b>Operating Result from Continuing Operations</b>		<u>3,091,976</u>	<u>2,621,185</u>	<u>3,317,642</u>
<b>Non-Operating Grants, Subsidies, Contributions</b>				
Law, Order, Public Safety		256,917	195,000	12,740
Education & Welfare		-	-	16,593
Community Amenities		1,785,750	20,500	(22,356)
Recreation & Culture		3,425	65,202	119,281
Transport		1,966,260	2,044,649	1,974,776
	28	<u>4,012,352</u>	<u>2,325,351</u>	<u>2,101,034</u>

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

## City of Bayswater

Statement of Comprehensive Income (by Program) (continued)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Profit/(Loss) on Disposal of Assets</b>				
Governance		(28,192)	-	(37,303)
Law, Order, Public Safety		-	(12,492)	(9,522)
Health		(18,610)	(15,350)	(8,485)
Education & Welfare		(9,760)	-	(19,504)
Housing		(7,968)	-	-
Community Amenities		(5,800)	250	490,071
Recreation & Culture		(203,406)	(98,475)	(70,153)
Transport		(81,549)	(31,620)	-
Economic Services		(16,506)	(6,783)	(11,138)
Other Property & Services		(51,177)	(39,768)	(251,706)
	21	(422,968)	(204,238)	82,261
<b>Other Income</b>				
Fair Value Adjustments to Non Financial Assets through Profit & Loss	2(a)	(2,738,340)	-	(8,561,184)
Net Share of Interests in Controlled Entities, Associated Entities & Joint Ventures	17	838,637	-	2,770,033
		(1,899,703)	-	(5,791,151)
<b>Net Result - Surplus (Deficit)</b>		<u>4,781,657</u>	<u>4,742,298</u>	<u>(290,214)</u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	13	27,733,728	-	4,058,901
<b>Total Comprehensive Income</b>		<u>32,515,385</u>	<u>4,742,298</u>	<u>3,768,687</u>

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

## City of Bayswater

Statement of Financial Position  
as at 30 June 2017

\$	Notes	2017 Actual	2016 Actual
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	69,235,427	64,327,720
Trade and Other Receivables	5	4,043,170	3,780,902
Inventories	6	98,771	112,780
Other	4	110,526	190,627
<b>Total Current Assets</b>		<b>73,487,894</b>	<b>68,412,029</b>
<b>Non-Current Assets</b>			
Trade and Other Receivables	5	808,138	740,840
Property, Plant and Equipment	7	527,696,458	500,015,152
Infrastructure	8	186,533,446	189,045,852
Controlled Entities, Associated Entities & Interests in Joint Ventures	17	32,863,586	32,024,949
<b>Total Non-Current Assets</b>		<b>747,901,628</b>	<b>721,826,793</b>
<b>TOTAL ASSETS</b>	19	<b>821,389,522</b>	<b>790,238,822</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	9	29,844,226	30,798,692
Borrowings	10	5,977	10,825
Provisions	11	4,857,374	5,202,856
<b>Total Current Liabilities</b>		<b>34,707,577</b>	<b>36,012,373</b>
<b>Non-Current Liabilities</b>			
Trade and Other Payables	9	11,900	11,900
Borrowings	10	19,905	25,882
Provisions	11	445,640	499,552
<b>Total Non-Current Liabilities</b>		<b>477,445</b>	<b>537,334</b>
<b>TOTAL LIABILITIES</b>		<b>35,185,022</b>	<b>36,549,707</b>
<b>Net Assets</b>		<b>786,204,500</b>	<b>753,689,115</b>
<b>EQUITY</b>			
Retained Surplus		213,105,837	210,541,165
Reserves - Cash/Investment Backed	12	44,417,329	42,200,344
Reserves - Asset Revaluation	13	528,681,334	500,947,606
<b>Total Equity</b>		<b>786,204,500</b>	<b>753,689,115</b>

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

## City of Bayswater

Statement of Changes in Equity  
for the year ended 30 June 2017

\$	Notes	Retained Surplus	Reserves Cash / Investment Backed	Asset Revaluation Reserve	Total Equity
Balance as at 1 July 2015		212,097,565	40,934,158	496,888,705	<b>749,920,428</b>
<b>Restated Balance</b>		<b>212,097,565</b>	<b>40,934,158</b>	<b>496,888,705</b>	<b>749,920,428</b>
Net Result		(290,214)	-	-	<b>(290,214)</b>
Total OCI / Asset Revaluation	13	-	-	4,058,901	<b>4,058,901</b>
Reserve Transfers	12	(1,266,186)	1,266,186	-	-
<b>Balance as at 30 June 2016</b>		<b>210,541,165</b>	<b>42,200,344</b>	<b>500,947,606</b>	<b>753,689,115</b>
Prior Period Adjustment - Net Result		4,781,657	-	-	<b>4,781,657</b>
Total OCI / Asset Revaluation	13	-	-	27,733,728	<b>27,733,728</b>
Reserve Transfers	12	(2,216,985)	2,216,985	-	-
<b>Balance as at 30 June 2017</b>		<b>213,105,837</b>	<b>44,417,329</b>	<b>528,681,334</b>	<b>786,204,500</b>

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

## City of Bayswater

## Statement of Cash Flows

for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Cash Flows from Operating Activities</b>				
<u>Receipts:</u>				
Rates		42,006,286	42,450,000	39,445,086
Operating Grants, Subsidies and Contributions		17,227,933	12,550,000	14,440,462
Fees and Charges		19,404,738	21,425,000	20,848,009
Interest Earnings		2,719,055	2,450,000	2,599,587
Goods and Services Tax		1,727,744	3,500,000	2,094,167
Other Revenue		872,790	565,000	1,925,682
		<u>83,958,546</u>	<u>82,940,000</u>	<u>81,352,993</u>
<u>Payments:</u>				
Employee Costs		(31,804,854)	(31,750,000)	(30,582,772)
Materials and Contracts		(30,309,781)	(35,214,000)	(27,356,880)
Utilities		(3,618,899)	(3,575,000)	(3,602,397)
Insurance		(829,220)	(754,903)	(740,411)
Interest		(1,998)	(2,135)	(3,890)
Goods and Services Tax		(3,946,683)	-	(2,205,804)
		<u>(70,511,434)</u>	<u>(71,296,038)</u>	<u>(64,492,153)</u>
<b>Net Cash provided (or used in) Operating Activities</b>	14(b)	<u>13,447,112</u>	<u>11,643,962</u>	<u>16,860,840</u>
<b>Cash Flows from Investing Activities</b>				
<u>Receipts:</u>				
Non-Operating Grants, Subsidies and Contributions	28	4,012,352	2,325,351	2,101,034
Proceeds from Sale of Assets	21	582,872	680,300	1,623,673
<u>Payments:</u>				
Payments for Purchase of Property, Plant & Equipment	20	(4,344,370)	(8,022,280)	(5,661,710)
Payments for Construction of Infrastructure	20	(8,790,259)	(10,852,075)	(7,978,172)
		<u>(8,539,405)</u>	<u>(15,868,704)</u>	<u>(9,915,174)</u>
<b>Net Cash provided (or used in) Investing Activities</b>		<u>(8,539,405)</u>	<u>(15,868,704)</u>	<u>(9,915,174)</u>
<b>Cash Flows from Financing Activities</b>				
<u>Receipts:</u>				
Proceeds from Self Supporting Loans	23(a)	10,825	10,825	50,959
<u>Payments:</u>				
Repayment of Debentures	23(a)	(10,825)	(10,825)	(50,959)
		<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Cash provided (or used in) Financing Activities</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<u>4,907,707</u>	<u>(4,224,742)</u>	<u>6,945,666</u>
Cash at the beginning of the year	3	64,327,720	55,262,285	57,382,054
<b>Cash &amp; Cash Equivalents - End of the Year</b>	14(a)	<u>69,235,427</u>	<u>51,037,543</u>	<u>64,327,720</u>

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

## City of Bayswater

Rate Setting Statement (by Program)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Revenue</b>				
General Purpose Funding (Excl Rates)		5,362,425	4,619,637	3,595,546
Law, Order, Public Safety		317,948	487,148	305,370
Health		222,626	229,380	298,781
Education and Welfare		12,835,010	10,786,315	12,350,463
Housing		81,225	98,450	103,525
Community Amenities		12,439,569	11,915,840	11,853,025
Recreation and Culture		7,326,483	8,209,051	7,757,333
Transport		1,168,940	2,473,566	1,474,130
Economic Services		445,328	550,200	558,145
Other Property and Services		24,362	(77,887)	381,029
		<u>40,223,916</u>	<u>39,291,700</u>	<u>38,677,346</u>
<b>Expenses</b>				
Governance		(5,814,021)	(5,906,610)	(3,878,133)
General Purpose Funding		(1,026,515)	(1,068,630)	(743,426)
Law, Order, Public Safety		(2,812,659)	(2,490,733)	(2,633,658)
Health		(1,514,108)	(1,706,430)	(1,552,122)
Education and Welfare		(12,651,336)	(11,895,273)	(12,529,934)
Housing		(151,435)	(122,867)	(140,761)
Community Amenities		(13,615,550)	(13,519,073)	(12,570,746)
Recreation and Culture		(28,714,960)	(28,342,194)	(28,275,784)
Transport		(9,205,760)	(8,295,899)	(8,316,950)
Economic Services		(1,489,012)	(1,521,082)	(1,518,786)
Other Property and Services		(2,517,212)	(2,071,470)	(2,663,042)
		<u>(79,512,568)</u>	<u>(76,940,261)</u>	<u>(74,823,342)</u>
<b>Net Result Excluding Rates</b>		<u>(39,288,652)</u>	<u>(37,648,561)</u>	<u>(36,145,995)</u>
<b>Adjustment for Cash Budget Requirements:</b>				
<b>Non-Cash Expenditure &amp; Revenue</b>				
(Profit)/Loss on Asset Disposal	21	422,968	204,238	(82,261)
Movement in Non-Current Deferred Pensioner Rates		(45,010)	-	(17,742)
Movement in Non-Current Employee Benefit Provisions		(53,912)	-	(66,137)
Depreciation & Amortisation on Assets	2(a)	11,955,277	10,288,420	10,434,757
Movement of Non-Current Debtors & Inventories		(28,265)	-	22,674
Employee Entitlements Movement		(95,255)	(224,500)	157,178
Aged Persons Liability Adjustment		(1,105,966)	-	(949,188)
<b>Net Non-Cash Expenditure &amp; Revenue</b>		<u>11,049,837</u>	<u>10,268,158</u>	<u>9,499,281</u>

This statement should be read in conjunction with the accompanying notes.

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Financial Statements 2017

## City of Bayswater

Rate Setting Statement (by Program) (continued)  
for the year ended 30 June 2017

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>Capital Expenditure</b>				
Purchase Land and Buildings	20	(1,490,509)	(4,285,103)	(2,745,346)
Purchase Plant and Equipment	20	(1,790,114)	(2,000,840)	(1,648,786)
Purchase Furniture and Equipment	20	(1,063,747)	(1,736,337)	(1,267,578)
Infrastructure Assets	20	(8,790,259)	(10,852,075)	(7,978,172)
Repayment of Debentures	23(a)	(10,825)	(10,825)	(50,958)
<b>Net Capital Expenditure</b>		<b>(13,145,454)</b>	<b>(18,885,180)</b>	<b>(13,690,839)</b>
<b>Capital Revenue</b>				
Proceeds from Disposal of Assets	21	582,872	680,300	1,623,672
Self-Supporting Loan Principal Income	23(a)	10,825	10,825	50,958
Grants & Contributions Applied for Asset Development		4,012,352	-	2,101,034
<b>Net Capital Revenue</b>		<b>4,606,049</b>	<b>691,125</b>	<b>3,775,664</b>
<b>Transfers</b>				
Transfers to Reserves (Restricted Assets)	12	(2,970,020)	(1,493,415)	(3,939,018)
Transfers from Reserves (Restricted Assets)	12	753,035	1,681,654	2,672,832
<b>Net Transfers</b>		<b>(2,216,985)</b>	<b>188,239</b>	<b>(1,266,186)</b>
Surplus/(Deficit) July 1 B/Fwd	24(b)	5,583,678	4,309,558	3,865,858
Surplus/(Deficit) June 30 C/Fwd	24(b)	8,546,133	1,314,198	5,583,678
<b>Amount Raised from Rates</b>	24(a)	<b>(41,957,660)</b>	<b>(42,390,859)</b>	<b>(39,545,895)</b>

This statement should be read in conjunction with the accompanying notes.

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## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

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## City of Bayswater

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (a) Basis of preparation

The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other authoritative pronouncements of the Australian Standards Board, *Local Government Act 1995* and accompanying regulations. The report has also been prepared on the accrual basis under the convention of historical cost accounting modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

##### Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

##### (b) The Local Government Reporting Entity

(1) All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report. In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated. All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 18 to this financial report.

(2) Discontinued Operation - Bayswater Child Care Assoc (inc)

On the 17<sup>th</sup> September 2015 the constitution of the Bayswater Child Care Assoc (Inc) was amended to the extent that the City of Bayswater no longer held a controlling interest over the operations of the Association. All assets and liabilities of the Bayswater Child Care Assoc (Inc) have been excluded from these statements.

##### (c) Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

##### (d) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the Statement of Financial Position.

##### (e) Trade and Other Receivables

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

##### (f) Inventories

##### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on



## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 1. Summary of Significant Accounting Policies (continued)

the basis of weighted average costs. Net realisable value is the established selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(ii) Land Held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding contract of sale. Land held for resale is classified as current except where it is held as non-current based on the Council's intentions to release for sale.

**(g) Fixed Assets**

**Initial Recognition**

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour and variable and fixed overheads.

**Revaluation**

Certain asset classes may be revalued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits of the asset.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Those assets carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be revalued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

**Land under Roads**

In Western Australia, all land under roads is Crown land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in Australian Accounting Standard AASB 1051 Land Under Roads and the fact that *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides that, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Council.

**(h) Depreciation of Non-Current Assets**

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets. Assets are depreciated

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 1. Summary of Significant Accounting Policies (continued)

from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

## Capitalisation Threshold:

Plant & Equipment	\$2,000
Computer Equipment	\$2,000
Furniture & Equipment	\$2,000
Building Improvements	\$2,000
Land & Buildings	No Limit

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Plant	5 to 15 years
Furniture & Equipment	4 to 10 years
Buildings	30 to 50 years
Computer Equipment	3 years
Work Equipment	5 to 15 years
Toys	3 years
Fleet Vehicles	3 years
Roads	50 years
Footpaths	
- Concrete	50 years
- Asphalt	25 years
Drains	100 years
Reserves	
- Passive Reserves	100 years
- Medians	50 years
- Civic Gardens	30 years
- Verges	30 years
- Active Reserves	20 years
Street Furniture	
- Crash Barriers	10 years
- Bus Shelters	20 years
- Seats	10 years
- Parking Signs	5 years
- Street Name Plates	10 years

The assets residual value and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the

Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

## (i) Financial Instruments

## Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a part to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

## Classification and Subsequent Measurement

Financial instruments are subsequently measured at amortised cost using the effective interest rate method or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount is which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and
- less any reduction for impairment.

The effective interest method used is to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term of

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 1. Summary of Significant Accounting Policies (continued)

the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

**(iv) Available-for-sale financial assets**

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial

Position date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**(v) Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Impairment**

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses recognised in the Statement of Comprehensive Income.

**(j) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

**(k) Provisions**

Provisions are recognised when the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and



## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 1. Summary of Significant Accounting Policies (continued)

the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**(l) Leases**

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(m) Impairment**

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are tested annually for impairment. Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 *Impairment of Assets* and appropriate adjustments made. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

For non-cash generating assets of the Council such as roads, drains, public buildings and the like, value in use is represented by the asset's written down replacement cost.

**(n) Trade and Other Payables**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**(o) Interest-bearing Loans and Borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid of the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

**(p) Employee Benefits**

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

**Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)**

The provision for employees' benefits wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the



## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 1. Summary of Significant Accounting Policies (continued)

Council has a present obligation to pay resulting from employee's services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

**Long Service Leave (Long-term Benefits)**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows.

Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

**(q) Superannuation**

The Council contributes to a number of Superannuation Funds on behalf of their employees. Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(r) Joint Venture**

The municipality's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the Statement of Financial Position and Statement of Comprehensive Income. Information about the joint venture is set out in Note 17.

**(s) Rates, Grants, Donations and Other Contributions**

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the

contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed at Note 2(d). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation for the current reporting period.

**(t) Current and Non-Current Classification**

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operation cycle. In the case of liabilities where the Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on the Council's intentions to release for sale.

**(u) Rounding Off Figures**

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest [dollar] OR [thousand dollars].

**(v) Comparative Figures**

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, a statement of financial position as at the beginning of the earliest period will be disclosed.

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 1. Summary of Significant Accounting Policies (continued)

**(w) Budget Comparative Figures**

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

**(x) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

**(y) Intangible Assets**

Council has not classified any assets as Intangible.

**(z) New Accounting Standards and Interpretations for Application in Future Periods**

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

The City of Bayswater has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on Council's financial statements.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be

## City of Bayswater

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

able to be measured at amortised cost where very specific conditions are met.

As a result, Council will be required to measure its financial assets at fair value. There will be no financial impact on the consolidated financial statements.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 Revenue from Contracts with Customers will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

AASB 16 is effective from 1 January 2019 and will replace AASB 117 Leases and some lease-related Interpretations. The Standard requires all leases other than short-term and low value asset leases to be accounted for 'on-balance sheet' by lessees. It provides new guidance on the application of the definition of lease and on sale and lease back accounting. The Standard largely retains the existing lessor accounting requirements in AASB 117 and requires new and different disclosures about leases.

Council is yet to undertake a detailed assessment of the impacts of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

The amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

#### (aa) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### (ab) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>(a) Net Result</b>				
The Result includes:				
<b>(i) Charging as an Expense:</b>				
<b>Significant Expense</b>				
The significant expense relates to the reduction in the fair value of the Council's infrastructure through profit and loss.				
		2,738,340	-	8,561,184
<b>Auditors Remuneration</b>				
- Audit		37,564	39,600	27,141
- Other Services		1,488	-	1,100
<b>Bad &amp; Doubtful Debts</b>				
Rates		4,583	-	5,052
General Debtors		18,022	-	2,124
<b>Depreciation &amp; Amortisation</b>				
<i>Property, Plant &amp; Equipment</i>				
	7(b)			
- Buildings		3,448,827	3,850,000	3,487,796
- Furniture & Equipment		446,382	200,000	367,231
- Fleet		315,075	350,000	369,945
- Computer Equipment		468,719	202,000	390,809
- Plant		378,128	565,000	398,224
<i>Infrastructure</i>				
	8(b)			
- Roads		3,706,280	3,000,000	2,867,620
- Drainage		319,289	320,000	316,623
- Footpaths		534,270	550,000	512,060
- Parks & Gardens		1,985,087	1,250,420	1,337,649
- Other Infrastructure		353,220	1,000	386,800
		<b>11,955,277</b>	<b>10,288,420</b>	<b>10,434,757</b>
<b>Interest Expenses (Finance Costs)</b>				
Debentures	23(a)	1,862	2,135	3,308
		<b>1,862</b>	<b>2,135</b>	<b>3,308</b>



Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

\$	Notes	2017 Actual	2017 Budget	2016 Actual
<b>(ii) Crediting as Revenue:</b>				
<b>Significant Revenue (through Profit &amp; Loss)</b>				
Changes in Non-Current Assets Revaluation		27,723,728	-	4,058,901
Increase in Equity Joint Venture		838,637	-	2,770,033
		<b>28,562,365</b>	<b>-</b>	<b>6,828,934</b>
<b>Interest Earnings</b>				
Investments - Reserve Funds		1,153,867	1,146,860	1,142,642
Investments - Other Funds		1,099,791	1,320,560	1,036,007
Other Interest Revenue	26	465,397	-	420,938
		<b>2,719,055</b>	<b>2,467,420</b>	<b>2,599,587</b>

## (b). Statement of Objectives, Reporting Programs and Nature or Type

City of Bayswater is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

## REPORTING PROGRAM DESCRIPTIONS

Council operations that are disclosed encompass the following service orientated activities/programs:

## GOVERNANCE

Objective: To provide a decision making process for the efficient allocation of scarce resources.

Activities: Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.

## GENERAL PURPOSE FUNDING

Objective: To collect revenue to allow for the provision of services.

Activities: Rates, general purpose government grants, and interest revenue.

## LAW, ORDER, PUBLIC SAFETY

Objective: To provide services to help ensure a safer and environmentally conscious community.

Activities: Supervision and enforcement of various local laws relating to fire prevention, animal control and protection of the environment and other aspects of public safety including emergency services.

## City of Bayswater

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 2. Operating Revenues and Expenses (continued)

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##### (b). Statement of Objectives, Reporting Programs and Nature or Type (continued)

###### **HEALTH**

Objective: To provide services to achieve community and environmental health

Activities: Maternal and infant health facilities, immunisation, inspection of food outlets, noise control and pest control services.

###### **EDUCATION AND WELFARE**

Objective: To provide services to children, youth, the elderly and disadvantaged persons

Activities: Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres, meals on wheels and home care services.

###### **HOUSING**

Objective: To provide and maintain housing and elderly residents' housing.

Activities: Provision and maintenance of housing and elderly residents' housing.

###### **COMMUNITY AMENITIES**

Objective: To provide services required by the community.

Activities: Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, and public conveniences.

###### **RECREATION AND CULTURE**

Objective: To establish and effectively manage infrastructure and resources which will help the social wellbeing of the community.

Activities: Maintenance of public halls, civic centre, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, and other cultural facilities.

###### **TRANSPORT**

Objective: To provide safe, effective and efficient transport services to the community.

Activities: Construction (if not capitalised) and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control and cleaning of streets and maintenance of street trees, street lighting etc.

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

\$

## (b). Statement of Objectives, Reporting Programs and Nature or Type (continued)

**ECONOMIC SERVICES**

Objective: To help promote the City and its economic wellbeing.

Activities: Tourism and area promotion. Provision of services including weed control, vermin control and standpipes. Building control.

**OTHER PROPERTY & SERVICES**

Objective: To monitor and control council's overheads operating accounts.

Activities: Private works operation, plant repair and operation costs and engineering operation costs.

## (c) Nature or Type Classifications

City of Bayswater is required by the Australian Accounting Standards to disclose revenue and expenditure according to its nature or type classification. The following nature or function descriptions are also required by State Government regulations.

**REVENUE****Rates**

All rates levied under the Local Government Act 1995. Includes general, differential, specific area rates, minimum rates, interim rates, back rates, ex-gratia rates, less discounts offered. Excludes administration fees, interest on instalments, interest on arrears, service charges and waste and sewerage rates.

**Operating Grants, Subsidies and Contributions**

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

**Non-Operating Grants, Subsidies and Contributions**

Amounts received specifically for the acquisition, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

**Profit on Asset Disposal**

Profit on the disposal of assets including gains on the disposal of long term investments. Losses are disclosed under the expenditure classifications.

**Fees and Charges**

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees.

## City of Bayswater

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 2. Operating Revenues and Expenses (continued)

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##### (c) Nature or Type Classifications (continued)

###### Service Charges

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations identifies the charges which can be raised. These are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. Excludes rubbish removal and charges for the provision of waste services.

###### Interest Earnings

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors.

###### Other Revenue

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates, etc.

#### EXPENDITURE

##### Employee Costs

All costs associated with the employment of persons such as salaries, wages, allowances, benefits such as vehicle and housing, superannuation, employment expenses, removal expenses, relocation expenses, worker's compensation insurance, training costs, conferences, safety expenses, medical examinations, fringe benefits tax etc.

##### Material and Contracts

All expenditure on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight etc.

##### Utilities (Gas, Electricity, Water, etc.)

Expenditures made to respective agencies for the provision of power, gas or water. Excludes expenditure incurred for the re-instatement of road works on behalf of these agencies.

##### Depreciation & Amortisation on Non-Current Assets

Depreciation and amortisation expense raised on all classes of assets.

##### Loss on Asset Disposal

Loss on the disposal of fixed assets.

##### Interest Expenses

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and re-financing expenses.

##### Insurance

All insurance other than worker's compensation and health benefit insurance included as a cost of employment.

##### Other Expenditure

Statutory fees, taxes, provision of bad debts. Donations and subsidies made to community groups.

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Financial Statements 2017

City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 2. Operating Revenues and Expenses (continued)

	Opening Balance <sup>1</sup> 1 Jul 16	Received <sup>2</sup> 2016	Expended <sup>3</sup> 2016	Closing Balance <sup>4</sup> 30 Jun 16	Received <sup>2</sup> 2017	Expended <sup>3</sup> 2017	Closing Balance 30 Jun 17
<b>\$</b>							
<b>(d). Conditions Over Grants, Subsidies &amp; Contributions</b>							
<b>Grant/Subsidy/Contribution</b>							
<b>Government</b>							
Dept Parks & Wildlife - Eric Singleton Bird Sanctuary	-	10,000	(2,058)	<b>7,142</b>	-	(2,020)	<b>5,114</b>
Crossover Contributions	388,268	-	(25,158)	<b>363,060</b>	210,380	(60,127)	<b>613,361</b>
Eric Strauss Centre	222,110	-	(222,110)	-	-	-	-
Dept Parks & Wildlife - Water Quality Improvements	-	6,000	(573)	<b>5,427</b>	-	(5,427)	-
Perth Region NRM - Swan Canning Rivers, Baisup Wetlands	-	27,140	-	<b>27,140</b>	-	(27,140)	-
Recreational Grants - Sports for All	29,230	-	(29,230)	-	-	-	-
Dept Biodiversity Conservation - Clarkson Reserve	-	-	-	-	166,750	-	<b>166,750</b>
Safer Communities Grant	-	-	-	-	120,000	-	<b>120,000</b>
Swan River Trust - Foreshore Stabilisation	70,963	-	-	<b>70,963</b>	-	(70,963)	-
Grant/Contribution/Subsidy - Various	154,925	4,664	(36,158)	<b>123,431</b>	-	(25,993)	<b>97,438</b>
Dept of Sport & Recreation - Morley Noranda Recreation Club	535,303	-	(535,303)	-	-	-	-
Department of Sport & Recreation - Lightning Park	10,771	-	(10,771)	-	-	-	-
Safer Streets Programme - CCTV	270,000	-	(270,000)	-	-	-	-
Main Roads - Road Grants	-	173,334	-	<b>173,334</b>	-	(173,334)	-
Basincoean Water Quality Monitoring	5,910	-	(5,910)	-	-	-	-
State Emergency - Evacuation Exercise	-	6,700	(4,835)	<b>1,815</b>	-	(1,815)	-
WA Police - Credits Grant	-	16,978	-	<b>16,978</b>	-	(16,978)	-
<b>Total Unspent Grants, Subsidies &amp; Contributions</b>	<b>1,701,466</b>	<b>243,814</b>	<b>(1,148,956)</b>	<b>796,326</b>	<b>506,130</b>	<b>(369,803)</b>	<b>902,653</b>

## Notes:

(1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous period

(2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor

(3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor

(4) - Grants received but not expected to be fully expended in the next financial year

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Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 3. Cash and Cash Equivalents

\$	Notes	2017 Actual	2016 Actual
Cash - Unrestricted		23,915,445	21,331,050
Cash - Restricted		45,319,982	42,996,670
<b>Total Cash and Cash Equivalents</b>	14(a)	<b>69,235,427</b>	<b>64,327,720</b>
<b>The following restrictions have been imposed by regulations or other externally imposed requirements:</b>			
City Buildings & Amenities	12	1,996,735	1,944,064
Bore & Reticulation	12	625,918	609,331
Building Furniture & Equipment	12	636,367	619,503
Major Capital Works	12	3,143,716	4,213,698
Plant & Works Equipment	12	191,797	186,714
Workers Compensation	12	579,556	477,008
Long Service Leave & Entitlements	12	1,190,894	1,286,149
Bayswater Waves Aquatic Centre	12	349,430	471,226
The RISE	12	565,954	550,956
Maylands Waterland	12	56,596	55,096
Aged Persons Homes - General Reserves	12	17,272,240	15,875,689
Aged Persons Homes - Prudential Requirements	12	2,485,046	2,417,402
Civic Centre	12	565,954	550,956
Roads & Drainage	12	487,041	474,134
Footpath/Cycleway	12	312,734	550,956
Playground & Parks	12	1,613,926	1,571,156
Golf Courses	12	1,086,204	1,098,314
Street Scapes	12	669,492	651,750
Information Technology	12	190,314	75,474
Eric Singleton Bird Sanctuary	12	1,131,910	1,101,913
Les Hansman Centre Development	12	4,787,516	4,660,643
Senior Citizens Building	12	339,572	330,574
Morley City Centre	12	565,954	550,956
Landfill Restoration	12	551,927	550,956
Sustainable Environment	12	565,954	550,956
Morley Sport & Recreation Centre	12	565,954	550,956
Community Housing	12	32,378	31,520
General Waste Management	12	26,273	25,577
River Restoration	12	170,902	166,717
Bayswater Tennis Club	12	149,418	-
Strategic Land Acquisition	12	1,509,657	-
<b>Total Reserves</b>		<b>44,417,329</b>	<b>42,200,344</b>
Unspent Grants	2(d)	902,653	796,326
<b>Total Restricted Cash</b>		<b>45,319,982</b>	<b>42,996,670</b>

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Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 4. Other Current Assets

	Notes	2017 Actual	2016 Actual
\$			
Prepayments		110,526	190,627

## Note 5. Trade &amp; Other Receivables

## Current

Rates	653,912	747,548
Government Grants	562,977	623,560
GST Net Position	361,306	403,503
Home Care	7,063	19,968
Infringements	221,194	257,025
Private Works	22,606	6,320
Recreation	230,069	49,258
Reimbursements/Contributions	1,803,591	1,462,528
Rentals/Leases	38,554	80,751
Self Supporting Loan Debtors	5,977	10,825
Other	135,902	119,615
<b>Total Current Trade &amp; Other Receivables</b>	<b>4,043,170</b>	<b>3,780,902</b>

## Non-Current

Rates Outstanding - Pensioners	659,823	614,813
Self Supporting Loan Debtors	19,904	25,881
Other	128,411	100,146
<b>Total Non-Current Trade &amp; Other Receivables</b>	<b>808,138</b>	<b>740,840</b>

## Note 6. Inventories

## Current

Fuel and Materials	98,771	112,780
<b>Total Current Inventories</b>	<b>98,771</b>	<b>112,780</b>

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Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7a. Property, Plant and Equipment

\$	Notes	2017 Actual	2016 Actual
Land - Independent Valuation - Independent Valuation 2017		303,246,397	303,246,397
Impairment Increment/Other		21,099,603	5,256,000
Less Disposals		(560,000)	(560,000)
		323,786,000	307,942,397
Land Under Control - Independent Valuation 2016		15,860,000	15,860,000
Revaluation Decrement		(5,450,000)	(5,450,000)
		10,410,000	10,410,000
Buildings - Independent Valuation 2017		214,787,900	208,684,624
Additions after Valuation		1,490,509	2,745,346
Less Disposals		(171,239)	(49,918)
Revaluation Increment		13,556,304	-
Less Accumulated Depreciation		(47,119,965)	(40,263,291)
		182,543,509	171,116,761
Furniture & Equipment - Management Valuation 2016		2,576,688	1,357,052
Additions after Valuation		665,746	373,703
Revaluation Increment		-	1,219,636
Less Accumulated Depreciation		(574,032)	(127,650)
		2,668,402	2,822,741
Fleet - Management Valuation 2016		2,715,965	2,819,968
Additions after Valuation		1,956,353	970,751
Disposals		(1,190,685)	(560,014)
Revaluation Decrement		-	(180,306)
Less Accumulated Depreciation		(372,586)	(57,511)
Transfers		-	76,303
		3,109,047	3,069,191
Computer Equipment - Management Valuation 2016		554,500	553,718
Additions after Valuation		1,665,578	893,875
Revaluation Increment		-	782
Less Accumulated Depreciation		(620,388)	(151,670)
		1,599,690	1,296,706
Plant - Management Valuation 2016		3,050,803	3,072,397
Additions after Valuation		1,482,546	678,035
Disposals		(575,410)	(371,480)
Revaluation Increments		-	160,473
Less Accumulated Depreciation		(378,128)	(105,765)
Transfers		-	(76,303)
		3,579,811	3,357,357
<b>Total Property, Plant &amp; Equipment</b>	7(b)	<b>527,696,458</b>	<b>500,015,152</b>

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## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 7b: Property, Plant and Equipment (continued)

## Movements in Carrying Amounts

		Land - Independent Valuations	Land Under Control	Buildings	Furniture & Equipment	Fleet	Computer Equipment	Plant	Total
\$	thous								
Balance as at 1 July 2016		307,942,397	10,410,000	171,116,781	2,822,741	3,069,191	1,296,706	3,357,357	500,015,152
Additions - Renewal	30	-	-	1,480,509	292,043	985,602	771,704	804,512	4,344,370
Disposals	21	-	-	(171,239)	-	(630,671)	-	(203,930)	(1,005,840)
Revaluation - Increments	13	15,643,603	-	13,556,304	-	-	-	-	29,200,007
Depreciation	20(a)	-	-	(3,446,627)	(446,362)	(315,073)	(456,719)	(378,128)	(5,057,131)
Property, Plant & Equipment at 30 June 2017		323,786,000	10,410,000	182,543,508	2,668,402	3,109,047	1,599,691	3,579,811	527,696,458

Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 8a. Infrastructure

\$	Notes	2017 Actual	2016 Actual
Roads - Management Valuation 2017		97,408,590	98,270,770
Drainage - Management Valuation 2017		39,541,079	39,184,284
Footpaths - Management Valuation 2017		27,822,730	27,315,850
Parks & Gardens - Management Valuation 2017		18,333,698	20,332,118
Other Infrastructure - Management Valuation 2017		3,427,349	3,942,830
<b>Total Infrastructure</b>	8(b)	<u>186,533,446</u>	<u>189,045,852</u>

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Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 8b: Infrastructure (continued)

## Movements in Carrying Amounts

		Roads	Drainage	Footpaths	Parks & Gardens	Other Infrastructure	Total
\$	Notes						
Balance as at 1 July 2016		98,270,770	39,184,284	27,315,850	20,332,118	3,942,830	189,045,852
Additions							
- Renewal	10	3,608,066	119,735	2,214,628	2,725,007	122,823	8,790,269
Revaluation - Increments	13	-	556,349	-	-	-	556,349
Revaluation - (Decrements)	13	(763,366)	-	(1,173,476)	(2,738,340)	(285,084)	(4,960,866)
Depreciation (Expense)	20(a)	(3,706,280)	(319,289)	(534,270)	(1,963,087)	(303,120)	(6,898,146)
Infrastructure at 30 June 2017		97,406,690	39,641,079	27,822,730	18,333,698	3,427,349	166,633,446

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Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9. Trade and Other Payables

	2017 Actual	2016 Actual
\$		
<b>Current</b>		
Sundry Creditors	4,531,985	4,837,020
Accrued Interest on Debentures	302	438
Accrued Salaries and Wages	922,525	789,199
Refundable Contributions <sup>1</sup>	24,389,413	25,172,035
<b>Total Current Trade and Other Payables</b>	<b>29,844,226</b>	<b>30,798,692</b>
<b>Non-Current</b>		
Creditors and Accruals	11,900	11,900
<b>Total Non-Current Trade and Other Payables</b>	<b>11,900</b>	<b>11,900</b>

<sup>1</sup> The City of Bayswater Aged Persons Homes holds \$24,839,413 in refundable contributions (\$10,639,445 in Accommodation Bonds/Refundable Accommodation Deposits and \$13,383,061 in Independent Living Unit entry contributions). These contributions have been classified as current liabilities as the provider does not have the right to defer settlement. However the expected settlement of the liability is expected to be greater than twelve months.

Accommodation bonds are charged for admittance in accordance with current State and Federal Government regulations. These fees can vary according to each individual's financial status and, in accordance with current policy embodying the relevant regulations, varying amounts are deducted for "Retention" over a period of 5 years

## Note 10. Borrowings

	Notes	2017 Actual	2016 Actual
\$			
<b>Current</b>			
- Debentures	23(a)	5,977	10,825
<b>Total Current Borrowings</b>		<b>5,977</b>	<b>10,825</b>
<b>Non-Current</b>			
- Debentures	23(a)	19,905	25,882
<b>Total Non-Current Borrowings</b>		<b>19,905</b>	<b>25,882</b>

Additional detail on borrowings is provided in Note 23.

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Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Provisions

	2017 Actual	2016 Actual
<b>\$</b>		
<b>Current</b>		
Annual Leave	2,470,473	2,817,396
Long Service Leave	2,386,901	2,385,480
<b>Total Current Provisions</b>	<b>4,857,374</b>	<b>5,202,856</b>
<b>Non-Current</b>		
Long Service Leave	445,640	499,552
<b>Total Non-Current Provisions</b>	<b>445,640</b>	<b>499,552</b>

## Movements in Provisions

Class of Provision	2016	2017				
	Opening Balance as at 1/7/16	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/17
Annual Leave	2,817,396	2,235,102	(2,604,812)	22,787	-	2,470,473
Long Service Leave	2,885,012	416,233	(572,997)	104,293	-	2,832,541
<b>TOTAL</b>	<b>5,702,409</b>	<b>2,651,334</b>	<b>(3,177,809)</b>	<b>127,080</b>	<b>-</b>	<b>5,303,014</b>

Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 12. Reserves - Cash/Investment Backed

\$	2017 Actual	2017 Budget	2016 Actual
<b>(a). City Buildings &amp; Amenities</b>			
Opening Balance	1,944,064	1,969,305	1,956,305
Amount Set Aside / Transfer to Reserve / Interest	52,671	49,200	54,576
Amount Used / Transfer from Reserve	-	-	(66,817)
	<u>1,996,735</u>	<u>2,018,505</u>	<u>1,944,064</u>
<b>(b). Bore &amp; Reticulation</b>			
Opening Balance	609,331	609,747	784,897
Amount Set Aside / Transfer to Reserve / Interest	16,587	15,240	18,484
Amount Used / Transfer from Reserve	-	-	(194,050)
	<u>625,918</u>	<u>624,987</u>	<u>609,331</u>
<b>(c). Building Furniture &amp; Equipment</b>			
Opening Balance	619,503	618,983	602,483
Amount Set Aside / Transfer to Reserve / Interest	16,864	15,475	17,020
	<u>636,367</u>	<u>634,458</u>	<u>619,503</u>
<b>(d). Major Capital Works</b>			
Opening Balance	4,213,698	4,328,985	5,236,357
Amount Set Aside / Transfer to Reserve / Interest	538,882	108,225	131,454
Transfer to Strategic Land Acquisition	(1,500,000)	-	-
Amount Used / Transfer from Reserve	(108,864)	(119,174)	(1,154,113)
	<u>3,143,716</u>	<u>4,318,036</u>	<u>4,213,698</u>
<b>(e). Plant &amp; Works Equipment</b>			
Opening Balance	186,714	189,884	181,584
Amount Set Aside / Transfer to Reserve / Interest	5,083	4,747	5,130
	<u>191,797</u>	<u>194,631</u>	<u>186,714</u>
<b>(f). Workers Compensation</b>			
Opening Balance	477,008	476,753	463,903
Amount Set Aside / Transfer to Reserve / Interest	102,548	11,920	13,105
	<u>579,556</u>	<u>488,673</u>	<u>477,008</u>
<b>(g). Long Service Leave &amp; Entitlements</b>			
Opening Balance	1,286,149	1,160,271	1,128,971
Amount Set Aside / Transfer to Reserve / Interest	34,745	29,000	157,178
Amount Used / Transfer from Reserve	(130,000)	(130,000)	-
	<u>1,190,894</u>	<u>1,059,271</u>	<u>1,286,149</u>

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Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 12. Reserves - Cash/Investment Backed (continued)

\$	2017 Actual	2017 Budget	2016 Actual
<b>(h). Bayswater Waves Aquatic Centre</b>			
Opening Balance	471,226	470,517	534,732
Amount Set Aside / Transfer to Reserve / Interest	12,292	11,760	14,473
Amount Used / Transfer from Reserve	(134,088)	(407,405)	(77,979)
	<u>349,430</u>	<u>74,872</u>	<u>471,226</u>
<b>(i). The RISE</b>			
Opening Balance	550,956	550,669	535,819
Amount Set Aside / Transfer to Reserve / Interest	14,998	13,770	15,137
	<u>565,954</u>	<u>564,439</u>	<u>550,956</u>
<b>(j). Maylands Waterland</b>			
Opening Balance	55,096	55,067	53,582
Amount Set Aside / Transfer to Reserve / Interest	1,500	1,375	1,514
	<u>56,596</u>	<u>56,442</u>	<u>55,096</u>
<b>(k). Aged Persons Homes - General Reserves</b>			
Opening Balance	15,875,689	15,245,721	14,834,551
Amount Set Aside / Transfer to Reserve / Interest	1,396,551	483,214	1,807,922
Amount Used / Transfer from Reserve	-	-	(766,784)
	<u>17,272,240</u>	<u>15,728,935</u>	<u>15,875,689</u>
<b>(l). Aged Persons Homes - Prudential Requirements</b>			
Opening Balance	2,417,402	2,415,000	2,349,800
Amount Set Aside / Transfer to Reserve / Interest	67,644	75,000	67,602
	<u>2,485,046</u>	<u>2,490,000</u>	<u>2,417,402</u>
<b>(m). Civic Centre</b>			
Opening Balance	550,956	550,669	535,819
Amount Set Aside / Transfer to Reserve / Interest	14,998	13,765	15,137
	<u>565,954</u>	<u>564,434</u>	<u>550,956</u>
<b>(n). Roads &amp; Drainage</b>			
Opening Balance	474,134	474,801	534,564
Amount Set Aside / Transfer to Reserve / Interest	12,907	11,870	13,653
Amount Used / Transfer from Reserve	-	(124,667)	(74,083)
	<u>487,041</u>	<u>362,004</u>	<u>474,134</u>
<b>(o). Footpath/Cycleway</b>			
Opening Balance	550,956	550,669	535,819
Amount Set Aside / Transfer to Reserve / Interest	11,778	13,765	15,137
Amount Used / Transfer from Reserve	(250,000)	(250,000)	-
	<u>312,734</u>	<u>314,434</u>	<u>550,956</u>

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Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 12. Reserves - Cash/Investment Backed (continued)

\$	2017 Actual	2017 Budget	2016 Actual
<b>(p). Playground &amp; Parks</b>			
Opening Balance	1,571,156	1,561,385	1,187,235
Amount Set Aside / Transfer to Reserve / Interest	42,770	39,035	533,921
Amount Used / Transfer from Reserve	-	(95,000)	(150,000)
	<u>1,613,926</u>	<u>1,505,420</u>	<u>1,571,156</u>
<b>(q). Golf Courses</b>			
Opening Balance	1,098,314	1,098,139	1,068,139
Amount Set Aside / Transfer to Reserve / Interest	29,492	27,453	30,175
Amount Used / Transfer from Reserve	(41,602)	(500,000)	-
	<u>1,086,204</u>	<u>625,592</u>	<u>1,098,314</u>
<b>(r). Street Scapes</b>			
Opening Balance	651,750	647,548	528,752
Amount Set Aside / Transfer to Reserve / Interest	17,742	16,190	312,004
Amount Used / Transfer from Reserve	-	-	(189,006)
	<u>669,492</u>	<u>663,738</u>	<u>651,750</u>
<b>(s). Information Technology</b>			
Opening Balance	75,474	112,555	-
Amount Set Aside / Transfer to Reserve / Interest	114,840	115,370	75,474
	<u>190,314</u>	<u>227,925</u>	<u>75,474</u>
<b>(t). Eric Singleton Bird Sanctuary</b>			
Opening Balance	1,101,913	1,101,639	1,071,639
Amount Set Aside / Transfer to Reserve / Interest	29,997	27,541	30,274
	<u>1,131,910</u>	<u>1,129,180</u>	<u>1,101,913</u>
<b>(u). Les Hansman Centre Development</b>			
Opening Balance	4,660,643	4,657,801	4,288,911
Amount Set Aside / Transfer to Reserve / Interest	126,873	116,445	371,732
	<u>4,787,516</u>	<u>4,774,246</u>	<u>4,660,643</u>
<b>(v). Senior Citizens Building</b>			
Opening Balance	330,574	330,392	321,492
Amount Set Aside / Transfer to Reserve / Interest	8,998	8,260	9,082
	<u>339,572</u>	<u>338,652</u>	<u>330,574</u>
<b>(w). Morley City Centre</b>			
Opening Balance	550,956	550,669	535,819
Amount Set Aside / Transfer to Reserve / Interest	14,998	13,765	15,137
	<u>565,954</u>	<u>564,434</u>	<u>550,956</u>

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Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 12. Reserves - Cash/Investment Backed (continued)

\$	2017 Actual	2017 Budget	2016 Actual
<b>(x). Landfill Restoration</b>			
Opening Balance	550,956	322,832	535,819
Amount Set Aside / Transfer to Reserve / Interest	14,868	8,070	15,137
Amount Used / Transfer from Reserve	(13,897)	(55,408)	-
	<u>551,927</u>	<u>275,494</u>	<u>550,956</u>
<b>(y). Sustainable Environment</b>			
Opening Balance	550,956	550,669	535,819
Amount Set Aside / Transfer to Reserve / Interest	14,998	13,765	15,137
	<u>565,954</u>	<u>564,434</u>	<u>550,956</u>
<b>(z). Morley Sport &amp; Recreation Centre</b>			
Opening Balance	550,956	550,669	535,819
Amount Set Aside / Transfer to Reserve / Interest	14,998	13,765	15,137
	<u>565,954</u>	<u>564,434</u>	<u>550,956</u>
<b>(aa). Community Housing</b>			
Opening Balance	31,520	31,504	30,654
Amount Set Aside / Transfer to Reserve / Interest	858	790	866
	<u>32,378</u>	<u>32,294</u>	<u>31,520</u>
<b>(ab). General Waste Management</b>			
Opening Balance	25,577	25,564	24,874
Amount Set Aside / Transfer to Reserve / Interest	696	640	703
	<u>26,273</u>	<u>26,204</u>	<u>25,577</u>
<b>(ac). River Restoration</b>			
Opening Balance	166,717	165,133	-
Amount Set Aside / Transfer to Reserve / Interest	4,185	-	166,717
	<u>170,902</u>	<u>165,133</u>	<u>166,717</u>
<b>(ad). Bayswater Bowling Club Capital Improvements</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve / Interest	74,000	84,000	-
Amount Used / Transfer from Reserve	(74,000)	-	-
	<u>-</u>	<u>84,000</u>	<u>-</u>
<b>(ae). Bayswater Tennis Club</b>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve / Interest	150,002	150,000	-
Amount Used / Transfer from Reserve	(584)	-	-
	<u>149,418</u>	<u>150,000</u>	<u>-</u>

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Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 12. Reserves - Cash/Investment Backed (continued)

	2017	2017	2016
\$	Actual	Budget	Actual
(af). Strategic Land Acquisition			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve / Interest	9,657	-	-
Transfer from Major Capital Works Reserve	1,500,000	-	-
	<u>1,509,657</u>	<u>-</u>	<u>-</u>
<b>Total Reserves</b>	<b><u>44,417,329</u></b>	<b><u>41,185,301</u></b>	<b><u>42,200,344</u></b>

Summary of Reserve TransfersTransfers to Reserves

City Buildings & Amenities	52,671	49,200	54,576
Bore & Reticulation	16,587	15,240	18,484
Building Furniture & Equipment	16,864	15,475	17,020
Major Capital Works	538,882	108,225	131,454
Plant & Works Equipment	5,083	4,747	5,130
Workers Compensation	102,548	11,920	13,105
Long Service Leave & Entitlements	34,745	29,000	157,178
Bayswater Waves Aquatic Centre	12,292	11,760	14,473
The RISE	14,998	13,770	15,137
Maylands Waterland	1,500	1,375	1,514
Aged Persons Homes - General Reserves	1,396,551	483,214	1,807,922
Aged Persons Homes - Prudential Requirements	67,644	75,000	67,602
Civic Centre	14,998	13,765	15,137
Roads & Drainage	12,907	11,870	13,653
Footpath/Cycleway	11,778	13,765	15,137
Playground & Parks	42,770	39,035	533,921
Golf Courses	29,492	27,453	30,175
Street Scapes	17,742	16,190	312,004
Information Technology	114,840	115,370	75,474
Eric Singleton Bird Sanctuary	29,997	27,541	30,274
Les Hansman Centre Development	126,873	116,445	371,732
Senior Citizens Building	8,998	8,260	9,082
Morley City Centre	14,998	13,765	15,137
Landfill Restoration	14,868	8,070	15,137
Sustainable Environment	14,998	13,765	15,137
Morley Sport & Recreation Centre	14,998	13,765	15,137
Community Housing	858	790	866
General Waste Management	696	640	703
River Restoration	4,185	-	166,717
Bayswater Bowling Club Capital Improvements	74,000	84,000	-
Bayswater Tennis Club	150,002	150,000	-
Strategic Land Acquisition	9,657	-	-
<b>Total Transfers to Reserves</b>	<b><u>2,970,020</u></b>	<b><u>1,493,415</u></b>	<b><u>3,939,018</u></b>

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Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 12. Reserves - Cash/Investment Backed (continued)

	2017	2017	2016
\$	Actual	Budget	Actual
<b>Summary of Reserve Transfers</b> (continued)			
<b>Transfers from Reserves</b>			
City Buildings & Amenities	-	-	(66,817)
Bore & Reticulation	-	-	(194,050)
Major Capital Works	(108,864)	(119,174)	(1,154,113)
Long Service Leave & Entitlements	(130,000)	(130,000)	-
Bayswater Waves Aquatic Centre	(134,088)	(407,405)	(77,979)
Aged Persons Homes - General Reserves	-	-	(766,784)
Roads & Drainage	-	(124,667)	(74,083)
Footpath/Cycleway	(250,000)	(250,000)	-
Playground & Parks	-	(95,000)	(150,000)
Golf Courses	(41,602)	(500,000)	-
Street Scapes	-	-	(189,006)
Landfill Restoration	(13,897)	(55,408)	-
Bayswater Bowling Club Capital Improvements	(74,000)	-	-
Bayswater Tennis Club	(584)	-	-
<b>Total Transfers from Reserves</b>	<b>(753,035)</b>	<b>(1,681,654)</b>	<b>(2,672,832)</b>
<b>Total Net Transfer to/(from) Reserves</b>	<b>2,216,985</b>	<b>(188,239)</b>	<b>1,266,186</b>

All of the cash backed reserve accounts are supported by money held in financial institutions and match the amounts shown as restricted cash in Note 3 and 4 to this financial report.

In accordance with council resolutions in relation to each reserve account, the purpose for which the reserves are set aside are as follows:

**City Buildings & Amenities**

For the purpose of preserving and renewing Council's buildings.

**Bore & Reticulation**

For the installation of new bores and reticulation, and the replacement of old bore and reticulation systems, due to wear and tear.

**Building Furniture & Equipment**

To provide a cash backed reserve for the purpose of furniture & equipment required in Council's buildings.

**Major Capital Works**

To finance the cost of major capital works programs as approved by Council.

## City of Bayswater

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 12. Reserves - Cash/Investment Backed (continued)

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\$

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##### **Plant & Works Equipment**

To fund the cost of acquiring plant & equipment needed to provide for the day-to-day operational requirements of the City.

##### **Workers Compensation**

To finance Workers' Compensation costs in excess of premium deposits, using the burning cost method (as per Council's Workers Compensation Policy).

##### **Long Service Leave & Entitlements**

To provide for the payment to employees of Long Service Leave and other approved entitlements.

##### **Bayswater Waves Aquatic Centre**

To fund asset management requirements of the Bayswater Waves Aquatic Centre.

##### **The RISE**

To fund asset managements requirements of the RISE.

##### **Maylands Waterland**

To fund asset management requirements of the Maylands Waterland facility.

##### **Aged Persons Homes - General Reserves**

This reserve restricts funds held for the Independent Living Units and Residential Care Facilities owned and controlled by the City. These funds are managed in accordance with the relevant statutory requirements and policies.

##### **Aged Persons Homes - Prudential Requirements**

To provide a cash backed prudential reserve to meet the accommodation obligations for Residential Care Facilities and Independent Living Units.

##### **Aged Persons Homes - Employee Entitlements**

To provide restricted funds to meet the City's contractual obligations for Residential Care Facilities and Independent Living Unit activities.

##### **Civic Centre**

To make provision for the asset management needs of the Civic Centre

##### **Roads & Drainage**

To set aside funds for the asset management requirements of the City's road and drainage infrastructure.

##### **Footpath/Cycleway**

To set aside funds for the asset management requirements of the City's footpath and cycleways infrastructure.



## City of Bayswater

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 12. Reserves - Cash/Investment Backed (continued)

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##### **Playground & Parks**

To set aside funds for the asset management requirements of the City's playground and parks infrastructure.

##### **Golf Courses**

To set aside funds for the asset management requirements of the City's golf courses.

##### **Street Scapes**

To provided for the renewal of urban streetscapes.

##### **Information Technology**

To provided for the maintenance of the City's information technology requirements including general computer replacements for elected members and employees

##### **Eric Singleton Bird Sanctuary**

To set aside funds for the asset management requirements of the Eric Singleton Bird Sanctuary.

##### **Les Hansman Centre Development**

To set aside funds for the redevelopment of the Les Hansman Community Centre.

##### **Senior Citizens Building**

To set aside funds for the asset management requirements of the City's senior citizens centres.

##### **Morley City Centre**

To provided funds for the future development of the Morley City Centre.

##### **Landfill Restoration**

To provide funding for the review and any restoration requirements of the Swan River Foreshore.

##### **Sustainable Environment**

To provide funding for strategic environmental projects such as foreshore rehabilitation and the Eric Singleton Bird Sanctuary

##### **Morley Sport & Recreation Centre**

To set aside funds for the asset management requirements of the Morley Sport & Recreation Centre.

##### **Community Housing**

To set aside funds for the asset management requirements of Community Housing.

##### **General Waste Management**

To set aside funds for the future development of Waste Management.

##### **River Restoration**

To set aside funds for the restoration of the river.

##### **Bayswater Bowling Club Capital Improvements**

To set aside funds for the future development of the Bayswater Bowling Club.

##### **Bayswater Tennis Club**

To set aside funds for the future development of the Bayswater Tennis Club.

##### **Strategic Land Acquisition**

To provide funds for future land acquisition.

Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 13. Reserves - Asset Revaluation

\$	Notes	2017 Actual	2016 Actual
Asset revaluation reserves have arisen on revaluation of the following classes of assets:			
<b>(a). Land - Independent Valuation</b>			
Opening Balance		304,151,614	298,895,614
Revaluation Increment	7(b)	15,843,603	5,256,000
Revaluation Decrement	7(b)	-	-
		<u>319,995,217</u>	<u>304,151,614</u>
<b>(b). Buildings</b>			
Opening Balance		105,331,423	105,331,423
Revaluation Increment	7(b)	13,556,304	-
Revaluation Decrement	7(b)	-	-
		<u>118,887,727</u>	<u>105,331,423</u>
<b>(c). Furniture &amp; Equipment</b>			
Opening Balance		1,219,636	-
Revaluation Increment	7(b)	-	1,219,636
Revaluation Decrement	7(b)	-	-
		<u>1,219,636</u>	<u>1,219,636</u>
<b>(d). Computer Equipment</b>			
Opening Balance		171,807	171,025
Revaluation Increment	7(b)	-	782
Revaluation Decrement	7(b)	-	-
		<u>171,807</u>	<u>171,807</u>
<b>(e). Fleet/Plant</b>			
Opening Balance		75,363	95,196
Revaluation Increment	7(b)	-	(19,833)
Revaluation Decrement	7(b)	-	-
		<u>75,363</u>	<u>75,363</u>
<b>(f). Roads</b>			
Opening Balance		44,245,503	46,577,984
Revaluation Increment	8(b)	-	-
Revaluation Decrement	8(b)	(763,966)	(2,332,481)
		<u>43,481,537</u>	<u>44,245,503</u>

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## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 13. Reserves - Asset Revaluation

\$	Notes	2017 Actual	2016 Actual
<b>(g). Drainage</b>			
Opening Balance		15,283,852	15,335,993
Revaluation Increment	8(b)	556,349	-
Revaluation Decrement	8(b)	-	(52,142)
		<u>15,840,201</u>	<u>15,283,852</u>
<b>(h). Footpaths</b>			
Opening Balance		18,625,330	18,017,576
Revaluation Increment	8(b)	-	607,755
Revaluation Decrement	8(b)	(1,173,478)	-
		<u>17,451,852</u>	<u>18,625,330</u>
<b>(i). Parks &amp; Gardens</b>			
Opening Balance		-	1,104,319
Revaluation Increment	8(b)	-	-
Revaluation Decrement	8(b)	-	(1,104,319)
		<u>-</u>	<u>-</u>
<b>(j). Other Infrastructure</b>			
Opening Balance		3,917,531	4,538,346
Revaluation Increment	8(b)	-	-
Revaluation Decrement	8(b)	(285,084)	(620,815)
		<u>3,632,447</u>	<u>3,917,531</u>
<b>(k). E.M.R.C</b>			
Opening Balance		7,925,547	5,259,465
Revaluation Increment		-	2,666,082
Revaluation Decrement		-	-
		<u>7,925,547</u>	<u>7,925,547</u>
<b>Total Asset Revaluation Reserves</b>		<u>528,681,334</u>	<u>500,947,606</u>

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## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 14. Notes to the Statement of Cash flows

		2017	2017	2016
\$	Notes	Actual	Budget	Actual
<b>(a). Reconciliation of Cash</b>				
For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:				
Cash and Cash Equivalents	3	<u>69,235,427</u>	<u>51,037,543</u>	<u>64,327,720</u>

**(b). Reconciliation of Net Cash Provided By Operating Activities to Net Result**

Net Result	32,515,385	4,742,298	3,768,687
Depreciation	11,955,277	10,288,420	10,434,757
Write Down (Up) in Fair Value of Investments	2,738,340	-	8,561,184
(Profit)/Loss on Sale of Assets	422,968	204,238	(82,261)
Joint Ventures movement	(838,637)	-	(2,770,033)
Other Non Cash Movements - Infrastructure Revaluation	(27,733,728)	-	(4,058,901)
Decrease/(Increase) in Receivables	(329,566)	(149,219)	1,006,206
Decrease/(Increase) in Inventories	14,008	-	(11,155)
Decrease/(Increase) in Other Current Assets	80,101	-	3,225
Increase/(Decrease) in Payables & Accruals	(965,154)	(1,116,424)	2,351,368
Increase/(Decrease) in Accrued Interest Payable	(135)	-	(581)
Increase/(Decrease) in Employee Leave Entitlements	(399,396)	-	(240,622)
Grants/Contributions for the Development of Assets	(4,012,352)	(2,325,351)	(2,101,034)
<b>Net Cash from Operating Activities</b>	<b>13,447,112</b>	<b>11,643,962</b>	<b>16,860,840</b>

## Note 15. Contingent Liabilities

Nil

Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Capital and Leasing Commitments

	2017	2016
\$	Actual	Actual

## (a). Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

**Payable:**

- not later than one year	-	-
- later than one year but not later than five years	189,962	250,687
- later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>189,962</b>	<b>250,687</b>

## (b). Capital Expenditure Commitments

**Contracted for:**

Building Construction & Improvements	1,247,016	-
Recreation Development	468,609	208,334
Road/Footpath Development	306,150	941,146
Parks/Environment Development	1,921,503	496,100
<b>Total Capital Expenditure Commitments</b>	<b>3,943,278</b>	<b>1,645,580</b>

**Payable:**

- not later than one year	3,943,278	1,645,580
- later than one year but not later than five years	-	-
- later than five years	-	-
<b>Total Capital Expenditure Commitments</b>	<b>3,943,278</b>	<b>1,645,580</b>

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## City of Bayswater

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 17. Related Party Disclosures

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Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards.

The City of Bayswater is in joint venture with:

##### **(a) Homeswest - Community Housing Project**

Ten (10) Houses.

- Stage 1 No 2 Haddrill Street (4 Units)
- Stage 2 No 20 Francis Street (6 Units)

The City has a 25% interest in the project. Operating costs are funded by the City from rental received on the houses. Excess income over expenditure is retained as a restricted cash item for future community housing projects.

##### **(b) City of Swan - Altone Park - a community, sporting and recreational facility**

The financial statements reflect the City of Bayswater's interest in the joint development with the City of Swan for the development of a community recreation and sporting facility at Altone Park.

The City of Bayswater has the following interest in the assets and liabilities of the venture.

- Pavilion - 50%
- Recreation Centre - 50%
- Library - 33%

Operating costs are shared on the basis of each interest.

Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Related Party Disclosures (continued)

\$

The City's share of the assets and liabilities to each venture are recorded in the statement of financial position under the following classifications:

	2017 Actual	2016 Actual
<b>\$</b>		
Buildings		
- Community Housing Project	1,408,488	1,343,412

## (c) Eastern Metropolitan Regional Council

The City of Bayswater is a participant in the Eastern Metropolitan Regional Council (EMRC).

Comprising six member councils it is primarily concerned with refuse, environmental and safety services.

	2017	%	2016
<b>City of Bayswater</b>	<b>32,684,701</b>	<b>18.67%</b>	<b>31,846,064</b>
Town of Bassendean	7,538,338	4.31%	7,275,989
Shire of Mundaring	18,974,932	10.84%	18,082,646
City of Swan	67,074,405	38.33%	60,239,185
Shire of Kalamunda	28,747,212	16.43%	27,488,876
City of Belmont	19,990,184	11.42%	18,683,217
	<b>175,009,772</b>	<b>100%</b>	<b>163,615,977</b>

	2017 Council Actual	2016 Council Actual
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The City's interest in the assets and liabilities of the EMRC is as follows:

Current Assets	17,863,192	17,617,832
Non-Current Assets	17,424,086	17,083,265
<b>Total Assets</b>	<b>35,087,278</b>	<b>34,701,097</b>
Current Liabilities	987,007	1,413,332
Non Current Liabilities	1,415,570	1,441,701
<b>Total Liabilities</b>	<b>2,402,577</b>	<b>2,855,033</b>
<b>Net Assets</b>	<b>32,684,701</b>	<b>31,846,064</b>

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## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Related Party Disclosures (continued)

\$

## (d) WALGA Local Government Housing Trust

The City of Bayswater retains an equity interest in the Western Australian Local Government Association (WALGA) as a consequence of a contribution towards the cost of purchasing Local Government House.

The total funds retained in the Local Government House Trust towards the cost of the WALGA building amounted to \$582,000 over 620 unit allocations. The City of Bayswater has for the first time capitalised its share of 10 Units amounting to \$178,885 based on the Trust's 2014 financial statements.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
WALGA - Unit Housing Trust	-	-	178,885	178,885
EMRC	838,637	2,770,033	32,684,701	31,846,064
<b>Total</b>	<b>838,637</b>	<b>2,770,033</b>	<b>32,863,586</b>	<b>32,024,949</b>

## (e) Key Management Personnel (KMP)

## Transactions with Key Management Personnel

The City's key management personnel are as follows:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

The compensation paid to Key Management Personnel for comprises:

	2017
Short-Term Employee Benefits	1,080,170
Post-Employment Benefits	112,967
Other Long-Term Benefits	14,888
Termination Benefits	261,884
<b>Total</b>	<b>1,469,909</b>

## Short-Term Employee Benefits

These amounts include all salaries, paid leave, fringe benefits and cash bonuses awarded to KMP. Details in respect to fees and benefits paid to elected members may be found at Note 30.

## Post-Employment Benefits

These amounts are the current year's estimated cost of providing for the City's superannuation contributions made during the year.

## Other Long-Term Benefits

These amounts represent long service benefits accruing during the year.

## Termination Benefits

These amounts represent termination benefits paid to KMP.

Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 18. Trust Funds

	Balance 1-Jul-16	Amounts Received	Amounts Paid	Balance 30-Jun-17
\$				
All monies held in the Trust are excluded from the financial statements as the City has no control over these funds.				
Cash in Lieu of POS	3,300,995	283,649	-	3,584,644
Town Planning Bonds/Other	753,398	332,410	(249,037)	836,771
BRB/BCITF	73,417	502,193	(518,287)	57,323
Crossover/Verge Bonds	531,872	400,720	(390,549)	542,043
Unclaimed Monies	53,987	9,498	(17,293)	46,192
Other	439,884	116,324	(67,075)	489,133
	<u>5,153,553</u>	<u>1,644,794</u>	<u>(1,242,241)</u>	<u>5,556,106</u>

## Note 19. Total Assets Classified by Function and Activity

	2017 Actual	2016 Actual
\$		
Governance / Administration	1,245,914	1,104,080
Law, Order, Public Safety	3,350,836	3,130,872
Health	990,802	971,473
Education & Welfare	51,151,736	53,583,473
Housing	1,784,727	1,518,757
Community Amenities	324,605,014	308,497,672
Recreation & Culture	291,886,896	278,780,958
Transport	21,072,038	20,332,118
Economic Services	436,118	337,960
Other Property & Services	17,705,823	20,803,642
Unallocated	107,159,618	101,177,817
	<u>821,389,522</u>	<u>790,238,822</u>

## Note 20. Acquisition of Assets

	2017 Actual	2017 Budget
\$		
<b>By Program</b>		
<b>Law, Order, Public Safety</b>		
Building	28,866	18,500
Computer Equipment	286,408	394,572
Equipment	5,025	70,288
Fleet	159,062	-
Infrastructure	-	18,000
<b>Health</b>		
Buildings	1,126	-
Fleet	92,093	-
Furniture & Equipment	31,129	28,612

(continued on next page)

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## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 20. Acquisition of Assets (continued)

\$	2017 Actual	2017 Budget
<b>Education &amp; Welfare</b>		
Building	44,441	974,825
Furniture & Equipment	57,180	103,000
Infrastructure	-	1,000
<b>Housing</b>		
Building	2,240	43,000
<b>Community Amenities</b>		
Infrastructure	-	417,458
<b>Recreation &amp; Culture</b>		
Building	1,345,177	3,145,778
Plant	-	4,840
Computer Equipment	4,114	-
Furniture & Equipment	178,831	302,850
Fleet	56,791	-
Plant	121,417	-
Infrastructure	2,725,007	4,605,899
<b>Transport</b>		
Infrastructure	5,942,429	5,645,718
<b>Economic Services</b>		
Fleet	233,883	-
<b>Other Property &amp; Services</b>		
Infrastructure	122,823	164,000
Buildings	68,659	103,000
Computer Equipment	481,181	797,515
Fleet/Plant	1,126,869	1,996,000
Furniture & Equipment	19,878	39,500
	<b>13,134,629</b>	<b>18,874,355</b>
<b>By Class</b>		
<i>Property, Plant &amp; Equipment</i>	7(b)	
- Buildings	1,490,509	4,285,103
- Furniture & Equipment	292,043	544,250
- Computer Equipment	771,704	1,192,087
- Plant	1,790,114	2,000,840
<i>Infrastructure</i>	8(b)	
- Roads	3,608,066	5,438,074
- Drainage	119,735	184,279
- Footpaths	2,214,628	718,330
- Parks & Gardens	2,725,007	4,389,892
- Other Infrastructure	122,823	121,500
	<b>13,134,629</b>	<b>18,874,355</b>

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Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 21. Disposal of Assets

\$	Notes	Net Book Value		Sale Price		Profit/(Loss)	
		Actual	Budget	Actual	Budget	Actual	Budget

The following assets were disposed of during the year.

**By Asset Class**

<i>Property, Plant &amp; Equipment</i>	7(b)						
Buildings		171,239	-	-	-	(171,239)	-
Fleet		630,671	632,118	456,767	551,000	(173,904)	(81,118)
Plant		203,930	252,420	126,105	129,300	(77,825)	(123,120)

**By Program**

<i>Property, Plant &amp; Equipment</i>							
Governance		108,789	-	80,598	-	(28,191)	-
Law, Order, Public Safety		-	92,492	-	80,000	-	(12,492)
Health		73,861	91,350	55,051	76,000	(18,610)	(15,350)
Education & Welfare		24,399	-	14,639	-	(9,760)	-
Housing		7,968	-	-	-	(7,968)	-
Community Amenities		16,437	27,750	10,638	28,000	(5,799)	250
Recreation & Culture		248,184	177,475	44,779	79,000	(203,405)	(98,475)
Transport		238,605	99,920	157,056	68,300	(81,549)	(31,620)
Economic Services		121,742	125,783	105,236	119,000	(16,506)	(6,783)
Other Property & Services		166,052	269,768	114,875	230,000	(51,177)	(39,768)
<b>Total</b>		<b>1,005,840</b>	<b>884,538</b>	<b>582,872</b>	<b>680,300</b>	<b>(422,968)</b>	<b>(204,238)</b>

\$	2017 Actual	2017 Budget	2016 Actual
----	----------------	----------------	----------------

**Summary**

Profit on Asset Disposals	-	250	490,071
Loss on Asset Disposals	(422,968)	(204,488)	(407,810)
<b>Net Profit/(Loss) on Disposal of Assets</b>	<b>(422,968)</b>	<b>(204,238)</b>	<b>82,261</b>

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 22. Financial Ratios

\$	Amounts 2017	Indicator 2017	Target	Prior Periods 2016 2015	
<i>Liquidity Ratio</i>					
<b>1. Current Ratio <sup>(1)</sup></b>					
Current Assets less Restricted Current Assets	28,167,912	<b>2.05 : 1</b>	> 1.00 : 1	1.55	1.28
Current Liabilities less Liabilities Associated with Restricted Assets	13,759,397				
<i>Debt Ratio</i>					
<b>2. Debt Service Cover Ratio <sup>(2)</sup></b>					
Operating Surplus before Interest and Depreciation Exp	12,726,444	<b>1003.11 : 1</b>	> 2.00 : 1	148.28	203.61
Principal and Interest Repayments	12,687				
<i>Coverage Ratio</i>					
<b>3. Own Source Revenue Coverage Ratio <sup>(3)</sup></b>					
Own Source Operating Revenue	65,376,611	<b>79.08%</b>	> 40%	76.61%	84.45%
Operating Expense	82,673,875				
<i>Financial Performance Ratio</i>					
<b>4. Operating Surplus Ratio <sup>(4)</sup></b>					
Operating Revenue less Operating Expense	769,306	<b>1.18%</b>	> 1%	-3.72%	8.86%
Own Source Operating Revenue	65,376,611				
<i>Asset Management Ratios</i>					
<b>5. Asset Consumption Ratio <sup>(5)</sup></b>					
Depreciated Replacement Cost of Depreciable Assets	380,033,904	<b>66.55%</b>	> 50%	68.11%	68.70%
Current Replacement Cost of Depreciable Assets	571,042,684				
*** These ratios have been amended to reflect the interpretation and clarification of definitions in the Financial Management Regulations.					
<b>6. Asset Sustainability Ratio <sup>(6)</sup></b>					
Capital Renewal and Replacement Expenditure	13,134,629	<b>109.86%</b>	90-110%	130.72%	140.39%
Depreciation Expense	11,955,277				
<b>7. Asset Renewal Funding Ratio <sup>(7)</sup></b>					
NPV of Planned Capital Renewals over 10 years	681,615,148	<b>82.00%</b>	75-95%	84.30%	82.23%
NPV of Required Capital Expenditure over 10 years	830,957,503				

## Notes

<sup>(1)</sup> This is a modified commercial ratio designed to focus on the liquidity position of the Council that has arisen from past year's transactions.

<sup>(2)</sup> This ratio is the measurement of Council's ability to repay its debt including lease payments.

<sup>(3)</sup> This ratio is the measurement of Council's ability to cover its costs through its own revenue efforts.

<sup>(4)</sup> This ratio is a measure of Council's ability to cover its operational costs and have revenues available for capital funding or other purposes.

<sup>(5)</sup> This ratio measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost.

<sup>(6)</sup> This ratio indicates whether Council is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

<sup>(7)</sup> This ratio is a measure of the ability of Council to fund its projected asset renewal / replacements in the future.

Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 23. Information on Borrowings

\$		Borrowing Institution	Interest Rate %	Principal 1-Jul-16	New Loans	Principal Repayments		Principal 30-Jun-17		Interest Repayments	
						Actual	Budget	Actual	Budget	Actual	Budget
(a). Debenture Repayments											
Recreation & Culture											
- 191 Buildings	*	WATC	Variable	4,579	-	4,579	4,580	-	(1)	-	-
- 222 Morley/Noranda Rec. Club Inc.	*	WATC	7.15%	4,595	-	2,556	3,589	2,039	906	216	292
- 214 Gibeay Reserve Clubrooms	*	WATC	6.55%	27,534	-	3,690	2,556	23,844	24,078	1,646	1,843
				36,708	-	10,825	10,825	25,883	25,883	1,862	2,135

Funding of Borrowings All loan repayments were funded by general purpose income.

1 Self-Supporting Loan \* Those loans denoted with "\*" are subject of a repayment agreement that secured the reimbursement from a community organisation of all costs associated with the loan.

2 WATC = WA Treasury Corporation

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## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 24(a). Rating Information (2016/17 Financial Year)

\$	Notes	Rate in \$	Number of Properties	Rateable Value	Rate Revenue	Interim Rates	Back Rates	Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue
Rate Type												
General Rate												
Residential - General		0.05118	23,666	547,948,189	27,587,027	-	-	27,987,037	27,504,182	405,000	-	27,909,182
Commercial		0.05115	900	108,722,889	5,562,263	-	-	5,592,263	5,595,024	5,000	-	6,000,024
Industrial		0.05115	900	71,878,816	3,677,223	-	-	3,677,223	3,711,649	5,000	-	3,716,649
Sub-Total			25,174	727,549,004	37,225,523	-	-	37,226,523	37,210,775	415,000	-	37,625,775
Minimum Rates												
	Minimum											
Residential	821	5,707	78,516,440	4,656,083	-	-	4,656,083	4,665,447	-	-	-	4,665,447
Comm/Industrial	821	67	1,191,593	79,637	-	-	79,637	79,637	-	-	-	79,637
Sub-Total			5,804	79,708,033	4,735,720	-	-	4,735,728	4,765,084	-	-	4,765,084
								41,962,243				42,390,859
Rates Written Off	25							(4,583)				-
Totals								41,957,660				42,390,859

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Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 24(b). Surplus/(Deficit) B/Fwd and C/Fwd

		2017	2016
\$	Notes	Carried Fwd Actual	Brought Fwd Actual
<b>Current Assets</b>			
Cash - Unrestricted	3	23,915,445	21,331,050
Cash - Restricted Reserves	3	44,417,329	42,200,344
Cash - Restricted Unspent Grants	2(d)	902,653	796,326
Prepayments	4	110,526	190,627
Rates - Current	5	653,912	747,548
Sundry Debtors	5	3,027,952	2,629,851
GST Receivable	5	361,306	403,503
- Fuel and Materials	6	98,771	112,780
		<b>73,487,894</b>	<b>68,412,029</b>
<b>Current Liabilities</b>			
Sundry Creditors	9	4,531,985	4,837,020
Accrued Interest on Debentures	9	302	438
Accrued Salaries and Wages	9	922,525	789,199
Other Current Trade and Other Payables	9	24,389,413	25,172,035
Current Employee Benefits Provision	11	4,857,374	5,202,856
Current Loan Liability	10	5,977	10,825
		<b>34,707,577</b>	<b>36,012,373</b>
<b>Net Current Assets</b>		<b>38,780,317</b>	<b>32,399,656</b>
<b>Less:</b>			
Reserves - Restricted Cash	3	(44,417,329)	(42,200,344)
Cash Backed Employee Provisions	12	1,190,894	1,286,149
Aged Persons Homes - Restricted		12,992,251	14,098,217
<b>Surplus/(Deficit)</b>		<b>8,546,133</b>	<b>5,583,678</b>

<sup>(1)</sup> Restricted Grants & Contributions that are not expected to be spent in the next 12 months.



## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 25. Discounts, Incentives, Concessions &amp; Write-offs (2016/17 Financial Year)

\$

## (a) Discounts

Nil

	Notes	Total Cost / Value
\$		
(b). Write-Offs		
Rate Assessment	2(a)	4,583
General Debtors	2(a)	18,022
		<u>22,605</u>

## Note 26. Interest Charges and Instalments (2016/17 Financial Year)

	Interest Rate %	Admin. Charge	Actual Revenue	Budgeted Revenue
\$				
Interest on Unpaid Rates	11.00%		175,279	115,427
Interest on Instalments Plan	5.50%		157,204	160,000
Charges on Instalment Plan		\$5.00	132,914	123,737
			<u>465,397</u>	<u>399,164</u>

Ratepayers had the option of paying rates in 4 instalments, due on 17 August 2016, 17 October 2016, 19 December 2016 and 20 February 2017.

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## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 27. Fees &amp; Charges

\$	2017 Actual	2017 Budget	2016 Actual
Governance	138,631	149,237	130,717
General Purpose Funding	26,816	-	41,954
Law, Order, Public Safety	238,488	243,500	244,967
Health	200,906	210,730	238,777
Education and Welfare	780,277	481,997	970,949
Housing	83,895	97,450	98,816
Community Amenities	11,226,688	11,208,190	10,680,586
Recreation and Culture	7,195,019	8,023,875	7,417,625
Transport	328,093	405,400	431,706
Economic Services	461,834	550,200	564,618
Other Property and Services	383	96,094	27,293
	<b>20,681,030</b>	<b>21,466,673</b>	<b>20,848,009</b>

## Note 28. Grants, Subsidies &amp; Contributions

\$	2017 Actual	2016 Actual
----	----------------	----------------

Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:

## (a). By Nature &amp; Type

Operating Grants and Subsidies	13,482,966	11,344,754
Contributions	3,744,967	3,095,707
Non-Operating Grants, Subsidies and Contributions	4,012,352	2,101,034
	<b>21,240,285</b>	<b>16,541,496</b>

## (b). By Program

General Purpose Funding	3,481,179	1,205,905
Law, Order, Public Safety	336,377	82,666
Health	40,330	68,489
Education & Welfare	10,895,621	10,211,683
Housing	5,299	4,709
Community Amenities	3,004,431	660,013
Recreation & Culture	338,293	529,142
Transport	2,807,109	3,017,200
Economic Services	-	4,639
Other Property & Services	331,646	757,051
	<b>21,240,285</b>	<b>16,541,496</b>

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## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 29. Employee Numbers

	2017 Actual	2016 Actual	2015 Actual
\$			
The number of full-time equivalent employees at balance date	319	337	347

## Note 30. Councillor Remuneration

	2017 Actual	2017 Budget	2016 Actual
\$			
The following fees, expenses and allowances were paid to council members and/or the mayor.			
Meeting Fees	367,665	355,350	355,350
Mayor's Allowance	88,864	87,550	87,550
Deputy Mayor's Allowance	22,216	21,888	21,888
Other Allowances	37,400	44,950	46,390
	<b>516,145</b>	<b>509,738</b>	<b>511,178</b>

## Note 31. Employee Costs

	2017 Actual	2017 Budget	2016 Actual
\$			
Wages and Salaries	27,867,662	27,730,264	26,934,984
Superannuation	3,151,623	3,240,481	3,145,139
Workers' Compensation Insurance	527,955	543,427	542,598
Conferences/Training	355,304	373,432	287,256
<b>Total Employee Costs</b>	<b>31,902,544</b>	<b>31,887,604</b>	<b>30,909,976</b>
Less: Capitalised Costs	(363,758)	-	(395,545)
	<b>31,538,786</b>	<b>31,887,604</b>	<b>30,514,431</b>

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## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 32. Financial Risk Management

\$

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

The City held the following financial instruments at balance date.

	Notes	Carrying Value		Fair Value	
		2017	2016	2017	2016
<b>Financial Assets</b>					
Cash and Cash Equivalents	3	69,235,427	64,327,720	69,235,427	64,327,720
Receivables (Current & Non-Current)	5	4,851,308	4,521,742	4,851,308	4,521,742
Investment in Joint Venture		32,863,586	33,189,476	32,863,586	33,189,476
		<u>106,950,321</u>	<u>102,038,938</u>	<u>106,950,321</u>	<u>102,038,938</u>
<b>Financial Liabilities</b>					
Payables (Current & Non-Current)	9	5,466,713	5,589,950	5,466,713	5,589,950
Borrowings (Current & Non-Current)	10	25,882	36,707	25,882	33,476
Refundable Contributions		24,389,413	25,172,035	24,389,413	25,172,035
		<u>29,882,008</u>	<u>30,798,692</u>	<u>29,882,008</u>	<u>30,795,461</u>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles.
- Financial Assets classified (i) "at fair value through profit & loss" or (ii) **Available for Sale** - based on quoted market prices at the reporting date or independent valuation.

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 32. Financial Risk Management (continued)

\$

**(a). Cash & Cash Equivalents, Financial assets "at Fair Value through the Profit & Loss", "Available-for-sale" financial assets & "Held-to-maturity" Investments**

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance Section manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the relevant legislation. The policy is regularly reviewed by Council and an Investment Report is tabled before Council on a monthly basis setting out the make-up and performance of the portfolio.

The major risk associated with Investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees in accordance with investment restrictions prescribed in the Local Government (*Financial Management*) Regulations 1996.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

	30-Jun-17	30-Jun-16
<b>Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments</b>		
Equity	692,354	643,277
Statement of Comprehensive Income	692,354	643,277

**Notes:**

1. Sensitivity percentages based on management's expectations of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents and managed funds.)

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 32. Financial Risk Management (continued)

\$

## (b). Receivables

Council's major receivables comprise (i) Rates & Annual charges and (ii) User Charges & Fees.

The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & annual charges at higher than market rates which further encourages the payment of debt.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	30-Jun-17 %	30-Jun-16 %
<b>Percentage of Rates and Annual Charges</b>		
Current	60.93%	49.00%
Overdue	39.07%	51.00%
<b>Percentage of Other Receivables</b>		
Current	95.37%	92.36%
Overdue	4.63%	7.64%

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 32. Financial Risk Management (continued)

\$

## (c). Payables &amp; Borrowings

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can be extended & overdraft facilities drawn upon in extenuating circumstances.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying Values
<b>2017</b>					
Payables	5,466,712	-	-	5,466,712	5,466,712
Borrowings	5,977	19,905	-	25,882	22,965
Refundable Contributions	-	-	-	24,389,413	24,389,413
	<u>5,472,689</u>	<u>19,905</u>	<u>-</u>	<u>29,882,007</u>	<u>29,879,090</u>
<b>2016</b>					
Payables	5,638,557	-	-	5,638,557	5,638,557
Borrowings	10,825	19,447	6,435	36,707	33,476
Refundable Contributions	-	-	-	25,172,035	25,172,035
	<u>5,649,382</u>	<u>19,447</u>	<u>6,435</u>	<u>30,847,299</u>	<u>30,844,068</u>

<sup>1</sup> The City of Bayswater Aged Persons Homes holds \$25,172,035 in refundable contributions (Accommodation Bonds). These contributions have been classified as current liabilities as the provider does not have the right to defer settlement. However the expected settlement of the liability is expected to be greater than twelve months.

Accommodation bonds are charged for admittance in accordance with current State and Federal Government regulations. These fees can vary according to each individual's financial status and, in accordance with current policy embodying the relevant regulations, varying amounts are deducted for "Retention" over a period of 5 years.

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a basis that is most suitable for the circumstance. Council officers regularly review interest rate movements to determine if it would be advantageous to refinance or renegotiate part, or all of the loan portfolio.



## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 32. Financial Risk Management (continued)

\$

The following interest rates were applicable to the Council's Borrowings at balance date:

	30-Jun-17		30-Jun-16	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Bank Loans - Fixed	6.55%	22,965	6.62%	33,476
		<u>22,965</u>		<u>33,476</u>

**Notes:**

1. The interest rate risk applicable to Variable Rate Bank Loan is not considered significant.

## Note 33. Fair Value Measurements

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 33. Fair Value Measurements (continued)

\$

(1) The following table presents all assets and liabilities that have been measured &amp; recognised at fair values:

	Fair Value Measurement using:			Total
	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>2017</b>				
<b>Property, Plant &amp; Equipment</b>				
Land	-	323,786,000	-	323,786,000
Land - Under Control	-	10,410,000	-	10,410,000
Buildings	-	780,000	181,763,507	182,543,507
Furniture & Equipment	-	2,668,402	-	2,668,402
Fleet	-	3,109,047	-	3,109,047
Computer Equipment	-	1,599,691	-	1,599,691
Plant	-	3,579,811	-	3,579,811
<b>Total Property, Plant &amp; Equipment</b>	-	<b>345,932,951</b>	<b>181,763,507</b>	<b>527,696,458</b>
<b>Infrastructure</b>				
Roads	-	-	97,408,580	97,408,580
Drainage	-	-	39,541,079	39,541,079
Footpaths	-	-	27,822,730	27,822,730
Parks & Gardens	-	-	18,333,688	18,333,688
Other	-	-	3,427,349	3,427,349
<b>Total Infrastructure</b>	-	-	<b>186,533,446</b>	<b>186,533,446</b>
<b>2016</b>				
<b>Property, Plant &amp; Equipment</b>				
Land	-	307,942,397	-	307,942,397
Land - Under Control	-	10,410,000	-	10,410,000
Buildings	-	17,244,186	153,872,575	171,116,761
Furniture & Equipment	-	2,822,741	-	2,822,741
Fleet	-	3,069,191	-	3,069,191
Computer Equipment	-	-	1,296,704	1,296,704
Plant	-	3,357,357	-	3,357,357
<b>Total Property, Plant &amp; Equipment</b>	-	<b>344,845,872</b>	<b>155,169,279</b>	<b>500,015,151</b>
<b>Infrastructure</b>				
Roads	-	-	98,270,770	98,270,770
Drainage	-	-	39,184,284	39,184,284
Footpaths	-	-	27,315,850	27,315,850
Parks & Gardens	-	-	20,332,118	20,332,118
Other	-	-	3,942,830	3,942,830
<b>Total Infrastructure</b>	-	-	<b>189,045,852</b>	<b>189,045,852</b>

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## City of Bayswater

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 33. Fair Value Measurements (continued)

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\$

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##### (2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

##### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

###### (1) Recurring Value Methods

The following methods are used to determine the fair value measurements.

The City's Land and Buildings were revalued in 2014 by APV Valuers & Asset Management.

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs) Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

##### Property, Plant & Equipment

###### Land

Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purpose which is restricted under current zoning rules.

The valuation of freehold (saleable) land has been carried out using the market approach and they have been assessed on the basis of the estimated amount which each interest in each property being valued might reasonably be expected to realise in an exchange between market participants given highest and best use.

The most significant inputs into this valuation approach are price per square metre.

The valuation of restricted or otherwise non-saleable land has been valued using the cost approach.

###### Specific Considerations

Contaminated Sites - Several sites valued are deemed to be potentially contaminated by activities carried out by council. These valuations represent the current replacement cost of the land the council would need to acquire "non-contaminated" land and as such any instances or possibilities of contamination have been disregarded.

Zonings - A number of parcels of land have been given zonings that relate to public open space, conservation areas and specific locality zonings. These zonings are not representative of surrounding land use. The high level of development restrictions would not be considered normal in an open market situation.

## City of Bayswater

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 33. Fair Value Measurements (continued)

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\$

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##### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Valuation has been based on the highest and best use of the land. In an open market situation these properties would be zoned similarly to surrounding land uses.

It should be noted that there is no evidence of sales within specific zoned areas.

Sale prices under comparable land sites in close proximity are adjusted for key attributes such as property size.

The most significant inputs into this valuation approach are price per square metre.

##### Buildings

###### Level 2 Valuation Inputs

These were used to determine the fair value of a range of properties. This included the bulk of residential and commercial properties.

The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation were price per metre.

###### Level 3 Valuation Inputs

Specialised buildings were valued using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metre could be supported by market evidence (Level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having level 3 valuation inputs.

##### Plant & Equipment

Plant and Equipment fair values were determined by independent valuers as at 30 June 2016.

Subsequent to the 2016 council's revalued assets are reviewed to ensure that the carrying amount does not differ significantly from that determined using fair value at reporting date.

Level 2 valuation inputs have been applied having regard to the condition and useful life of the asset class except for computer equipment which has been valued at Level 3.

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## City of Bayswater

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 33. Fair Value Measurements (continued)

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\$

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#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

##### Infrastructure

All council infrastructure assets were fair valued using a depreciated replacement cost valuation technique. This method used assets current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The gross cost of replacing the full service potential of the asset was established then adjusted to take into account the expired service potential of the asset.

The current replacement cost was measured by referencing the lowest cost at which the asset could be obtained in the normal course of business.

The total cost values have been calculated using work code unit costs based on current tender and general market rates.

All council infrastructure has been valued at fair value utilizing in house professional Asset Management staff.

Level 3 valuation inputs have been applied to all asset categories.

##### Infrastructure Categories

##### Roads

The road asset comprises seal, Pavement and Kerbing components.

The City of Bayswater's sealed road length is 351.4 Km and does not include MRWA controlled roads.

Valuation methodology comprises

- (1) Current replacement cost to replace the entire network : Current Replacement Cost = Unit Cost X Quantity
- (2) Depreciated Cost is the value the asset has deteriorate : Valuation Depreciation Rate (Critical Life)  
= (100/Critical Life (Years) % Per Annum

Critical Life - The lowest calculated life of longevity in years between "Conditioned Assessed Life and Design Assessed Life (Annual Revaluation)."

##### Footpaths

The footpath network comprises

- Concrete Paths
- Brick Paved Paths
- Asphalt Paths
- Slab Paths

The City of Bayswater's footpath length is 317.2 Km.

## City of Bayswater

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 33. Fair Value Measurements (continued)

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\$

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#### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Valuation methodology comprises

- (1) Current replacement cost to replace the entire network : Current Replacement Cost = Unit Cost X Quantity
- (2) Depreciated Cost is the value the asset has deteriorate : Valuation Depreciation Rate (Critical Life)  
= (100/Critical Life (Years) % Per Annum

Critical Life - The lowest calculated life of longevity in years between "Conditioned Assessed Life and Design Assessed Life (Annual Revaluation)

#### Drainage

The drainage network comprises Pits, Covers and Pipes

The City of Bayswater's length of pipes is 209.7KM

Valuation methodology comprises

- (1) Current replacement cost to replace the entire network : Current Replacement Cost = Unit Cost X Quantity
- (2) Depreciated Cost is the value the asset has deteriorate : Valuation Depreciation Rate (Critical Life)  
= (100/Critical Life (Years) % Per Annum

Critical Life - The lowest calculated life of longevity in years between "Conditioned Assessed Life and Design Assessed Life (Annual Revaluation)

#### Parks/Reserves/Car Parking

Valuation methodology comprises

- (1) Current replacement cost to replace the entire network : Current Replacement Cost = Unit Cost X Quantity
- (2) Depreciated Cost is the value the asset has deteriorate : Valuation Depreciation Rate (Critical Life)  
= (100/Critical Life (Years) % Per Annum

Critical Life - The lowest calculated life of longevity in years between "Conditioned Assessed Life and Design Assessed Life (Annual Revaluation)

#### Miscellaneous Infrastructure

The components split out to establish fair value for this category comprise the following

- Bus Shelters
- Public Litter Bins
- Lighting
- Entry Statements
- Signage Poles
- Street Signs and Parking Signs



Financial Statements 2017

## City of Bayswater

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 33. Fair Value Measurements (continued)

\$

## (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Valuation methodology comprises

- (1) Current replacement cost to replace the entire network : Current Replacement Cost = Unit Cost X Quantity
- (2) Depreciated Cost is the value the asset has deteriorate : Valuation Depreciation Rate (Critical Life)  
= (100/Critical Life (Years) % Per Annum

Critical Life - The lowest calculated life of longevity in years between "Conditioned Assessed Life and Design Assessed Life (Annual Revaluation)

## (4). Fair Value Sensitivity to Unobservable Inputs

Relationship between asset consumption rating scale and the level of consumed service potential.

\$	Sensitivity to Unobservable Market Inputs		Amount of Potential Impact	
	Lower %	Upper %	Lower \$	Upper \$
<b>Infrastructure</b>				
Roads	10.00	10.00	(9,740,859)	9,740,859
Drainage	10.00	10.00	(3,954,108)	3,954,108
Footpaths	10.00	10.00	(2,782,273)	2,782,273
Parks & Gardens	10.00	10.00	(1,833,370)	1,833,370
Other	10.00	10.00	(342,735)	342,735
<b>Total Infrastructure</b>			<b>(18,653,345)</b>	<b>18,653,345</b>

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Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 34. Segment Reporting

	Residential Aged Care 2017	Independent Living Units 2017	Other Segments 2017	Total 2017
\$				

In accordance with the Aged Care Act 1997 and the Residential Care Subsidy Principles provided under this Act, Council provides the following segment reporting relating to Residential Aged Care in relation to its services conducted at the City of Bayswater Aged Persons' Homes.

## Current Year Information for City of Bayswater

## Segment Expenses

Employee Costs	-	-	(31,538,786)	(31,538,786)
Materials & Contracts	(7,594,812)	(849,507)	(23,324,204)	(31,568,523)
Utilities	-	-	(3,618,899)	(3,618,899)
Depreciation & Amortisation	(239,684)	(620,649)	(11,094,944)	(11,955,277)
Interest Expenses	-	-	(1,862)	(1,862)
Insurance	-	-	(829,220)	(829,220)
	<b>(7,834,496)</b>	<b>(1,270,156)</b>	<b>(70,407,915)</b>	<b>(79,512,567)</b>

## Segment Revenues

Rate	-	-	41,957,660	41,957,660
Fees & Charges	1,547,881	1,236,484	17,896,685	20,681,030
- Accommodation Charges	257,841			
- Bond Retentions	47,817			
- Other Operating Revenue	1,242,223			
Operating Grants, Subsidiaries & Contributions	7,273,585	-	9,954,348	17,227,933
Interest Earnings	353,478	448,841	1,916,736	2,719,055
Other Revenue	-	-	18,866	18,866
	<b>9,174,944</b>	<b>1,685,325</b>	<b>71,744,275</b>	<b>82,604,544</b>

## Non-Operating Revenue

Non-Operating Grants, Subsidiaries & Contributions	-	-	4,012,352	4,012,352
Fair Value Adjustments to Financial Assets at Fair Value through Profit and Loss	-	-	(2,738,340)	(2,738,340)
Net Share of Interests in Controlled Entities, Associated Entities and Joint Ventures	-	-	838,637	838,637
Profit on Asset Disposals	-	-	(422,968)	(422,968)
	<b>-</b>	<b>-</b>	<b>1,689,681</b>	<b>1,689,681</b>

## Segment Result

	<b>1,340,448</b>	<b>415,169</b>	<b>3,026,041</b>	<b>4,781,658</b>
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## Segment Assets

Current Assets	14,674,761	16,682,063	42,131,070	73,487,894
Non-Current Assets	14,588,393	38,891,577	694,421,658	747,901,628
	<b>29,263,154</b>	<b>55,573,640</b>	<b>736,552,728</b>	<b>821,389,522</b>

## Segment Liabilities

Current Liabilities	(11,148,509)	(13,455,179)	(10,103,889)	(34,707,577)
- Refundable Accommodation Bonds	(11,008,152)			
Operating Grants, Subsidiaries & Contributions	-	-	(477,444)	(477,444)
	<b>(11,148,509)</b>	<b>(13,455,179)</b>	<b>(10,581,333)</b>	<b>(35,185,021)</b>

## Net Assets for Segment

	<b>18,114,645</b>	<b>42,118,461</b>	<b>725,971,395</b>	<b>786,204,501</b>
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Financial Statements 2017

## City of Bayswater

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 34. Segment Reporting (continued)

	Residential Aged Care 2016	Independent Living Units 2016	Other Segments 2016	Total 2016
\$				
<b>Prior Year Information for City of Bayswater</b>				
<b>Segment Expenses</b>				
Employee Costs	(224,976)	(14,495)	(30,274,960)	(30,514,431)
Materials & Contracts	(7,355,670)	(285,564)	(21,886,803)	(29,528,037)
Utilities	-	-	(3,602,397)	(3,602,397)
Depreciation & Amortisation	(233,121)	(628,952)	(9,572,684)	(10,434,757)
Interest Expenses	-	-	(3,308)	(3,308)
Insurance	-	-	(740,411)	(740,411)
	<b>(7,813,767)</b>	<b>(929,011)</b>	<b>(66,080,563)</b>	<b>(74,823,341)</b>
<b>Segment Revenues</b>				
Rate	-	-	39,545,895	39,545,895
Fees & Charges	1,592,567	545,379	18,710,063	20,848,009
- Accommodation Charges	329,163			
- Bond Retentions	82,857			
- Other Operating Revenue	1,181,547			
Operating Grants, Subsidiaries & Contributions	7,229,244	-	7,211,218	14,440,462
Interest Earnings	303,710	453,021	1,842,856	2,599,587
Other Revenue	-	-	707,029	707,029
	<b>9,125,521</b>	<b>998,400</b>	<b>68,017,061</b>	<b>78,140,982</b>
<b>Non-Operating Revenue</b>				
Non-Operating Grants, Subsidiaries & Contributions	-	-	2,101,034	2,101,034
Fair Value Adjustments to Financial Assets at Fair Value through Profit and Loss	43,317	5,040	(8,609,541)	(8,561,184)
Net Share of Interests in Controlled Entities, Associated Entities and Joint Ventures	-	-	2,770,033	2,770,033
Profit on Asset Disposals	-	-	490,071	490,071
Loss on Asset Disposals	-	-	(407,810)	(407,810)
	<b>43,317</b>	<b>5,040</b>	<b>(3,656,213)</b>	<b>(3,607,856)</b>
<b>Segment Result</b>	<b>1,355,071</b>	<b>74,429</b>	<b>(1,719,715)</b>	<b>(290,215)</b>
<b>Segment Assets</b>				
Current Assets	13,107,535	16,386,679	36,917,815	66,412,029
Non-Current Assets	13,837,590	41,547,736	668,441,467	721,826,793
	<b>26,945,125</b>	<b>57,934,415</b>	<b>705,359,282</b>	<b>790,238,822</b>
<b>Segment Liabilities</b>				
Current Liabilities	(10,662,341)	(14,628,899)	(10,701,133)	(36,012,373)
- Refundable Accommodation Bonds	(10,639,445)			
Operating Grants, Subsidiaries & Contributions	-	-	(537,334)	(537,334)
	<b>(10,662,341)</b>	<b>(14,628,899)</b>	<b>(11,238,467)</b>	<b>(36,549,707)</b>
<b>Net Assets for Segment</b>	<b>16,262,784</b>	<b>43,305,516</b>	<b>694,120,815</b>	<b>753,689,115</b>
<b>Acquisition of Property, Plant and Equipment</b>	<b>45,164</b>	<b>140,117</b>	<b>13,454,601</b>	<b>13,639,882</b>

## Note 35. Events occurring after the Reporting Period

Council is unaware of any material or significant "non-adjusting events" that should be disclosed.

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## City of Bayswater

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 36. Council Information & Contact Details

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**Principal Place of Business:**

61 Broun Avenue  
Morley WA 6062

**Contact Details****Mailing Address:**

PO Box 467  
Morley WA 6943

**Opening Hours:**

8.30am-4.30pm (Monday to Friday)

**Telephone:** 08 9272 0622

**Facsimile:** 08 9272 0665

**Internet:** [www.bayswater.wa.gov.au](http://www.bayswater.wa.gov.au)

**Email:** [mail@bayswater.wa.gov.au](mailto:mail@bayswater.wa.gov.au)

**Elected Members****MAYOR**

Councillor Barry McKenna

**COUNCILLORS**

Councillor Stephanie Coates (Deputy Mayor)

Councillor Sally Palmer

Councillor Brent Fleeton

Councillor Chris Cornish

Councillor Catherine Ehrhardt

Councillor Alan Radford

Councillor Michelle Sutherland

Councillor John Rifici

Councillor Terry Kenyon, JP

Councillor Dan Bull

**AUDITORS**

Grant Thornton Audit Pty Ltd  
Level 1, 10 Kings Park Rd  
West Perth 6005

**Other Information**

**ABN:** 61-054-003-131

**NAPS:** 1705



Financial Statements 2017

Level 1  
10 Kings Park Road  
West Perth WA 6005

Correspondence to:  
PO Box 570  
West Perth WA 6872

T +61 8 9480 2000  
F +61 8 9322 7787  
E info.wa@au.gt.com  
W www.grantthornton.com.au

## Independent Auditor's Report to the Rate Payers of the City of Bayswater

### Auditor's Opinion

We have audited the financial report of the City of Bayswater, which comprises the statement of financial position as at 30 June 2017, and the statement of comprehensive income (by program), the statement of comprehensive income (by nature or type), statement of changes in equity and statement of cash flows for the year then ended, and comprising notes to the financial statements, including a summary of significant accounting policies and the Chief Executive Officer's statement.

In our opinion, the accompanying financial report of the City of Bayswater:

- a presents fairly, in all material respects, the City of Bayswater's financial position as at 30 June 2017 and of its performance and cash flows for the year then ended; and
- b complies with Australian Accounting Standards (including the Australian Accounting Interpretations),
- c are prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended) and Regulations under the Act.

### Basis for Auditor's Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the City of Bayswater in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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Financial Statements 2017

**Statutory compliance**

I did not, during the course of my audit, become aware of any instance where the Council did not comply with the requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 as they apply to financial statements.

**Responsibility of the Chief Executive Officer for the Financial Report**

The Chief Executive Officer of the City of Bayswater is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Local Government Act 1995 Part 6. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Council is responsible for overseeing the City of Bayswater's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf).

This description forms part of our auditor's report.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink that reads "P. Warr".

Patrick Warr  
Partner - Audit & Assurance

Perth, 1 December 2017

**13.6 Proposed Topic Areas for Internal Audit**

**Reporting Branch:** Corporate Services  
**Responsible Directorate:** Finance and Corporate Services  
**Refer:** Item 13.3.1 A&RMC: 28.03.2017

**EXECUTIVE SUMMARY****Application:**

For the Audit and Risk Management Committee to consider an Internal Audit Plan for 2018.

**Key Issues:**

This report provides an outline of the proposed three-year Internal Audit Plan to commence in 2018.

**BACKGROUND**

A report was provided to the Audit and Risk Management Committee at its meeting of 28 March 2017 outlining the merits of developing an internal audit to augment the normal audits that are required under legislation. The Committee was advised that internal audit was a separate role to risk management, and was essentially a 'deep dive' into specific areas to identify potential weaknesses in systems and procedures, and was therefore more targeted and extensive than the normal audit approach, which was based on sampling.

Council subsequently endorsed the recommendation for funding allocation in the 2017-18 budget, and noted that once the scope of the Internal Audits had been determined, further reports would be provided to the Audit and Risk Management Committee.

A summary of potential topic areas for internal audit has now been developed, with priority topic areas identified. In developing the Internal Audit Plan, officers considered that it should be balanced in its coverage and contain topics that matter to the City, its stakeholders and the community. The objective of presenting the Internal Audit Plan to the Committee is to seek comments and endorsement for whether the Plan would result in efficiency, effectiveness or accountability improvements in that business activity.

**CONSULTATION**

This review has been undertaken through:

- analysis of the Office of the Auditor General (WA) audit topic selection methodologies;
- consideration of the City's quarterly Risk Management Assurance Reports;
- examining industry risk issues; and
- taking into account the feedback of relevant City staff as to potential focus areas.

**ANALYSIS**

An allocation of \$25,000 has been made in the Annual Budget 2017-18 for Internal Audit project work, and six potential topic areas have been outlined as below.

The comments reflect the suggested timeframes for investigating any potential weaknesses in the related systems and procedures, and the following Internal Audit Plan is considered to be realistically achievable within the available funding. Subject to the outcomes of the 2017-18 program, the Plan will be reviewed and potentially extended as funding permits.

#	INTERNAL AUDIT TOPICS	Proposed		
		17-18	18-19	19-20
1	<b>Cyber Security</b> Cyber security has been an increasingly regular feature in the media with multiple significant attacks and data breaches impacting various industries. The outgoing Auditor General (WA) has identified this as an emerging focus area. An internal audit focus could involve the examination of the City's wider crisis management planning including public, media and customer service rather than how the City has fixed vulnerabilities. Whilst the City's Information Services directorate has demonstrated that it has kept up with growing regulatory expectations with strong systems and contingencies in place, an internal audit presence could assist the City in promoting more organisational collaboration. Extensive work has already been done by the City's Information Technology team in cyber security training and testing, and it is not seen as an immediate priority and could be included in the 2018-19 program.		ü	
2	<b>Fraud &amp; Misconduct</b> An internal audit presence could potentially examine and evaluate the adequacy and the effectiveness of actions taken by the City to fulfil its obligations to report instances, manage investigations and report outcomes of suspected fraud and corruption. Internal audit may examine how well the City deters fraud and monitors compliance through its internal controls such as policies and reporting procedures, segregation of duties or specific divisional controls ie. account reconciliations. As this is an area of focus in the normal audits, there are extensive controls in place, and it is therefore recommended for review in 2018-19.		ü	
3	<b>Procurement &amp; Tendering</b> Procurement and Tendering is an important vehicle in the delivery of the City's programs and services. An audit work program could potentially review the adequacy of internal controls in the City's procurement and tendering processes.  Key activities and processes could be examined including: the City's strategic approach to procurement and tendering; validation that organisational procurement plans are established based on operational requirements and priorities; validation that technology controls are operating as intended; validation that analysis and management reporting of contracting activity is carried out.  As extensive work has been done in recent years to develop appropriate controls as a response to earlier CCC reports of the sector, this topic area is recommended for review in 2019-2020.			ü
4	<b>Corporate Record Keeping</b> Corporate Record Keeping practices are closely aligned to risk and essential for auditing and accountability. In recent years, greater regulatory and compliance requirements have been imposed. Auditor General Departments have consistently reported that government agencies are not performing well enough in the management of electronic records. Internally it has been identified that there is a general apathy for, and disregard of, record keeping practices at the City. Past Assurance reports to the Committee have identified that record keeping practices at the City are not consistently implemented by staff, namely that staff are not importing and registering emails into ECM accurately, or at all. Given these concerns, it is recommended that this be an area of priority for 2017-18.	ü		
5	<b>Performance Reporting</b>			



#	INTERNAL AUDIT TOPICS	Proposed		
		17-18	18-19	19-20
	Performance reporting is a key program for the City promoting Council transparency, accountability and performance. The City plans for our community, then reports on its implementation of these plans. The City's major reporting takes place through Annual Reports, Quarterly Performance Reports and End of Term Reports. An Internal Audit focus would likely centre upon the efficiency, effectiveness, economy (and in certain circumstances, compliance aspects) of the City's planning, programs and services. Given that the new powers of the Auditor General to audit the local government sector include performance audits, it is recommended that this be an area of priority for 2017-18.	ü		
6	<b>Financial Sustainability</b> Internal audit should also act to anticipate and understand how regulatory and reporting developments in the areas of financial, sustainability and integrated reporting may affect the City. The focus of internal audit would likely be on assessment of the efficiency and effectiveness of financial and operational reporting, compliance with applicable laws and regulations, proper management of the City's assets and the level of common practices and processes in business units.  As the Department of Local Government, Sport and Cultural Affairs has not expressed any concerns about the City's financial ratios, it is recommended that this be included in the 2020-21 program.			ü

In determining topics for internal audit, particular emphasis is being given to:

- Ø **Context:** Is it the right time to review this area? Is there another review or audit in progress covering similar issues? Would an audit of the area reinforce other important current messages or themes? Is there strong community interest in the topic?
- Ø **Materiality:** Does the business activity or program have potentially significant financial, economic, social or environmental management implications?
- Ø **Risk:** Are there any indicators of known or suspected problems? Are issues emerging in related areas that could affect the area being considered for audit? Are there inherent risks that may not be well managed?
- Ø **Auditability/Efficiency:** Is the area amenable to audit? Will information and evidence be available? Can it be audited with resources that match the impact and materiality of the topic or will it take disproportionate resources for limited benefit?

As a consequence of applying these principles it is anticipated that two topic areas will be selected for each upcoming financial year whilst the current allocated funding arrangements are in place.

## OPTIONS

The following options are available to Council:

OPTION		BENEFIT	RISK
1.	Support the proposed Internal Audit Plan for the next three financial years.	Finalisation of topic areas for assessment will provide a framework for the direction and orientation of internal audit.	Potential delay to activation of the Internal Audit Plan which has already been endorsed by Council.

2.	Not support the proposed Internal Audit Plan.	The Committee may wish to defer the report and seek further information on the Internal Audit Plan.	An Internal Audit Plan may not be resolved in time for completion of project work as per the budget allocation.
3.	Support the proposed Internal Audit Plan but with changes to the priority areas.	Changing priority of some of the topic areas may better reflect the Committee's priority areas as informed through community engagement.	Focusing on areas that already have strong controls in place would still be of value in terms of independent validation, however other areas of greater operational priority may have to be deferred due to funding constraints.

## CONCLUSION

Option 1 is recommended as it provides a framework for the direction and orientation of internal audit.

## FINANCIAL IMPLICATIONS

Nil.

## STRATEGIC LINK

In accordance with the City of Bayswater's Strategic Community Plan 2017-2027, the following applies:

Theme: Leadership and Governance.  
 Aspiration: Open, accountable and responsive service.  
 Outcome L1: Accountable and good governance.

## COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS

Section 7.13(i) of the *Local Government Act 1995*.

Regulation 13, 14 and 15 of the Local Government (Audit) Regulations 1996.

## VOTING REQUIREMENTS

Simple Majority Required.

## ATTACHMENTS

Nil.

## COUNCIL RESOLUTION (OFFICERS RECOMMENDATION)

That the Audit and Risk Management Committee recommends that Council approve the proposed Internal Audit Plan 2018-2020.

CR LORNA CLARKE MOVED, CR ELLI PETERSEN-PIK SECONDED

CARRIED: 10/0

**12. REPORTS FOR NOTING/INFORMATION**

Nil.

**COUNCIL RESOLUTION - EN BLOC RESOLUTION**

To approve (en bloc) the Committee/Officer's Recommendations to Council Items 13.1, 13.2, 13.3 and 13.4 and those items requiring an Absolute Majority, be carried with an *Absolute Majority*.

CR STEPHANIE GRAY MOVED, CR LORNA CLARKE SECONDED

**CARRIED: 10/0**

**13. MANAGEMENT/ADVISORY COMMITTEES****13.1 Audit and Risk Management Committee - Terms of Reference**

**Reporting Branch:** Corporate Services

**Responsible Directorate:** Finance and Corporate Services

**EXECUTIVE SUMMARY****Application:**

To propose new Terms of Reference for the Audit and Risk Management Committee as part of the routine review of the Terms of Reference of committees following local government elections.

**Key Issues:**

This report proposes new Terms of Reference for the Audit and Risk Management Committee.

**BACKGROUND**

Audit committees play a key role in local government governance and oversight responsibilities. Appointment to the committee must be by an absolute majority decision of Council.

The requirement to have an audit committee is set out in Part 7 of the *Local Government Act 1995* (the Act) which covers the essential requirements for appointment of auditors and conducting audits.

The detailed requirements for appointing auditors, developing an audit plan and conducting and reviewing audits are dealt with under the *Local Government (Audit) Regulations 1996*.

In 2016, the *Local Government Amendment (Auditing) Bill* was introduced to provide for local governments to be audited by the Auditor General. The two most significant aspects of this Bill are that:

- local governments will not be able to appoint their own auditors once the current contracts expire; and
- the Auditor General and the Office of the Auditor General (OAG) will be conducting financial and performance audits of the sector.

This Bill allows the Auditor General to contract out some or all of the financial audits but all audits will be done under the supervision of the Auditor General and Office of the Auditor General.

Model Terms of Reference were developed by the Department in 2013 to assist local governments in defining an appropriate role for their audit committees. The minimum expectation is that the Terms of Reference cover the legislative requirements as outlined in the Act and the Regulations.

The current Terms of Reference for the Audit and Risk Management Committee were adopted at the Special Meeting of Council of 21 October 2015, with the stated purpose 'to make recommendations directly to Council in accordance with Regulations 16 and 17 of the *Local Government (Audit) Regulations 1996*'.

Revised Terms of Reference for the Audit and Risk Management Committee are attached for consideration (**Attachment 1**). These are based on the Department's model, which does not have to be adopted in its entirety. The discretionary particulars such as the number of members and meeting frequency are marked accordingly, should the Committee wish to amend these.

## CONSULTATION

The Department of Local Government and Communities produced its Operational Guideline No. 9 Audit in Local Government - *The appointment, function and responsibilities of Audit Committee* in September 2013 (**Attachment 2**) and the model Terms of Reference are appended to the guideline. As part of the routine post-election review of the committee structures, officers have identified that several other local governments (Cities of Belmont, Canning, Gosnells, Swan and Joondalup) have based their audit committee Terms of Reference either completely on the Department's model or aspects of it. Other local governments (ie City of Perth) have taken a different approach by adopting Terms of Reference developed by specialist auditing consultants, but the principles and intent are similar.

## ANALYSIS

The Department's model Terms of Reference essentially summarise the legislative requirements and also provide a point of reference for the role and functions of the committee. It is not mandatory for local governments to adopt the model Terms of Reference nor do they have to be adopted in their entirety, and they can be modified to suit the individual local governments. For example, the number of endorsed members and the frequency of meetings can be varied provided that they meet the legislative requirements of at least one meeting per annum and a minimum of three members.

The implications of the Auditor General taking over audits of the sector are difficult to determine at this early stage, as transition across the sector will occur as the existing audit contracts expire. It is anticipated that by financial year 2020-2021, all local governments will be audited by the Auditor General, regardless of whether or not their contracts have expired. It can only be assumed at this stage that the financial audits will be similar in nature to those already being carried out in the sector. However the amendments to the Act also provide for a new category of audits known as "performance audits" which will examine the economy, efficiency and effectiveness of any aspect of a local government's operations.

As this is quite a broad-ranging brief, greater clarity of the role and functions of the Audit and Risk Management Committee will support the ongoing strategy of building an appropriate governance and oversight framework to prepare the City for these changes.

The draft Terms of Reference also provide greater clarity on the role of the Committee in Risk Management and Internal Audit.

## OPTIONS

The following options are available to Council:

OPTION		BENEFIT	RISK
1.	Council implements new Terms of Reference based on the Department's model.	More prescriptive than current Terms of Reference. Prepares the City for future involvement by the Office of the Auditor General.	Nil - the model Terms of Reference do not extend the role and functions of the Committee beyond what is currently in the legislation anyway.
2.	Council does not implement new Terms of Reference for the Audit and Risk Management Committee.	Detailed Terms of Reference are not specifically required under the legislation.	The current Terms of Reference are brief and require reference to the legislation to clarify the detailed role and functions of the Committee.

## CONCLUSION

Option 1 is recommended as it is consistent with the model Terms of Reference and will provide greater clarity of the role of the Committee in respect to the legislative requirements. It also reflects the current direction of work in the internal audit and risk management areas.

## FINANCIAL IMPLICATIONS

Nil.

## STRATEGIC LINK

In accordance with the City of Bayswater's Strategic Community Plan 2017-2027, the following applies:

Theme: Leadership and Governance.  
 Aspiration: Open, accountable and responsive service.  
 Outcome L1: Accountable and good governance.

## COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS

Nil. The draft Terms of Reference are not mandatory.

## VOTING REQUIREMENTS

Simple Majority Required.

## ATTACHMENTS

1. Draft Terms of Reference for the Audit and Risk Management Committee.
2. Department of Local Government and Communities *Operational Guideline no. 9 - Audit in Local Government – The appointment, function and responsibilities of Audit Committees.*

## **COUNCIL RESOLUTION** **(OFFICERS RECOMMENDATION)**

That the Audit and Risk Management Committee recommends that Council approve the draft Terms of Reference for the Audit and Risk Management Committee (Attachment 1).

CR STEPHANIE GRAY MOVED, CR LORNA CLARKE SECONDED

CARRIED BY EN BLOC RESOLUTION: 10/0

**Attachment 1**

TERMS OF REFERENCE		
CITY OF BAYSWATER AUDIT AND RISK MANAGEMENT COMMITTEE		
1.	<b>Objectives</b>	<p>The primary objective of the Committee is to accept responsibility for the annual external audit and liaise with the local government's appointed auditor so that Council can be satisfied with the performance of the City in managing its financial affairs.</p> <p>The Committee will also consider recommendations for practice improvement as may be made from time to time through the City's Internal Audit processes and will also consider reports at least annually on the City's Risk Management Framework.</p> <p>Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the City's affairs, determining the City's policies and overseeing the allocation of the City's finances and resources. The Committee will ensure openness in the City's financial reporting and will liaise with the Chief Executive Officer to ensure the effective and efficient management of local government's financial accounting systems and compliance with legislation.</p> <p>The Committee is to facilitate:</p> <ul style="list-style-type: none"> <li>the enhancement of the credibility and objectivity of internal and external financial reporting;</li> <li>compliance with laws and regulations as well as use of best practice guidelines relative to auditing; risk management; internal controls; and legislative compliance;</li> <li>the provision of an effective means of communication between the external auditor, the Chief Executive Officer and the Council.</li> </ul>
2.	<b>Powers</b>	<p>The Committee does not have executive powers or authority to implement actions in areas over which the Chief Executive Officer has legislative responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and cannot involve itself in management processes or procedures.</p> <p>The Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its terms of reference in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the Chief Executive Officer.</p>
3.	<b>Membership</b>	<p>The Committee will consist of five* elected members including the Chair.</p> <p>All Members shall have full voting rights. The tenure of Member on the Committee is in accordance with section 5.11 of the <i>Local Government Act 1995</i>, and other Councillors are appointed as Deputy Members in accordance with section 5.11A. The Chief Executive Officer and other employees are not members of the Committee.</p> <p>The Chief Executive Officer or his/her nominee, is to be available together with the Director Finance and Corporate Services or his/her nominee, to attend all meetings to provide advice and guidance to the Committee. Other Council officers may attend meetings as and when required. The City shall provide such administrative support to the Committee as may be required from time to time.</p> <p><i>*minimum three required under legislation</i></p>
4.	<b>Meetings</b>	<p>The Committee shall meet at least quarterly**. Additional meetings shall be convened at the discretion of the Chair.</p> <p><i>**minimum annually under legislation</i></p>

5.	<b>Order of Business</b>	<p>The order of business for Committee meetings shall be, or as near thereto as practicable:</p> <ul style="list-style-type: none"> <li>• Members Present;</li> <li>• Apologies;</li> <li>• Leave of Absence;</li> <li>• Declarations of Interest;</li> <li>• Question Time;</li> <li>• Declaration by Members whether they have given due consideration to all matters contained in the Agenda before the meeting;</li> <li>• Confirmation of Minutes of Previous Meeting;</li> <li>• Non Confidential Items;</li> <li>• Confidential Items; and</li> <li>• General Business.</li> </ul>
6.	<b>Duties and Responsibilities</b>	<p>The duties and responsibilities of the Committee will be to:</p> <ol style="list-style-type: none"> <li>(a) provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to internal and external audits***;</li> <li>(b) develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor***;</li> <li>(c) consider and recommend to Council a list of those matters to be audited; and the scope of the audit to be undertaken***;</li> <li>(d) recommend to Council the person or persons to be appointed as auditor***;</li> <li>(e) consider and recommend to Council a written agreement for the appointment of the Auditor***. Such agreement is to include: the objectives of the audit; scope of the audit; a plan of the audit; details of the remuneration and expenses to be paid to the auditor; and the method to be used by the local government to communicate with, and supply information to, the auditor;</li> <li>(f) meet with the City's auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions***;</li> <li>(g) liaise with the Chief Executive Officer to ensure that the City does everything in its power to assist the auditor to conduct the audit and carry out his or her other duties under the <i>Local Government Act 1995</i>; and ensure that audits are conducted successfully and expeditiously;</li> <li>(h) examine the reports of the auditor after receiving a report from the Chief Executive Officer on the matter and determine if any matters raised require action to be taken by the local government; and ensure that appropriate action is taken in respect of those matters;</li> <li>(i) review the report prepared by the Chief Executive Officer on any actions taken in respect of any matters raised in the report of the auditor and present the report to Council for adoption prior to the end of the next financial year or six months after the last report prepared by the auditor is received, whichever is the latest in time;</li> <li>(j) review the scope of the audit plan and program and their effectiveness***;</li> <li>(k) seek information or obtain expert advice through the Chief Executive Officer on matters of concern within the scope of the Committee's Terms of Reference following authorisation from the Council; and</li> <li>(l) support the implementation of a Risk Management culture and satisfy itself that appropriate and adequate risk controls and processes are in operation.</li> </ol> <p>***subject to the Auditor General appointing auditors under the amended Part 7 of the <i>Local Government Act 1995</i>.</p>
7.	<b>Location</b>	City of Bayswater Civic Centre.
8.	<b>Liaison Officer</b>	Director Finance and Corporate Services or nominated officer.



**Attachment 2**



Government of Western Australia  
Department of Local Government and Communities

## Local Government Operational Guidelines

Number 09 – Revised September 2013

### Audit in Local Government

The appointment, function  
and responsibilities of  
Audit Committees

## 1. Introduction

The *Local Government Act 1995* (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The purpose of this guideline is to assist local governments to establish and operate an effective audit committee. Clear and comprehensive terms of reference, setting out the committee's roles and responsibilities, are essential and a model terms of reference for an audit committee is provided with this guideline. Matters such as the governing legislation, membership, primary roles and responsibilities of the committee and ancillary functions are also addressed. Guidance is provided to the committee as it approaches its task of appointing an external auditor through provision of a minimum standard audit specification and as it forms an opinion of the local government's internal audit requirements.

## 2. Audit Requirements, Committees and Functions

The relevant parts of the Act and regulations that relate to audit requirements, audit committees and their functions are listed below.

### Financial Management

In relation to financial management under Part 6 of the Act, a local government is to –

- a) prepare and adopt an annual budget in the form and manner prescribed (section 6.2). A copy of the budget is to be sent to the Department within 30 days of adoption.
- b) prepare an annual financial report and such other financial reports as prescribed. The accounts of the local government and annual financial report are to be submitted to the auditor for audit by 30 September (section 6.4).
- c) have a municipal fund and a separate and distinct trust fund (section 6.6).
- d) establish and maintain reserve funds for the holding of monies set aside for future use (section 6.11).

### Audit Requirements for Local Governments

Part 7 of the Act and the *Local Government (Audit) Regulations 1996* (the Regulations) address the situation of audit. In relation to the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
  - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and

- ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;
- c) a local government is to examine the report of the auditor and is to –
  - i. determine if any matters raised require action to be taken by the local government; and
  - ii. ensure that appropriate action is taken in respect of those matters;
- d) a local government is to –
  - i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
  - ii. forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.

#### **Establishment of the Audit Committee**

The Act and Regulations provide that:

In relation to the establishment of an audit committee –

- a) each local government is to establish an audit committee consisting of three or more persons to exercise the powers and discharge the duties conferred on it;
- b) members of the committee are to be appointed by an absolute majority decision of Council. At least three of the members, and the majority of the members, are to be elected members;
- c) the Chief Executive Officer (CEO) is not to be a member of the committee and may not nominate a person to be a member or have a person to represent him or her as a member of the committee;
- d) an employee is not to be a member of the committee;

- e) the only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act; that is, those relating to audit. The committee cannot on-delegate the powers and duties delegated to it;
- f) an audit committee with a member who is a person that is not an elected member can be delegated powers and duties referred to in (e); and
- g) a decision of the committee is to be made by simple majority.

#### **Audit Committee Functions**

The Regulations state that an audit committee –

- (a) is to provide guidance and assistance to the local government –
  - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act;
  - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;
- (b) may provide guidance and assistance to the local government as to –
  - (i) matters to be audited;
  - (ii) the scope of audits;
  - (iii) its functions under Part 6 of the Act;
  - (iv) the carrying out of its functions relating to other audits and other matters related to financial management;
- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –
  - (i) report to the council the results of that review;
  - (ii) give a copy of the CEO's report to the council;

- (d) review the annual Compliance Audit Return and report to the council the results of that review, and
- (e) consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

### 3. Operation of Audit Committees

#### Role and Responsibilities

The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

The audit committee should critically examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

A further role for the audit committee would be to receive and authorise the report relating to the audit prepared by the CEO that is to be sent to the Minister.

This report would outline any actions the local government has taken or intends to take in relation to the matters identified by the auditor.

While a formal internal audit function could be considered to be an operational function and therefore the responsibility of the CEO, it is desirable for an internal auditor to have a direct line of communication to the Audit Committee.

The Audit Committee needs to form an opinion of the local government's internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.

**Please note** that an audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council.

The deliberations and recommendations of the committee must be independent and autonomous. Therefore, the Act prohibits the CEO being a member of the committee. However, it is essential that the CEO be given every opportunity to provide his/her expert advice to the committee as he/she does with full Council and other committees.

A model terms of reference is attached as Appendix 1 to assist local governments to define an appropriate role for its audit committee. When considering the model, local governments need to remember it is a guide and they can delete or modify any matters they believe not applicable.



It is important to note that the legislation gives the audit committee a specific role in appointing the auditor. It is to recommend to the Council who should be appointed as the auditor. Attached as Appendix 2 is a model 'Minimum Standard Audit Specification' that local governments can use when developing a process to be used to select and appoint a person to be the auditor.

Local governments can amend the document to suit their individual requirements. Any scope adopted must meet, as a minimum, the legislative requirements, as outlined in the Act and the Regulations.

The legislation specifies that a local government is required to meet with its auditor at least once in every year. The term "local government" in this context means the Council. If Council so resolved via a formal delegation, a meeting between the audit committee and the auditor would satisfy this requirement.

It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or audit committee should resolve how the meeting with the auditor will be conducted and for the record of the meeting to show that the auditor was involved and the matters discussed. It would be inappropriate for Council representatives to meet with the auditor in their offices unless they were members of the Audit Committee or a significant majority of the members are present.

The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. How communication and liaison between auditor and committee is to occur should be addressed in the agreement of appointment.

Advice from the auditor may address issues such as –

- (i) an assessment of accounting procedures;
- (ii) an assessment of internal controls;
- (iii) an assessment of risk;
- (iv) compliance with the Act and associated regulations;
- (v) compliance with Council policies;
- (vi) performance assessments on the efficiency and effectiveness of operations;
- (vii) processes of the internal audit;
- (viii) outcomes of the external audit prior to issue of management and audit reports; and
- (ix) changes to accounting standards and legislation and the impact on the local government.

### Membership

The Act requires that an audit committee is to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the Council. If a Council considers it appropriate, the whole Council can be appointed to the audit committee.

If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

### **Operation of the Committee**

Irrespective of the membership of the committee, all legislative requirements relating to committee meetings such as advertising meeting dates, notice of meeting and keeping minutes of meetings need to be complied with.

The legislation prevents a meeting fee being paid to an external person but it is permissible for a payment to be made as a reimbursement of expenses, commensurate with the expertise and knowledge such people bring to the committee. The Council will need to determine whether payment will be offered and the level of that reimbursement payment.

Members of the committee should be encouraged to attend appropriate courses to keep them up to date with legislation, accounting and other relevant issues.

### **Other Responsibilities**

Local governments are required by legislation to complete a statutory compliance return (Compliance Audit Return or CAR) annually and have the return adopted by Council. The return is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk."

The Audit Committee is to review the annual CAR and report to the Council the results of that review, prior to adoption of the return by Council. After adoption, the return is to be signed by the Mayor or President and the CEO prior to it being forwarded to the Department.

The Audit Committee is to consider the CEO's biennial reviews (see Regulation 17.) of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

Attached as Appendix 3 is information to assist in determining what falls within the terms 'risk management,' 'internal control' and 'legislative compliance.'

The audit committee could also consider proposals from the CEO as to whether the compliance audit, and the biennial reviews of risk management, internal control and legislative compliance, are undertaken internally or an external party is contracted to undertake the task. In the case of an external party the audit committee would have responsibility to receive the review report from the CEO and make recommendations on it to full Council.

## 4. The External Audit

### Appointment of the Auditor

The Act and Regulations provide that –

- a) on the recommendation of the audit committee a local government is to from time to time appoint, by absolute majority, a person to be its auditor;
- b) the local government may appoint one or more persons as its auditor;
- c) the local government's auditor is to be a person who is –
  - a. a registered company auditor; or
  - b. an auditor approved by the Minister;
- d) a person may not be appointed as a local government auditor if that person is –
  - a. a councillor or employee of the local government;
  - b. in debt to the local government for more than \$5,000;
  - c. a councillor or employee of a regional local government in which the local government is a participant;
  - d. a member of an incorporated association formed by the local government; or
  - e. a class of persons as prescribed in the Regulations;
- e) an auditor is not to be appointed for more than five years; and
- f) the appointment of a person as an auditor is to be made by agreement in writing and is to include –
  - i. the objectives of the audit;
  - ii. the scope of the audit;
  - iii. a plan for the audit;
  - iv. details of the remuneration and expenses to be paid to the auditor; and
  - v. the method to be used by the local government to communicate with, and supply information to, the auditor.

The committee should undertake a proper selection and appointment process as part of appointing, or reappointing an auditor. If reappointment is being considered, the process should include the review of key issues as in i. to v. above.

It is important to realise that the Act specifies that it is a named person(s) that is appointed as auditor, not the company, or 'the partners' of the company which employs the person. Therefore, when the audit report is received it must be signed by the person(s) appointed as the auditor; it cannot be the generic signature identifying the firm.

### Conduct of the Audit

The Act and Regulations provide that –

- a) the auditor is required by 31 December next following the financial year to which the audit relates, to examine the accounts and annual financial report submitted for audit;
- b) the auditor is to form an opinion as to whether –
  - i. the accounts are properly kept; and
  - ii. the annual financial report –
    - is prepared in accordance with the financial records; and
    - represents fairly the results of the operations of the local government and its financial position at 30 June;
- c) the auditor is to prepare a report on the audit and within 30 days of completing the audit forward a copy to –
  - i. the mayor or president;
  - ii. the CEO of the local government; and
  - iii. the Minister;



- d) the report is to give the auditor's opinion on –
  - i. the financial position of the local government; and
  - ii. the results of the operation of the local government;
- e) the report is to include –
  - i. any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
  - ii. any matters indicating non-compliance with financial management requirements of the Act, Regulations and any other written law;
  - iii. details of whether information and explanations were obtained;
  - iv. a report on the conduct of the audit; and
  - v. the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions;
- f) where it is considered appropriate to do so the auditor is to prepare a management report to accompany the auditor's report;
- g) where the auditor considers that –
  - i. there is any error or deficiency in an account or financial report;
  - ii. any money paid from, or due to the local government has been, or may have been misapplied; or
  - iii. there is a matter arising from the audit that needs to be addressed by the local government; details are to be included in the report to the Minister; and

- h) the auditor has a right of access at all reasonable times to such books, accounts, documents and assets of the local government as are in the opinion of the auditor necessary to allow the audit to be conducted.

### Scope of the Audit

The Act and Regulations prescribe the scope of the external audit of the annual financial statements of a local government.

The scope details are going to vary between local governments but as an aid a model minimum standard audit specification is attached as Appendix 2 to this guideline. Individual local governments can amend that document to suit their particular needs.

### Reporting by the Auditor

Regulations require the auditor, where appropriate, to prepare a management report to accompany the auditor's report. Although there is no legislative requirement for the auditor to prepare a management report unless he or she deems it appropriate, local government may wish to require the auditor to prepare a report on all issues identified during the audit.

The auditor, after completing the audit, is to forward a copy of his or her audit and management report to –

- the Mayor or President;
- the CEO of the local government; and
- the Minister via the Department.

It is the CEO's responsibility to ensure that the external audit report is provided to the audit committee. In considering the audit and management reports presented to the audit committee, the CEO should:

- a) examine any critical matters raised in the reports that affect the financial position of the local government; and
- b) provide comment on any critical matters raised and action proposed to be taken to address those matters.

Once Council has addressed matters raised, or accepted the CEO's planned remedial action on matters raised in the audit and management reports, the CEO should provide feedback to the Department on those matters.

## Appendix 1

### Model Terms of Reference – Audit Committees

**Important:** The following Model Terms of Reference contains clauses that may not be applicable to each local government. Local governments will need to consider each clause and only adopt those that are applicable to the roles and responsibilities and delegated powers and functions that will apply to their audit committee.

The clauses that may be considered optional have been asterisked (\*).

#### Objectives of Audit Committees

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate –

- the enhancement of the credibility and objectivity of \*internal and external financial reporting;

- \*effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- \*the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, \*internal auditor, the CEO and the Council.

#### Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

#### Membership

The committee will consist of \*four members with three elected and \*one external person. All members shall have full voting rights.

\*External persons appointed to the

committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.

\*Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

\*Reimbursement of approved expenses will be paid to each external person who is a member of the committee.

The CEO and employees are not members of the committee.

The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.

The local government shall provide secretarial and administrative support to the committee.

#### Meetings

The committee shall meet at least \*quarterly.

Additional meetings shall be convened at the discretion of the presiding person.

#### Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

\*The committee shall report annually to the Council summarising its activities during the previous financial year.

#### Duties and Responsibilities

The duties and responsibilities of the committee will be –



- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to Council –
  - a list of those matters to be audited; and
  - the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include –
  - the objectives of the audit;
  - the scope of the audit;
  - a plan of the audit;
  - details of the remuneration and expenses to be paid to the auditor; and
  - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the local government does everything in its power to –
  - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
  - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters to –
  - determine if any matters raised require action to be taken by the local government; and
  - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) \*Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO (see reference to internal audit page 14);
- l) \*Review the level of resources allocated to internal audit and the scope of its authority;
- m) \*Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- n) \*Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) \*Review the local government's draft annual financial report, focusing on –
  - accounting policies and practices;
  - changes to accounting policies and practices;
  - the process used in making significant accounting estimates;
  - significant adjustments to the financial report (if any) arising from the audit process;

- compliance with accounting standards and other reporting requirements; and
  - significant variances from prior years;
- p) \*Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q) \*Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;
- s) Review the annual Compliance Audit Return and report to the council the results of that review, and
- t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

### Internal Audit

Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government's internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who is appointed by council on the recommendation of the Audit Committee, to report independently to it, through the mayor/president and the CEO, on the annual financial statements. The external auditor's primary role is to decide whether the annual financial statements of a local government are free of material misstatement.

There are certain functions of the internal audit that complement the external auditor's role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.

An internal auditor's activities should typically include the following:

- (a) review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- (b) a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
- (c) examination of financial and operating information that includes detailed testing of transactions, balances and procedures;

- (d) a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- (e) a review of compliance with management policies and directives and any other internal requirements;
- (f) review of the annual Compliance Audit Return;
- (g) assist in the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance; and
- (h) specific tasks requested by management.

For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.

A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.

While it is recognised that smaller councils may not be able to justify a

full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.

The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared by them or their accounting practice, as this is considered incompatible with the standard of independence.

Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken every four years in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.

## Appendix 2

### Model Minimum Standard Audit Specification

**Important:** The following Model Minimum Standard Audit Specification may be used as the basis for the calling of tenders or seeking of quotes for the appointment of an auditor. Local governments need to consider the Model to ensure that only those clauses applicable to its requirements are used. This applies, in particular, to the "Critical matters to be audited".

#### Introduction

This document is provided for the assistance of auditors who wish to apply for the role of auditor with the City/Town/Shire.

Auditors are required to address all of the matters outlined in the specification.

Auditors who submit an application may be asked to provide further information and/or make a presentation to the audit committee.

#### Objectives of the Audit

To provide an independent audit opinion of the accounts and annual financial reports of the local government for each financial year covered by the term of the audit appointment.

#### Term of Audit Appointment

For the financial years commencing 1 July ..... through to 30 June ..... (not more than 5 years)

### Scope of the Audit

The auditor is to –

Carry out such work as is necessary to form an opinion as to whether –

- (a) the accounts are properly kept; and
- (b) the annual financial report –
  - (i) is prepared in accordance with the financial records; and
  - (ii) represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with the Australian Accounting Standards, the *Local Government Act 1995* (as amended) (the Act), the *Local Government (Financial Management) Regulations 1996* (as amended) and other mandatory professional reporting requirements.

Give an opinion in his or her audit report on –

- (a) the financial position of the local government; and
- (b) the results of the operation of the local government.

Include in his or her audit report –

- (a) any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
- (b) any matters indicating non-compliance with financial management or control requirements of the Act, Regulations and any other written law;
- (c) details of whether information and explanations were obtained by the auditor;



- (d) a report on the conduct of the audit; and
- (e) the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions.

#### Audit Methodology and Approach

Other requirements of the Auditor –

- (a) The auditor is required to comply with the requirements of section 7.9 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*;
- (b) An audit is to be carried out in accordance with accounting standards adopted from time to time by the Australian Government Auditing and Assurance Standards Board (AuASB);
- (c) The auditor is to provide the local government with a general outline of his/her methodology;
- (d) The auditor is to provide the local government with a plan for the audit including –
  - timing of interim audit visits;
  - final audit visit (within 30 days of being advised that the accounts and annual financial report are available for audit);
  - timing of the legislative requirement to meet with the local government and whether that meeting will be in person or by some other means;
  - the method to be used to communicate with, and provide advice and information to, the local government; and
- (e) The auditor is required to produce an audit report as required by section 7.9 of the *Local Government Act 1995* and, if considered appropriate by the auditor, a management report.

#### Critical Matters to be Audited

The auditor is to include in his or her application the extent to which the critical matters outlined below will be audited so as to form an opinion on the manner in which they have been maintained.

- (i) Revenue
  - Rates revenue
  - Government grants
  - User pays revenue
  - Profit on sale of non-current assets
  - Other income
- (ii) Expenditure
  - Salary and wage costs
  - Depreciation
  - Materials and contract expenditure
  - Loss on sale of non-current assets
  - Insurances
  - Bad debts
  - Other expenditure
- (iii) Current Assets
  - Bank and short term investments
  - Receivables and prepayments
  - Inventory
- (iv) Non-Current Assets
  - Property, plant, furniture and equipment
  - Infrastructure and depreciation
  - Other receivables
- (v) Liabilities (Current and non-current)
  - Creditors and accruals
  - Loan borrowings including new loans raised
  - Provision for annual and long service leave entitlements
- (vi) Reserve Funds
- (vii) Contingent Liabilities
- (viii) Capital Commitments
- (ix) Accounting Policies and Notes to the Financial Statements
- (x) Cash Flow Statement
- (xi) The financial ratios required by the *Local Government (Financial Management) Regulations 1996*

### Hours, Fees and Expenditure

The auditor is to provide –

- estimate of the time to be spent on the audit;
- fees for completing the audit in accordance with this specification;
- nominated auditor(s) and registered company audit number(s); and
- experience of the nominated auditors in completing local government audits.

The auditor is to provide a fee for any additional audit requested by Council.

### Terms

Conditions to be noted by auditors –

- the auditor shall not sub contract to a third party;
- the auditor shall not, and has no right to, assign the audit contract to third parties;
- the auditor shall not be engaged by the local government to undertake any financial consultancy with the local government that requires the preparation of financial information that will be the subject of the annual audit; and
- the auditor shall confirm that he or she has, and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect, default, error, or omission.

### Termination of Appointment

The appointment as auditor is terminated if –

- (a) the auditor ceases to be a registered company auditor;
- (b) the auditor ceases to be an approved auditor under Section 75 of the *Local Government Act 1995*;
- (c) the auditor is a disqualified person under Section 7.4(2) of the *Local Government Act 1995*;
- (d) the auditor resigns by notice in writing to Council; or
- (e) Council serves notice in writing to the auditor terminating the appointment.

## Appendix 3

### Issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance

**Please note:** Section 7 of the Department's Western Australian Local Government Accounting Manual provides a comprehensive internal control framework related to internal control and risk management.

#### Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:
  - potential non-compliance with legislation, regulations and standards and local government's policies;
  - important accounting judgements or estimates that prove to be wrong;
  - litigation and claims;
  - misconduct, fraud and theft;
  - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated;

monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

### Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- integrity and ethics;
- policies and delegated authority;
- levels of responsibilities and authorities;
- audit practices;
- information system access and security;
- management operating style; and
- human resource management and practices.

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- delegation of authority;
- documented policies and procedures;
- trained and qualified employees;
- system controls;
- effective policy and process review;
- regular internal audits;
- documentation of risk identification and assessment; and

- regular liaison with auditor and legal advisors.

The following are examples of controls that are typically reviewed:

- separation of roles and functions, processing and authorisation;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

### Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Staying informed about how management is monitoring the



effectiveness of its compliance and making recommendations for change as necessary;

- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review management's plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee;
- Considering the internal auditor's role in assessing compliance and ethics risks in their plan;
- Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements; and
- Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

These guidelines are also available on the Department's website at [www.dlgc.wa.gov.au](http://www.dlgc.wa.gov.au)



#### About the Guideline series

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance requirement. The content is based on Department officer knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

**Department of Local Government and Communities**

Gordon Stephenson House, 140 William Street, Perth WA 6000

GPO Box R1250, Perth WA 6844

Telephone: (08) 6551 8700 Fax: (08) 6552 1555

Freecall (Country only): 1800 620 511

Email: [info@dlgc.wa.gov.au](mailto:info@dlgc.wa.gov.au) Website: [www.dlgc.wa.gov.au](http://www.dlgc.wa.gov.au)

Translating and Interpreting Service (TIS) – Tel: 13 14 50



**13.2 Proposals for Audit and Risk Management Committee Training****Reporting Branch: Financial Services****Responsible Directorate: Finance and Corporate Services****EXECUTIVE SUMMARY****Application:**

For the Audit and Risk Management Committee to consider the proposals provided by the advisory directorate of Australian Institute of Company Directors (AICD) and Business Advisory Division of Moore Stephens to conduct internal training for the benefit of Audit and Risk Management Committee members.

**Key Issues:**

This report provides a summary of the proposal and costings provided by AICD and Moore Stephens for internal governance training to be conducted with Audit and Risk Management Committee members.

**BACKGROUND**

To enable Committee members to become fully inducted into their new roles and discharge their obligations in relation to the audit and risk management oversight function, professional development training in this regard is commended. This will include coverage of the following topic areas:

- introduction to the role of the Audit and Risk Management Committee in relation to governance, risk, internal control and financial management;
- review the challenges that Committee members are likely to face in their roles;
- provide information sheets/reference materials to Committee members for future reference; and
- indicative training content (for discussion with training provider) including functions of the Audit and Risk Management Committee, legislative background, statutory obligations (Audit Regulation 17, oversight) and recent industry changes (operation of Local Government Audits).

AICD has put forward a proposal to conduct a Governance Workshop for the City's Audit and Risk Management Committee as part of its Governance Series. This course provides an introduction to the role of the Committee in relation to governance, risk, internal control and financial management. Based on an introductory module developed by AICD, the course leader uses case studies and content which reflect the current real-life scenarios that affect the Committee, and challenges that members are likely to face in their roles.

Moore Stephens has put forward a proposal to provide internal training to Elected Members, specifically tailored to the City's requirements. This will include an introduction to the role of the Committee in relation to financial management, governance, risk, internal control and financial management.

**CONSULTATION**

The attached proposals and summary have been provided as a result of consultation with the business advisory divisions of AICD and Moore Stephens respectively.

## ANALYSIS

The AICD workshop proposal (***Attachment 1***) will be structured around an existing module from the organisation's 'Governance Series' of training for local government organisations. This workshop will incorporate additional training content in addition to the core topic areas identified by the City including: key governance relationships, examination of leadership roles, discussion of how risk management principles can be applied to the role of Councillors and assessing financial performance. The workshop is proposed to run onsite at the City for 3.5 hours at a cost of \$8,000. AICD has indicated it is able to further modify content and duration of the training if that is required.

The Moore Stephens proposal (***Attachment 2***) has been tailored specifically to the City's requirements (the role of the Committee, risk, internal control and financial management). The workshop will focus on an introductory level of content, with a select number of topic areas covered within limited time. The workshop is proposed to run onsite at the City for one hour at a cost of \$2,000. It is intended that this training will be held prior to/during an Audit and Risk Management Committee meeting in early 2018.

Both consultancies have outlined experience in delivering programs for local government clients. Currently Moore Stephens is the appointed auditor for forty-nine local governments across Western Australia, giving the organisation a detailed knowledge of the unique statutory requirements relating to the audit function. The key points of difference between the quotations are in the detail of training content, cost and duration of the workshops.

AICD requires a minimum of four weeks to develop and organise the program. It is believed Moore Stephens requires a similar lead time.

## OPTIONS

The following options are available to Council:

OPTION		BENEFIT	RISK
1.	The Committee engage Moore Stephens to conduct Audit and Risk Management Committee training for new and existing members.  <b><i>Estimated Cost:</i></b> <b><i>\$2,000</i></b>	This proposal is relatively cheaper in cost and time	Committee members may not be fully inducted into their roles..
2.	The Committee engage AICD to conduct Audit and Risk Management Committee training for new and existing members. Some refinement of content and duration of training may be required.  <b><i>Estimated Cost:</i></b> <b><i>\$8,000</i></b>	This training is more comprehensive with content from the Company Directors Course for board directors to give an understanding of compliance, risk, strategy finance and the role of the board, however involves more time commitment and is relatively more expensive than the other proposal.	Committee members may not have sufficient time to spare.
3.	The Committee does not support the proposals for internal training of new and existing members.  <b><i>Estimated Cost:</i></b> <b><i>Nil.</i></b>	No cost to the City.	Committee members are liable to fully discharge their governance responsibilities in relation to this committee.

**CONCLUSION**

Option 1 is recommended with respect to time and money constraints.

**FINANCIAL IMPLICATIONS**

The cost of this training can be sourced from Members' training allocation (Conferences account).

**STRATEGIC LINK**

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme: Leadership and Governance.

Aspiration: Open, accountable and responsive service.

Outcome L1: Accountable and good governance.

**COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS**

Section 7.13(i) of the *Local Government Act 1995*.

Regulation 13, 14 and 15 of the Local Government (Audit) Regulations 1996.

**VOTING REQUIREMENTS**

Simple Majority Required.

**ATTACHMENTS**

1. Australian Institute of Company Directors, '*Proposal to the City of Bayswater*', October 2017.
2. Moore Stephens, '*Proposal - Audit and Risk Committee Training*', November 2017.

**COUNCIL RESOLUTION****(OFFICERS RECOMMENDATION)**

That the Audit and Risk Management Committee recommends that Council approve the proposal submitted by Moore Stephens to conduct training with the City's Audit and Risk Management Committee as summarised in Attachment 2.

CR STEPHANIE GRAY MOVED, CR LORNA CLARKE SECONDED

CARRIED BY EN BLOC RESOLUTION: 10/0

Attachment 1

AUSTRALIAN INSTITUTE  
of COMPANY DIRECTORS

[companydirectors.com.au](http://companydirectors.com.au)

October 2017

Proposal to City of Bayswater



AUSTRALIAN INSTITUTE  
of COMPANY DIRECTORS

Proposal to City of Bayswater  
27/10/2017

## Introduction to the AICD's Advisory Business Unit

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The Australian Institute of Company Directors (AICD) is Australia's leading provider of governance education and development programs, governance assessment services and board advisory services.

As an integral part of the AICD, the 'Advisory' Business Unit focuses on business-to-business (B2B) relationships, servicing For-Profit, Not-for-Profit (NFP), government and university clients. Based on our extensive knowledge and expertise, combined with the contributions of Australia's leading directors, chairs and key advisors to major corporations worldwide, the AICD is uniquely positioned to provide boards and senior executives with leading edge information and thinking on governance excellence across Australia and internationally.

## In House and Bespoke Governance Development and Education

---

Our in-house and bespoke governance education programs support clients in their pursuit of better performance by developing governance capabilities, knowledge and insights.

The depth of our education curriculum and extensive experience in teaching the principles and practice of good governance offers an unparalleled source of knowledge and content to support the development of capability across the Governing Team.

## Our Understanding of Your Requirements

Following the recent conversation between Alison Hutton (City of Bayswater) and Dennis Samarin (AICD), we understand you are seeking a governance workshop for your Audit and Risk Committee. The workshop will focus on areas such as; the purpose, role and functions of the Committee.

To assist AICD in preparation for the workshop, City of Bayswater will provide their Charter, which will be used to tailor the delivery.

## Our Proposed Approach

We will work with City of Bayswater's nominated contact to ensure AICD are fully briefed regarding current issues faced by the Committee.

We will hold pre-briefing sessions with the facilitator about the delivery of the course itself, including any other documents that can be included within the program.

Dennis Samarin will work closely with City of Bayswater to ensure all elements of the agreement are delivered to mutual satisfaction.

Below are examples of programs we have delivered for Local Government clients. The content can be further refined in conjunction with our facilitators and the City of Bayswater.

### Governance Essentials for Local Government

This program consists of four half-day courses. Each course may be undertaken in conjunction with the other courses in the Governance Essentials for Local Government program or as a stand-alone education offering.

**The Role of the Council and Councillor** provides an overview of how the Council uses systems and processes to control and monitor — or govern — Council activities. These are distinct from management's role, which is to ensure that the day-to-day operations of the Council are carried out within the framework of policies and strategic guidelines the Councillors have established. Participants also explore the duties and responsibilities of a Councillor; and the Council's key governance relationships, including those with Local, State and Federal levels of Government, Local Government staff, the local community and special interest groups.



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**Leadership: The Councillor's Role** assists Councillors to increase their understanding of their own leadership style, others' styles and how leadership is used to build an effective, high-performing Council. It examines the leadership roles of primary Council representatives and illustrates how good leadership contributes to the solving and preventing of problems, the building of trust, and the enrichment of the local community.

**Risk: Issues for Councillors** focuses primarily on the Council and Councillor risk, rather than activity or operational risk. It covers how to develop risk profiles and likelihood and consequence matrices; and application of qualitative and quantitative tools to manage risk. Participants emerge with well-formed views on risk management, their risk appetite, and how risk management principles can be applied to their role as Councillors.

**Introduction to Financial Statements for Councillors** introduces Councillors to financial concepts, the key financial statements, the duties imposed on them, and how to establish a basic understanding of assessing financial performance. Participants learn common ratios used by boards to monitor performance, and consider issues to be mindful of when questioning management on the preparation of financial statements and when reviewing financial reports.

## Solution Delivery

The AICD provides world-class governance education to build the capability of organisations, directors and executives and has developed its courses over many years. Unless otherwise agreed, AICD will provide each participant with electronic and hard copy course, though the AICD retains all rights in all courses and materials it develops. AICD will also provide a post-course feedback report and proof of program completion for each participant.

AICD requires a minimum of 4 weeks to develop and organise this program, subject to availability of facilitators.

Participant details (name, position and contact information) should be advised at the time of confirming the delivery date of the proposed program. Details will be shared with the facilitator to enable more effective planning of the course delivery. We may contact participants after the course in relation to program feedback, and education and events information.

The AICD may have a representative attend the program as part of its commitment to monitoring quality and to ongoing improvement.

Matters discussed and opinions expressed in a session are confidential and will not be disclosed outside the session by our representatives.

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## Investment and Professional Fees

The price for your Solution is

Item	Investment (ex GST)
Half day delivery (3.5 hours)	\$8,000

AICD to provide course material, facilitator, post course feedback report.

City of Bayswater to provide the venue, audio visual equipment and catering for participants.

This includes all elements of the Solution described in this Proposal. This pricing is valid for three months from the date of this Proposal.

If you would like to engage us to provide the Solution, please contact me as per the details below.

Best Regards

Dennis Samarin

Account Manager

Australian Institute of Company Directors

Level 1

77 St Georges Terrace

Perth WA 6000 Australia

companydirectors.com.au

ABN 11 008 484 197

Attachment 2



MOORE STEPHENS

Proposal - Audit and Risk Committee  
Training

City of Bayswater  
November 2017

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## Why Appoint Moore Stephens

At Moore Stephens we have an experienced local government team to provide our clients with a tailored solution for all their governance training requirements.

Our proposal outlines the following reasons to appoint Moore Stephens:

An experienced team	Our team possess the right skills, experience and credentials to meet your needs. They have an in-depth understanding of the local government industry and relevant experience presenting to Local Government Audit Committees.
We are familiar with Local Government	We can demonstrate a proven capacity to work with local governments to achieve outcomes and meet deadlines.
An integrated service	We have an excellent track record of delivering high quality services to local government throughout Western Australia.
Accessible partners and staff	All our engagements have a high level of partner and senior staff involvement. This increased accessibility means we can develop a detailed understanding of your City to deliver practical outcomes.
The right fit	Our service is not just compliance focused. We can guide you through all the relevant requirements and advise you on other potential industry related issues.

We trust our proposal will contain all the information you require at this stage of consideration, and we look forward to discussing your requirements further.

## Scope

We understand the City seeks assistance to provide internal training to Elected Members on the Audit & Risk Committee to ensure:

- The Audit and Risk Assurance Committee Members are fully inducted into their new roles; and
- The Audit and Risk Assurance Committee Members maintain their understanding of the committee's functions.

The training is to include the following:

- Introduction to the role of the Committee in relation to governance, risk, internal control, financial management;
- Review challenges that committee members are likely to face in their roles; and
- Provide information/reference sheets for members future reference;

### INDICATIVE TRAINING CONTENT (for discussion)

- Legislative Background
  - Local Government Act 1995 and
  - Associated Local Government Regulations
- Recent industry changes - Operation of Local Government Audits
- Composition of the Audit Committee
- Functions and Membership of the Audit Committee
- Internal Controls and Risk
- Statutory Obligations
  - Financial Management
  - Audit Regulation 17
  - Risk Management
  - Governance
  - Oversight
  - Interaction with the Auditor
- Challenges, Traps and Pitfalls
- Questions



## Capacity and Timing

### UNDERSTANDING

We have a detailed knowledge of the unique statutory requirements in Western Australia relating the Local Government Audit function.

We are the appointed auditors for 49 local governments across Western Australia, ranging in size from the City of Joondalup to the Shire of Hall's Creek. We regularly attend meetings with Client Audit Committees and part of this role is to explain their roles and obligations.

Our training will reflect this experience and understanding with targeted content covering the most important issues to make the most of the limited time available. This experience will result in the Members of the Committee being able to ask a wide range of questions of the Presenters and receive a response in context.

### CAPACITY

We intend to provide two presenters drawn from our team, as attached, all of which are very experienced presenters with an engaging style to ensure a quality outcome.

### TIMING

We understand you will likely be accessing the training in early February 2018, with a training session approximately 1 hour including questions.

### VENUE

City of Bayswater.

## Fees Estimate

Our indicative fees estimate for undertaking the engagement is in accordance with our understanding of the scope of service as outlined in this document.

	Fee (excl GST)
Preparation of training presentation and facilitate workshop with Audit & Risk Committee Members and Senior Staff	\$2,000

Our fee estimate is valid for 60 days from the date of our response. We propose to bill for our services at the completion of the training event.

### FEE ASSUMPTIONS AND INCLUSIONS

In the preparation of our fee estimate, we have made the following assumptions:

- The training will be provided in onsite at the City of Bayswater; and
- The City of Bayswater will provide the training facilities in which to undertake the training.

### FEE EXCLUSIONS

Our fee estimate excludes:

- Goods and service tax.

## Relevant Experience

### INTERNAL AUDIT SERVICES

We have conducted a wide range of Internal Audits for local governments. Most recently, an end to end process review of tenders and contracts was conducted for Town of Bassendean.

City of Albany	Internal Audit - 2013 to present
Town of Bassendean	Internal Audit - 2013 to present
	End to End Review of Procurement Processes 2017
City of Bayswater	Receipting Systems and Processes 2015
	Cash Handling Procedures 2015
City of Cockburn	Activity Based Costing Review
	Fuel Management Process
City of Joondalup	City Festivals
Town of Port Hedland	Tender probity reviews 2010 and 2011
	Selected Procurement Events Review 2016
City of Rockingham	Metering of Utilities Usage 2008
City of Stirling	Asset Management Review 2008, 2012 & 2016
City of Vincent	Internal Audit - 2013 to 2017
Shire of Wyndham-East Kimberley	Key Transaction Cycles Process Review 2015

### FINANCIAL MANAGEMENT REVIEWS

In the course of the past sixteen years, we have also provided detailed Financial Management Review services to the majority of our clients and other local governments state wide.

In all, since the year 2000, we have performed approximately 200 Financial Management Reviews to various local governments in both the metropolitan and regional areas.

During this time, we have developed a unique methodology in relation to these Financial Management Reviews which is based on our extensive local government knowledge and experience.

Financial Management Reviews undertaken since the beginning of 2016 total thirty five (35) as follows:

City of Albany	Shire of Corrigin	Shire of Mount Marshall
City of Armadale	Town of Cottesloe	Shire of Northam
Shire of Ashburton	Shire of Derby-West Kimberley	Shire of Northampton
Shire of Brookton	Shire of East Pilbara	Shire of Shark Bay
Shire of Broome	Shire of Halls Creek	Shire of Three Springs
Shire of Chapman Valley	City of Kalgoorlie – Boulder	Town of Victoria Park
Shire of Chittering	Shire of Katanning	Shire of Westonia
Shire of Carnarvon	Shire of Kellerberrin	Shire of Wongan-Ballidu
Shire of Christmas Island	City of Kwinana	Shire of Woodanilling
Town of Claremont	Shire of Lake Grace	Shire of Yilgarn
Shire of Cocos (Keeling) Islands	City of Melville	Shire of York
Shire of Coorow	Shire of Morawa	

## Relevant Experience (continued)

### AUDIT REGULATION 17 REVIEWS

Over the course of the past 3 years, we have also conducted Audit Regulation 17 reviews for the following:

Shire of Ashburton	City of Kwinana	Shire of Three Springs
Shire of Broome	Shire of Laverton	Shire of Victoria Plains
Shire of Christmas Island	Shire of Morawa	Shire of Wiluna
Shire of Coorow	Town of Port Hedland	Shire of Wyndham-East Kimberley
Shire of East Pilbara	Shire of Serpentine-Jarrahdale	Shire of York
Shire of Katanning	Shire of Shark Bay	

### STATUTORY AUDIT SERVICES

The firm is the largest external auditor of local government in the State. For the year ended 30 June 2017, we are the incumbent auditors of forty-nine (49) local governments throughout Western Australia (and have had a significant client base dating back to 1990).

City of Albany	Shire of Exmouth	Shire of Ngaanyatjaraku
Shire of Ashburton	City of Fremantle	Shire of Northam
Shire of Augusta-Margaret River	Shire of Gingin	Shire of Northampton
Shire of Brookton	Shire of Gnowangerup	Shire of Plantagenet
Shire of Broome	Shire of Halls Creek	Shire of Quairading
Shire of Carnarvon	Shire of Irwin	Shire of Serpentine-Jarrahdale
Shire of Chapman Valley	City of Joondalup	Shire of Shark Bay
Shire of Chittering	City of Kalgoorlie-Boulder	City of Subiaco
Shire of Christmas Island	Shire of Katanning	Shire of Three Springs
Town of Claremont	Shire of Kellerberrin	Shire of Toodyay
Shire of Cocos (Keeling) Islands	City of Kwinana	Shire of Trayning
Shire of Coolgardie	Shire of Lake Grace	City of Vincent
Shire of Coorow	Shire of Mt Marshall	Shire of Wongan-Ballidu
Town of Cottesloe	Shire of Mukinbudin	Shire of Wyndham-East Kimberley
Shire of Derby-West Kimberley	Shire of Mundaring	Shire of Yilgarn
Shire of Dumbleyung	Shire of Narembeen	Shire of York
Shire of East Pilbara		

## Relevant Experience (continued)

### TRAINING WORKSHOPS

Over the past twenty years, we have also conducted an annual workshop, which in 2016 was attended by over one hundred (100) local governments from all over Western Australia. These workshops have addressed the Annual Financial Report, Budget, accounting standards, the mandating of fair value, related party disclosure, infrastructure assets, cashflow statements, ratio analysis, sustainability and various other topical accounting issues.

We are also the long serving contract provider for WALGA's tax service and provide regular training services under this contract.

In summary, extensive assistance to local government have been provided in the following areas:

- Financial Management Reviews
- Financial Report preparation
- Audit Regulation 17 Reviews
- Statutory Compliance Audits
- Infrastructure Assets advice
- Fair Value implementation
- Budget Conversion and Assistance
- Ratio Interpretation Assistance
- GST & FBT Advice
- Long Term Financial Plans
- Strategic Plans
- Corporate Business Plans
- Workforce Plans
- Asset Management Plans

### FOUNDATION PARTNER OF LOCAL GOVERNMENT PROFESSIONALS AUSTRALIAN WA

We are a subscriber member of Local Government Professionals Australia WA and an active participant in Institute events. In 2014, we became a Foundation Partner of Local Government Professionals Australian WA (formerly known as LGMA WA) having previously been a Principal Partner since the beginning of 2008 and a major sponsor of the annual conference since 2000 as well as other regional conferences and sporting events.

## Quality

The firm takes a three-tiered approach to quality assurance:

- Project Specification;
- Staff Selection; and
- Quality Reviews.

All review projects are designed and documented before commencement to ensure the objectives of our client are specifically addressed and our methodology is understood. The document is approved prior to commencement of fieldwork.

The Partners and senior staff have had extensive experience in the provision of audit, accounting and advisory services. Partners and staff attend ongoing in-house staff training, national and international conferences and undertake presentations.

Field operatives and supervising personnel are selected on the basis of their experience in the project subject matter and their ability to add value to the final project outcome.

The quality review process is further enhanced by a peer review conducted by the Chartered Accountants Australia and New Zealand practice reviews program. Our last practice review under the program found our files complied with the Institute's quality requirements.





## Key Personnel

### David Tomasi

Partner



#### Relevant experience:

- Commenced his career as an Auditor in 1985.
- Broad range of experience across all industry sectors including five years with a "big 4" accounting firm and twelve months in the UK.
- Extensive local government experience since 1990, including development of the firm's local government external and internal methodology and approach, and engagement partner on a significant number of our local government clients spanning three decades.
- Significant experience with Audit Regulation 17 reviews.
- Developed the firm's methodology in relation to Financial Management Reviews and has been involved in a large majority of them since 2000.
- Facilitated Strategic Plans at two local government authorities.
- Involved in numerous special investigations and consulting engagements.
- Presented firm's workshops (since inception in 1995).
- Previously a member of the DLGRD's Financial Reporting Working Party, which, amongst other things, was charged with the review of the Financial Management Regulations to ensure consistency with recent changes to Australian Accounting Standards (AIFRSs) and providing guidance on other financial reporting matters.

#### Industry Papers Presented:

David has presented many Papers covering industry specific matters, including:

*Asset Management, Cash Flow Statements, Local Government Audit and Accounting, IFRS, Fair Value, Reporting, ROMAN II Cloud Computing, Cyber Security and Electronic Payment Risks.*

City of Bayswater  
Proposal - Audit and Risk Committee Training

David brings the necessary local government experience, expertise and knowledge to help ensure an efficient, effective and value for money service.

#### Role:

- Partner in charge of the Audit and Local Government Divisions
- Quality Control Leader
- Engagement Partner (including Local Government Audit and Consulting engagements)

#### Qualifications:

- Bachelor of Commerce (UWA)
- Chartered Accountant (Fellow)
- Registered Company Auditor
- Registered Tax Agent
- Registered Co-operative Company Auditor
- Registered Self-Managed Superannuation Fund Auditor

Moore Stephens (WA) Pty Ltd | 12

## Key Personnel (continued)

### Paul Breman

#### Local Government Services Director



#### Relevant Experience:

- Involved in the Local Government industry for over 35 years.
- Previously held positions at a variety of local governments in WA ranging from large metropolitan Councils such as the City of Melville to small rural local governments such as the Shire of West Arthur.
- Joined Moore Stephens in 2007 from his most recent position as Executive Manager of Corporate Services, Shire of Esperance.
- A Certified Practising Accountant with an in-depth knowledge of local government accounting and governance practices.
- Recipient of numerous financial management awards including the WA Public Sector CPA of the Year 2001.
- Brings to the firm a rare strength of local government experience which demonstrates the firm's long-term commitment to the industry.
- Detailed knowledge of the industry adds depth and understanding to all our local government engagements.

Paul's experience and "hands-on" knowledge is widely recognised in the Industry.

#### Role:

- Local Government Director
- Responsibility across our Remote Accounting Services, IT Solutions and consulting engagements

#### Qualifications:

- Bachelor of Business
- Diploma in Local Government
- Fellow of CPA Australia
- Fellow of LG Professionals WA

## Key Personnel (continued)

### Anne Cheng

#### Manager - Risk Advisory Services



#### Relevant experience:

- Internal Audit; professional with over 25 years' internal audit compliance and risk management experience.
- Has had broad exposure to a variety of industries and business environments including:
  - Education;
  - Financial;
  - Local Government;
  - Mining and Resources; and
  - Oil and Gas
- Proven ability to drive compliance and corporate governance.
- Performed a number of Audit Regulation 17 engagements for our local government clients.
- Significant experience developing, designing and implementing risk management, compliance, governance and internal audit frameworks.
- Specific Sarbanes-Oxley (SOX) experience and responsible for obtaining section 302 and 404 certification.

#### Papers Presented:

- Anne has presented many papers and conducted specific training workshops including:
  - Compliance and Governance Frameworks;
  - Design and Implementation of Internal Audit Frameworks;
  - Risk Management; and
  - SOX Certification

**Anne's specific risk management and compliance audit knowledge and experience helps us to provide a quality audit service.**

#### Role:

- Risk Management and Compliance Manager

#### Qualifications:

- Bachelor of Arts (University of British Columbia)
- Certified Internal Auditor (CCA)



## Other Matters

### Disclaimer

The services provided in terms of this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standard Board and, consequently no opinions or conclusions are intended to convey assurance either expressed or implied.

Moore Stephens, Perth, a Perth based partnership of trusts ("the firm"), carries on business separately and independently from other Moore Stephens member firms around Australia and worldwide.

Services provided under this engagement are provided by the Firm and not by any other independent Moore Stephens member firm. No other independent Moore Stephens member has any liability for services provided by other members.

Throughout this document a reference to Moore Stephens refers to Moore Stephens (WA) Pty Ltd as agent, ABN 99 433 544 961. An independent member of Moore Stephens International Limited – member in principal cities throughout the world. The Perth Moore Stephens is not a partner or agent of any other Moore Stephens firm.

### Copyright

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Any report, plan, presentation or document prepared and/or spreadsheet supplied will be prepared solely for the purpose set out in this proposal and is not to be used for any other purpose or distributed to any other party without Moore Stephens prior consent. Any reliance placed by a third party on the report is that party's responsibility.

### Conflicts of Interest

The firm currently provides extensive audit and advisory services to local government however, we do not believe the provision of these training services would compromise our objectivity in the delivery of these services.

Should the possibility of a perceived or actual conflict arise, the matter would be raised with the CEO immediately and activities suspended until the issue is resolved to the satisfaction of the CEO.

### Proposal Approver

Paul Breman, Director

Email [pbreman@moorestephens.com.au](mailto:pbreman@moorestephens.com.au)

### Date of Proposal

24 November 2017

**MOORE STEPHENS**

Level 15, 2 The Esplanade,  
Perth WA 6000

T +61 (0)8 9225 5355

F +61 (0)8 9225 6181

[perth@moorestephens.com.au](mailto:perth@moorestephens.com.au)

[www.moorestephens.com](http://www.moorestephens.com)

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**13.3 Ministerial Circular - Local Government Risk Profile****Reporting Branch: Corporate Services****Responsible Directorate: Finance and Corporate Services****EXECUTIVE SUMMARY****Application:**

To advise the Audit and Risk Management Committee of a Ministerial Circular that has been distributed to the sector in relation to local government risk profile.

**Key Issues:**

This report provides an outline of the Ministerial Circular in relation to the risk profile of local government authorities comprising financial ratios and compliance with legislative requirements.

**BACKGROUND**

Under regulation 50 of the Local Government (Financial Management) Regulations 1996, the annual financial report is to include, for the financial year covered by the annual financial report and the two preceding financial years, the following seven ratios:

- Current Ratio;
- Asset Consumption Ratio;
- Asset Renewal Funding Ratio;
- Asset Sustainability Ratio;
- Debt Service Cover Ratio;
- Operating Surplus Ratio; and
- Own Source Revenue Coverage Ratio.

To demonstrate how the ratios are used as indicators, the 'Current Ratio' measures the ability of a local government to meet its short-term financial obligations out of unrestricted current assets.

The standard is not considered by the Department to have been met if the ratio is lower than 1:1 as it indicates that the local government does not have sufficient assets that can be quickly converted into cash to meet its immediate cash commitments. The City's Current Ratio exceeds this target.

Similarly, the 'Debt Service Cover Ratio' measures a local government's ability to repay its debts including lease payments.

A 'basic' standard is achieved if the ratio is greater than or equal to two. An 'advanced' standard is achieved if the ratio is greater than five. The City's indicator in 2017 is 1003:1 (unaudited).

It is generally accepted accounting practice to regard ratios as indicators only, and they should not be considered in isolation.

The Department monitors these ratios and, should there be any concerns, raises them with the respective local government.

The Department recently issued a Ministerial Circular (**Attachment 1**) which alludes to some concerns raised by the sector on how the Department has communicated with the sector on these ratios.

The Department's Manager Sector Governance was not able to advise of specific local governments which have raised such concerns, however was able to confirm that the Department does not have any concerns with the financial statements submitted to date by the City of Bayswater.

On that basis, the circular is attached for information of the Committee only, and no action is required.

## **CONSULTATION**

The Department's Ministerial Circular is attached for information.

## **ANALYSIS**

No action is required at this time as the Department does not have any concerns with the financial statements submitted by the City of Bayswater. It is noted that the circular recommends that should any non-compliance issues be raised, officers should engage with elected members through the Audit and Risk Management Committee.

## **OPTIONS**

Not applicable.

## **CONCLUSION**

The Ministerial Circular is provided for information only and the Department has confirmed that it has no concerns with the City of Bayswater.

## **FINANCIAL IMPLICATIONS**

Nil.

## **STRATEGIC LINK**

In accordance with the City of Bayswater's Strategic Community Plan 2017-2027, the following applies:

Theme: Leadership and Governance.  
Aspiration: Open, accountable and responsive service.  
Outcome L1: Accountable and good governance.

## **COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS**

Nil.

## **VOTING REQUIREMENTS**

Simple Majority Required.

## **ATTACHMENTS**

1. Ministerial Circular No. 8 - *Local Government Risk Profile*.

## **COUNCIL RESOLUTION** **(OFFICERS RECOMMENDATION)**

That the Audit and Risk Management Committee recommends that Council receive the report on the Ministerial Circular No. 8 - *Local Government Risk Profile*.

**CR STEPHANIE GRAY MOVED, CR LORNA CLARKE SECONDED**

**CARRIED BY EN BLOC RESOLUTION: 10/0**

**Attachment 1**

**Hon David Templeman MLA  
Minister for Local Government; Heritage; Culture and the Arts**

---

Our Ref: 66-02771

TO ALL LOCAL GOVERNMENTS

CIRCULAR N<sup>o</sup> 08-2017

**LOCAL GOVERNMENT RISK PROFILE**

I am aware of concerns raised within the local government sector about the Department of Local Government, Sport and Cultural Industries' Risk Profile and the way the Department has communicated with the sector with regard to the Profile.

The Department has an important role in building capacity and good governance in the local government sector, and providing effective regulation through ensuring compliance with the *Local Government Act 1995* and regulations. By adopting a risk-based approach, and accepting that not all risks can be eliminated, the Department is able to direct resources toward the greatest threats to a local government's ability to function effectively in the interests of its community.

Local governments produce a wide range of information that is used by the Department to categorise local governments according to their potential risk. The Department has prepared this Risk Profile for the last six years.

Where a local government is reporting, or being reported, as non-compliant with legislative requirements and/or producing financial results below prescribed standards, the Department makes the organisation aware of the fact and provides advice on how to remedy the situation.

In these circumstances, officers should be engaging with elected members, preferably via the Council's Audit Committee, so the Council can be apprised of the situation and, as appropriate, develop strategies to:

- address non-compliance;
- initiate action plan(s) for continuing improvement; and
- identify what Council considers might be sound financial health for itself where that might be below sector standards or benchmarks.

Level 7, Dumas House, 2 Havelock Street, West Perth, Western Australia 6005  
Telephone: +61 8 6552 5400 Facsimile: +61 8 6552 5401 Email: Minister.Templeman@dpc.wa.gov.au

- 2 -

I understand that both the Western Australian Local Government Association (WALGA) and Local Government Professionals Australia (WA) (LG Professionals) have now been provided with details of the local governments identified on the Profile, together with information on the assessment criteria used to determine their level of risk. Additionally, I am advised that the Department has formed a reference group with WALGA and LG Professionals, to better coordinate the provision of assistance to high risk local governments.

The Department has advised that, in light of the sector's concerns, it will be reviewing the way it communicates with the sector about the Risk Profile, and will be more proactive in advising strategies for local governments to improve their categorisation. I will continue to call meetings annually with the Corruption and Crime Commission, Public Sector Commission, the Department and the sector to discuss more serious and systemic risks and work on solutions.

I encourage you to familiarise yourself with your local government's compliance requirements, so that you can contribute to the good governance of your organisation, to ensure there is transparent and proper accountability for your community.



HON. DAVID TEMPLEMAN MLA  
MINISTER FOR LOCAL GOVERNMENT;  
HERITAGE; CULTURE AND THE ARTS

**13.4 Risk Management Assurance Reporting**

<b>Reporting Branch:</b>	<b>Corporate Services</b>
<b>Responsible Directorate:</b>	<b>Finance and Corporate Services</b>
<b>Refer:</b>	Item 8.3: A&RMC: 12.09.2013
	Item 8.4: A&RMC: 17.06.2014
	Item 8.5: A&RMC: 21.10.2014
	Item 8.1: A&RMC: 24.11.2014
	Item 8.2: A&RMC: 17.02.2015
	Item 8.1: A&RMC: 16.06.2015
	Item 8.2: A&RMC: 10.11.2015
	Item 8.2: A&RMC: 16.02.2016
	Item 8.1: A&RMC: 22.03.2016
	Item 8.3: A&RMC: 28.06.2016
	Item 15.1.3: OMC: 06.12.2016
	Item 13.4.4: OMC: 23.05.2017
	Item 13.1.3: OMC: 12.09.2017

**EXECUTIVE SUMMARY****Application:**

For the Audit and Risk Management Committee to consider and endorse to Council the fourth Risk Management Assurance Report which examines the Risk Management practices of the City.

**Key Issues:**

This report provides a summary of findings within the assurance phase of the City's Organisational Risk Management Framework.

**BACKGROUND**

The Audit and Risk Management Committee has been provided with periodic reports on the development of the City's risk management systems as required under the *Local Government (Audit) Regulations 1996*.

The City has established essential documentation outlining its commitment and objectives with respect to managing uncertainty that may impact the City's strategies, goals or objectives.

The City's Risk Register is a centralised record that identifies for each known risk: a description of the risk; its causes and potential impact; an outline of existing controls, including the person accountable for managing the risk; a risk rating; and an overall priority for the risk. There are approximately 90 risk issues within the City's Risk Register, which have been grouped under the themes of:

- Material Operating Risks;
- Business Continuity Planning;
- Procurement Framework;
- Fraud Risks; and
- Strategic Risks.

In December 2016, the City commenced activation ('Assurance') of the Risk Management framework through quarterly examination of selected risk topics from the corporate risk register.

The Assurance process examines the efficiency and effectiveness of current risk controls with operational managers or 'risk owners' to identify how improvements or further control activities can be implemented to reduce risk. Further control activities include developing new policies or practices, employing new technology and applying additional resources or resolving gaps in practices.

The risk issues considered are summarised in the attached Assurance Register (**Attachment 1**).

## **CONSULTATION**

The Assurance testing process has promoted an ongoing internal collaboration between the City's Risk Management Advisor and managers or 'risk owners' within respective operational areas to mitigate risk and identify new or emerging risk issues.

## **ANALYSIS**

The City's assurance testing process examines the efficiency and effectiveness of mitigation activities identified by each risk owner for the purposes of:

- ensuring that controls are effective and efficient in both design and operation;
- obtaining further information to improve risk assessment;
- analysing and learning lessons from risk events, including past experiences, changes, trends, successes and failures;
- detecting changes in the external and internal context, including changes to risk criteria and to the risks, which may require revision of risk treatments and priorities; and
- identifying emerging risks.

The outcomes of this report address the principles and guidelines identified in the AS/NZS ISO 31000:2009 standard which underpin effective risk management. The fourth quarter findings demonstrate:

### **1. The City's underlying commitment to Risk Management requires some development**

Quality improvement and the management of risk within the City should form part of both strategic and operational planning in every area and service of Council delivery. To be effective an integrated approach should be taken to Risk Management encompassing all of the City's business activities including customer service, community development and events, procurement, capital development, information technology, contractor management, workplace health and safety, workforce management, financial planning, and all other areas of operation.

It is also recommended the City revisit its risk management priorities in light of changes to key management personnel and business priorities recently identified in the Service Review 'Seed' Project. The City has previously undertaken this task in 2014 in consultation with Local Government Insurance Services (LGIS). A review will assist the City to identify what external requirements it needs to achieve and what aspects of Council business should be targeted. If there are particular business areas that need support, the City needs to define what resources are available to make improvements.

### **2. Continual Improvement is being demonstrated, progress is being measured and learning is being reviewed**

An effective Risk Management process provides a framework for considering everything the City does, how it is done and identifying ways to make it better before problems are identified. Whilst the City's Risk Register and Assurance Plan is managed by the Risk Management Advisor, the risk issues and subsequent actions are owned by individuals.



The assurance review process has been effective in encouraging staff to participate and share their experiences. Networking and discussion have assisted in identifying gap areas and potential solutions to improve outcomes. Assigning risk ownership also ensures a specific person is responsible and accountable for the regular review, reporting, monitoring of controls, and implementation of risk treatments.

To sustain the process of improvement, further controls, actions and activities are currently tracked through the City's Organisational Risk Register. As an example, site induction training and task analysis for 'Contractor Works' is being rolled out in December 2017. Feedback will be sought from the Risk Owner after this time in January 2018 as to the effectiveness of the training and any follow-on reporting requirements that might be necessary.

Updated information is captured in the Corporate Risk Register and will be considered during its next review cycle. This process demonstrates that progress is being measured and learning is reviewed in order to sustain change and improvement.

It is however noted that some improvement could be made in relation to the frequency of review. Current resourcing allows the Risk Management Advisor to work through approximately forty to fifty risk issues in the Corporate Risk Register over the period of twelve months, meaning that each risk issue is reviewed once every two years. Therefore progress of learning and improvements are not as frequently reported.

**3. Risk owners have made meaningful efforts to reduce the adverse impact of risks**

Examining the effectiveness of risk controls during this assurance testing period has indicated that, in most cases, risk issues have been 'Downgraded' which demonstrates improvement since the risk issues were established in June 2016. For example, in relation to the risk issue '*Managing Venues and Public Events*', a cross-functional team has identified improvements to the event approvals process in order to deliver better outcomes for community event organisers.

As a consequence of this work it is anticipated that fewer applications will be required and that internal timeframes for approvals can be reduced ie. thirty-day approvals can now be resolved in twenty-one days and sixty-day approvals in forty-five days. Control improvements have resulted in the likelihood/consequence rating reducing from 'Possible' to 'Unlikely' and the overall risk rating improving from 'Moderate' to 'Low'.

**4. The majority of process controls are generally operating as intended, however some inadequacies exist.**

Examining the effectiveness of risk controls during this assurance testing period has indicated that, in most cases, risk issues have been 'downgraded' which demonstrates improvement since June 2016.

In relation to the risk of 'Failure to establish effective contract terms and conditions' current controls include: adopting Western Australia Local Government Association (WALGA) model conditions for all contracts, adopting Australian Standard general suite of conditions and compiling a Procurement Manual. The City monitors this risk issue at regular intervals guided by relevant legislation including the *Local Government Act 1995*, *Construction Contracts Act 2004* and Local Government (Audit) Regulations 1996. The sufficiency of these measures is assessed as 'Adequate' as existing controls are efficient, relevant, documented and reviewed.

Whilst, generally, meaningful efforts have been made to reduce the adverse impact of risks there was also one risk issue which returned an 'inadequate' existing control rating in

relation to '*Managing Intellectual Property, Copyright and Media Creation*'. An 'inadequate' rating indicates that process controls are not operating as intended, or are not being complied with and there is a *need* for improvement or action. The City has previously had a number of alleged copyright breaches with respect to attaching newspaper articles to council agenda and minutes and the question of whether the City will get a future licence with a media marketing company to manage this risk is undecided. The City has also terminated its licence with 'Copyright Agency Limited' which entitled the City to some sharing of copyright protected materials.

If the City decides not to pursue this option it will be about internally managing the corporate risk. With respect to this risk issue the Governance Officer and Public Relations Advisor have resolved to ensure that all councillors will be receiving media training, including obligations under the *Copyright Act*, particularly in regards to sharing newspaper stories on social media and that an internal email will be sent to staff about their obligations.

### **Emerging Issues**

While prioritising risks in terms of their potential impact and the likelihood of occurrence is an effective technique for assessing known risks, it is not always effective in addressing emerging risks. It is important to pay adequate attention to emerging or known risk issues relevant to local government organisations:

- **High Density Living** has been identified as a key strategy to manage urban growth and is becoming an increasing feature of City plans. The risk issue centres on balancing the emerging state government focus on urban consolidation against residential satisfaction and quality of life. The experience of living in greater density can also give rise to conflicting use of common areas (driveways, verge), noise intrusion, lack of social cohesion, design and construction quality. There may be future action required from developers and planners to address the concerns of people living in greater density.
- **Cyber Risk** has been identified by the outgoing Auditor General (WA) as a risk issue with a general absence of standards. The Office of the Government Chief Information Officer (GCIO) has been established to provide direction for the adoption and maintenance of security protection controls: <http://gcio.wa.gov.au/tag/cybersecurity/>. The Auditor General has recommended that Audit and Risk Committees compare their planning for Cyber Security to International Standards and in turn list their priorities. The Australian Signals Directorate (ASD) standards provide detailed guidelines to managing Cyber Security within organisations. <https://www.asd.gov.au/infosec/mitigationstrategies.htm>
- **Red Tape Reduction** has been identified by the outgoing Auditor General (WA) as a future focus area for local governments. Attention should be on the review of regulatory costs and existing administration to ensure that unnecessary restrictions on innovation are removed and regulatory frameworks remain 'fit for purpose'. The Auditor has recommended that councils keep watch for the Department of Finance (WA) which will be issuing a report in December 2017 in relation to its work on Red Tape Reduction.

### **OPTIONS**

The following options are available to Council:

OPTION		BENEFIT	RISK
1.	The Audit and Risk Management Committee commends to Council the Assurance testing report December 2017.  <b>Estimated Cost:</b> <b>\$ Nil.</b>	Demonstrates activation of the City's risk management systems, as required under the Local Government (Audit) Regulations 1996.	Committee may wish to have greater involvement in the assurance testing process.
2.	The Audit and Risk Management Committee does not commend to Council the Assurance testing report December 2017.  <b>Estimated Cost:</b> <b>\$ Nil.</b>	Committee may wish to defer the report and seek further information on the assurance testing process.	Potential delay to activation of the risk management system which has already been endorsed by Council.

## CONCLUSION

Option 1 is recommended as the results of this report provide an input into the continuous improvement of the City's risk management framework. The focus of the fourth round of testing is to demonstrate that the Assurance process is being activated with outcomes demonstrated.

A further 10-12 risk issues will be selected for testing in March, 2018.

## FINANCIAL IMPLICATIONS

Nil.

## STRATEGIC LINK

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme: Leadership and Governance  
 Aspiration: Open, accountable and responsive service.  
 Outcome L1: Accountable and good governance.

## COUNCIL POLICY AND LEGISLATIVE IMPLICATIONS

Section 7.13(i) of the *Local Government Act 1995*.

Regulation 13, 14 and 15 of the Local Government (Audit) Regulations 1996.

## VOTING REQUIREMENTS

Simple Majority Required.

## ATTACHMENTS

1. Risk Assurance Table

## COUNCIL RESOLUTION (OFFICERS RECOMMENDATION)

That the Audit and Risk Management Committee recommends that Council approve the fourth quarter of Assurance testing phase of the City's risk management system, as summarised in Attachment 1 to this report.

CR STEPHANIE GRAY MOVED, CR LORNA CLARKE SECONDED

CARRIED BY EN BLOC RESOLUTION: 10/0

**Attachment 1**

## **Appendix 1 - Risk Assurance Table**

Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
1	Failure to effectively engage with the Media.	Material Operating Risk	Unlikely	Moderate	Moderate	<p>The City currently engages with the general public through a range of services, including online forums, Australia Post, print media and TV and radio.</p> <p>Governing legislation relevant to this area includes Local Government Act 1995, Corruption and Crime Commission Act 2003, Local Government (Rules of Conduct) Regulations 2007, Australian Standard: Freedom of Information - Professional Standards, Freedom Of Information Act 1992: Part 2, Privacy Act 1988, Local Government Act 1995 (Division 9 - Codes of Conduct), Code of Ethics.</p> <p>Currently the Public Relations team is authorised to respond to or initiate media contact; the Mayor is directly quoted. Currently the PR team work with individuals across the organisation to communicate responses to the media. All media enquiries or requests for strategic City comment relating to the City's organisational or policy activities must currently be directed to the Public Relations team.</p> <p>The City currently has no Media Engagement Policy or Media Engagement Framework. Implementing a Media Engagement Policy or Framework would facilitate effective guidance for employees regarding media engagement. The framework should outline control measures to remove or minimise the risks associated with media engagement and outline procedures to respond in situations where incorrect and false information has been passed to the media. Staff must understand the effect that communications and their activities can have on the reputation and image of the City and understand their obligations to maintain confidential information; ensuring that personal and business information of the City is accessed and used only for business purposes and not disclosed unless required by legislation.</p>	Adequate	Unlikely	Moderate	Moderate	<p>The Communications Officer will work with the Public Relations Advisor to develop a Media Engagement Framework supported by a procedure, and gives direction for the framework of interaction between the City and media to maintain and enhance the reputation of the City. A policy or procedure should outline responsibilities in relation to direct contact with the media, and the obligations in regards to the management and dissemination of information which could reasonably reach the media. Policy framework could include; purpose, scope, policy statement, principles covering reputation and image, authorisation to comment and how to deal with confidential information.</p> <p>The City has a Community Engagement Framework. This framework is a guide for the City's employees to use when liaising with members of public. The risks associated with media engagement are ever-present, affect every employee and always reflect back to the City's reputation.</p>	Public Relations Advisor	March 2018 seek update from risk owner regarding status of risk and development of supporting policy documents.	UNCHANGED	<p>Existing controls rating is noted as 'Adequate' with process controls generally operating as intended, however some inadequacies exist in respect to Policy documentation and there is some scope for improvement.</p> <p>The overall risk rating is unchanged due to the number of further control and mitigation activities to be considered and implemented by the risk owner in the coming months.</p>



Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline for mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
2	Failure to effectively manage the City's Social Media platforms.	Material Operating Risk	Possible	Moderate	Moderate	<p>The City uses social media platforms to enhance connectivity with its community, encourage engagement and facilitate discussion of Council issues, operations and services.</p> <p>The City recognises that the use of social media plays an important role in the professional and personal lives of employees and Councillors. The City also recognises the value of online communication forums and social networking. With the growth and popularity in social networking and the spontaneity in which content is often posted, the City must ensure that employees and Councillors as well as the Council's brand, reputation and the confidentiality of the business are protected. Also, the City must provide tools for the general public to voice concerns and provide feedback to the City.</p> <p>Governing legislation includes; Local Government Act 1995, Privacy Act 1988, State Records Act 2000.</p> <p>The City currently operates Facebook, Instagram and Twitter accounts. This is managed by a small team of administrators. Social media is one of the best ways for the City to reach a wider audience. Having an active presence on all major social media networks is a necessity if the City wishes to engage with its community in new ways.</p> <p>The City has developed a Management Practice for Facebook Administration (April, 2017) which communicates our commitment to utilising appropriate social media platforms as a means of improving communications with the community and stakeholders relating to the City's initiatives, programs, facilities and services. The management practice applies to all officers with administrator and editorial access to the City's Facebook pages.</p> <p>Administrator and editor access to the City of Bayswater's Facebook pages is limited to managers, coordinators or designated officers approved by a Director or the Chief Executive Officer.</p> <p>All content uploaded to City of Bayswater Facebook pages must comply with the "City of Bayswater Use of Social Media Standard for Conduct and Ethical Behaviours".</p> <p>Administrators and Editors are to refrain from expressing their personal views on the City's Facebook pages. Their roles are to post information and respond to comments and messages on behalf of the City of Bayswater.</p> <p>The management practice also sets guidelines around comment management and a prioritisation of responses including: to Respond to constructive negative comments; Replies should be empathetic, apologetic and provide a solution, Reply to highly positive comments to create brand evangelists and Reply/like other positive comments.</p>	Adequate	Possible	Moderate	Moderate	<p>In accordance with the Management Practice for Facebook administration social media administrators are to respond to comments and messages within one working day - sooner if possible. Responses must be valuable, friendly and authentic. If unsure how to respond to a comment, the administrator is directed to Corporate Communications section for guidance.</p> <p>The practice also directs the administrator to take a screenshot of the comment to provide context and proof and register the file in ECM under an allocated subject heading. However, in practice this does not occur and administrators are to screenshot content.</p> <p>The City's coordinator of Information Management has identified that The State Records Office of WA has already recognised the use of social media for communications with government agencies and the need for these to be identified as corporate communications.</p> <p>Any communications of a corporate nature via social media need to be trapped just like other media such as hard copy mail and emails.</p> <p>Recordkeeping of social media is a fairly new concept to most Government organisations so is in its infancy as to how we go about it.</p> <p>The City's Public Relations team could also look to develop and extend its current policy documents into an overarching Social Media engagement policy (capturing Instagram, Twitter and Facebook) to be read in conjunction with the Social Media Engagement Protocols which outline the standards of behaviour and responsibilities of Council employees and Councillors when using social media professionally and personally, staff training or awareness programs could be rolled out as a result of this.</p>	Public Relations Advisor, Coordinator of Information Management	The City needs to develop strategies to be able to capture any social media communications through to ECM to fulfill our recordkeeping responsibilities. The City's coordinator of Information Management is currently investigating with peer groups to see how this activity is managed and recorded at other WA councils. An update will be sought from the risk owners on activity in this area in February, 2018.	UNCHANGED	No change in likelihood, consequence or overall risk rating. Controls are largely unchanged since review in June 2016. Process controls are generally operating as intended and are reviewed and tested; some scope for improvement has been identified.



Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
3	Failure to effectively manage venue and public events.	Material Operating Risk	Possible	Minor	Moderate	<p>The City not only hosts events but also approves and monitors a range of community events which utilise the City's amenities (fairs, concerts, festivals, sporting events and community engagement programs).</p> <p>Governing Legislation includes: Health Act 1911, Liquor Control Act 1988, Food Act 2008, Local Government (Functions and General) Regulations 1996, OSH Act 1984, OSH Regulations 1996, Security and Related Activities (Control) Act 1996. Standards which must be addressed in relation to event planning include: AS/NZS 4360: Risk Management Plan, AS 3745: Emergency Plan, AS/NZS 3002: Electrical Installations, AS 3533: Amusement rides and devices, AS 1851 Maintenance Standards, AS/NZS 1768:2007 Lightning protection.</p> <p>Many activating events are beyond the control of the event coordinator. These may include human behaviour (particularly where alcohol or drugs are consumed), weather events, building/structure failures, fire and medical emergencies. With thorough planning, most risks can be mitigated. Breaches to legislation can result in large penalties and damage to the City's reputation including: Liquor Licensing Act can result in penalties of up to \$10,000, Health Act can result in penalties of up to \$15,000, Environmental Protection (Noise) Regulations can result in penalties of up to \$5000, Food Act can result in penalties of up to \$500,000 and OSH Act can result in penalties of up to \$500,000.</p> <p>The Department of Health WA has developed guidelines for concerts, events and organised gatherings which act as a resource to identify basic standards and safety measures for event organisers which are necessary to meet the requirement of local government, police and emergency service organisations.</p>	Adequate	Unlikely	Minor	Low	<p>Council has requested City Administration to review all of its business processes with a view to reducing red tape which impacts on, and impedes individuals and organisations that do business with the City. One of the processes identified is the event approval process. Although many events run smoothly and without incident, there is often tension around the time taken to gain approval for events and some misunderstandings about the legislative and compliance requirements of conducting an event.</p> <p>A cross-functional team has identified improvements to the event approval process to deliver better outcomes for community event organisers based on: a risk management approach, improved and regular communications and a three-level system of events.</p> <p>In particular, emphasis is being given to improved communication and stakeholder relationship management. Secondly emphasis will be given to Risk Management surrounding low, moderate and high risk events that will attract different approval processes and timeframes.</p> <p>As a consequence of applying these principles it is anticipated that fewer applications will be required and that internal timeframes for approvals can be reduced. 30-day approvals can now be resolved in 21 days and 60-day approvals in 45 days.</p>	Events Coordinator, Manager Recreation Services, Strategic Planning Projects Manager.	The proposed principles were presented to the Audit and Risk Management Committee at its meeting in August 2017 and are awaiting endorsement; event application forms and supported documentation will then be updated to reflect these principles.	DOWNGRADED	<p>The existing controls for this risk issue are rated as adequate, meaning there is some further scope for improvement. However, process controls are generally operating as intended and there are some further control activities occurring around staff training.</p> <p>The Risk issues have been downgraded in terms of likelihood from 'possible' to 'unlikely'. The overall risk rating is now 'Low' which means that it is acceptable with adequate controls however there are still some inadequacies that exist and will need to be addressed by further review.</p>

Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
4	Failure to establish effective contract terms and conditions.	Procurement & Tendering	Possible	Moderate	Moderate	<p>The City enters into contracts on a regular basis for the supply of goods and materials and performance of services, including consultancy work. An essential element for contracts is to have a set of contract conditions (often referred to as 'terms and conditions') to provide a reference point in the event of any disputes between the parties. The City has a procurement manual available on free access which outlines requirements for terms and conditions and this document is updated every 2 years.</p> <p>The City has a number of avenues for adopting contract conditions. It can draft its own and seek legal advice on the wording, or it can adopt the WA Local Government Association model conditions which are made available to the sector. These have been drafted with appropriate legal expertise. Thirdly, it can use standard industry form conditions of contract. A number of these are available, including the Australian Standard AS 4000 suite of general conditions and through industry professional associations. These must be tailored to suit the specific project requirements.</p> <p>Governing Legislation includes: the Corruption Crime and Misconduct Act 2003, Local Government Act 1995, Construction Contracts Act 2004, Local Government (Financial Management) Regulations 1996, Local Government (Audit) Regulations 1996, Financial Management Act (2006), Freedom of information Act 1992 and State Records Act 2000.</p> <p>Each project requirement is subject to the regulatory tender limit, which is currently \$150,000.</p> <p>The Australian Standard suite of general conditions (AS 4000 series) is best suited to building construction projects and is widely accepted in the industry. The individual contracts are written to suit projects that are either Principal or Superintendent administered and whether there is a design element to the project and so on. Checks of a number of the City's minor works projects show that they are based on AS 4902-2000 which is best suited to design and construct projects. Major projects (over \$1m) are based on AS 4000 - 1997 and one such project was done in 2014. The earlier AS - 2124 General Conditions are still widely used and there are several other standard form Conditions of Contract available through the Master Builders Australia and the Royal Australian Institute of Architects.</p> <p>Smaller projects use the City's General Conditions of Contract for Minor Works, which are taken directly from the WALGA model and have been legally checked. As there is a range of avenues available, the identified risk is in ensuring that the most appropriate set of contract conditions is used for each project. Failure to do so could mean that in the event of a dispute, the specific rights and responsibilities of each party on the issue are not adequately defined.</p>	Adequate	Unlikely	Moderate	Moderate	<p>A secondary risk is that the Australian Standard series is subject to licence, which must be considered in the exchange of documentation. Essentially, each party to the contract must purchase a licence to view the conditions and the only permitted variation is through the addenda.</p> <p>Checks of several construction projects show that the appropriate conditions have been applied, however there is some risk in that the decision making process relies on the expertise of the officers concerned. As an improvement, external advice is suggested to provide guidance on which industry conditions are most appropriate for different types of projects and a corporate business rule or guidance note could be developed to ensure that there is consistent application of this.</p> <p>The decision on which set of conditions is the most appropriate is a decision for each project group, based on their own expertise and knowledge of the industry. Consultants are sometimes engaged on larger projects and will advise on such matters. The identified risk is that there are no corporate business rules or guidance notes to aid this decision making.</p> <p>As a secondary point, procedural monitoring is recommended to ensure that the licence limits are not breached in the documents exchanged between the parties. Monitoring is also recommended to ensure that wherever the City of Bayswater General Conditions are to be used, they are supported by Special Conditions to set out the specific project requirements. Special Conditions should be consistent with previous similar projects</p>	Manager Corporate Services	The Manager of Corporate Services has developed a project plan outlining the work tasks for procurement & tendering in 2018. Business improvement in relation to terms and conditions will centre on seeking external advice, developing guidance notes for different types of projects, special conditions for special project requirements, developing training to new staff on project requirements, reviewing standards forms, contracts and other sector practices. An update on the progress of business improvement activities in relation to terms and conditions will be sought from the Manager of Corporate Services in February, 2018.	DOWNGRADED	<p>Existing controls were assessed as 'Adequate' with process controls surrounding the City's procurement manual and directives from external agencies but with scope for improvement required around the business rules or guidance notes required to aid decision-making and ensure consistent application.</p> <p>The overall risk rating is unchanged due to the number of further control and mitigation activities to be considered and implemented by the risk owner in the coming months. Once further controls are put in place a reduced risk profile can be considered.</p> <p>Likelihood downgraded due to extensiveness of current controls and overall risk level downgraded to from a high 'Moderate' to a low 'Moderate' level of risk since June, 2016.</p>



Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
5	Child Care Association - Governance and Agency Reporting	Material Operating Risk				<p>This was identified as a risk through the initial LGIS risk audit.</p> <p>In 2016 the City received advice that the constitution of the Child Care Association was inconsistent with the Associations Incorporation Act 1987 and that the Child Care Association was a separate legal entity to the City of Bayswater. This was addressed at the time: the Bayswater Child Care Association operates independently of the City in accordance with the Associations Incorporation Act 2015.</p>					<p>*The City has no obligations or reporting requirements for the Bayswater Child Care Association and this risk issue will be removed from the Corporate Risk Register*.</p>				

Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
6	Failure of the City to effectively manage and safeguard its Intellectual Property, Copyright and Media Creation.	Material Operating Risk	Unlikely	Moderate	Moderate	<p>Copyright is an increasingly tested area for local governments. local governments must acquire intellectual property (IP) in ways which comply with legislation. Under legislation, local governments are able to protect their branding and IP from use by people who do not have authority to use it. Along with meeting IP legislation, media creation is an area where the City is spending substantial resources. It has been calculated that the City, over a two year period (2014-2015), has paid \$120,000 in costs to develop media.</p> <p>The City must comply with its obligations under the Copyright Act 1968. Previously the City has been exposed to risk and the possibility of litigation because of a failure to have appropriate systems in place to avoid breaching copyright law.</p> <p>Governing Legislation includes the Copyright Act 1968, Copyright Amendment Act 2006, Freedom of Information Amendment (Reform) Act 2010, Freedom of Information Regulations 1993, Trade Marks Regulations 1995 and Code of Ethics.</p> <p>Copyright law prevents unauthorised use, including copying and digitally sharing, copyrighted works. The Copyright Act provides certain exemptions for State and Commonwealth governments. However, there is no equivalent exemption for local governments.</p> <p>The City recently terminated its licence with the Copyright Agency Limited (ending in March, 2018) which represents newspaper and magazine publishers, as well as journalists, authors and photographers, as a non-exclusive agent to license the copying of their works. This licence entitled the City to some sharing of copyright protected material, however the contract was costly and there were a number of alleged 'breaches' as prior to 2015 there was a practice of attaching copies of newspaper articles to Council agenda and minutes. These attachments were published on the City's website and formed part of the formally endorsed minutes.</p> <p>As a general rule, material provided by a media monitoring service can be shared and copied internally. However, clients of a media monitoring service cannot reproduce the material on their website or share it externally.</p> <p>A licence with media monitoring service could provide additional functionality such as monitoring of media and social media sites for key issues, tracking and analysis and distribution of press releases.</p>	Inadequate	Unlikely	Moderate	Moderate	<p>The question of whether the City will get a licence with a media marketing company is being looked at by the Public Relations team. If the City decides not to pursue this option it will be about internally managing the corporate risk.</p> <p>All councillors will be receiving media training, provided by the Public Relations Advisor, including obligations under the Copyright Act, particularly in regards to sharing newspaper stories on social media.</p> <p>Prior to the licence with the Copyright Agency finishing the City's Senior Governance Officer will also send out an email to staff explaining their obligations under the Act. All previous alleged breaches complained about by the Copyright agency have been removed from the website.</p> <p>To avoid a further breach it is desirable that historic agenda and minutes are audited for any other potential breaches. However, these attachments have been added as PDF images. As a result there is no way to search the agenda and minutes electronically and the City does not have the resources to manually check these documents.</p> <p>A Brand Style Guide must be finalised and implemented. This guidance note would guide staff in making appropriate decisions regarding brand logo.</p> <p>The City could also internally consider implementation of a Copyright Policy applying to the reproduction of documents and FOI requests. This document should detail the City's commitment to high standards of records management whilst avoiding infringing copyright in that information. 'Work' to be protected can include written reports produced by engineers, accountants, planners and professionals. Applicable to the City this may include building plans and specifications, infrastructure plans and tender documents. It has been identified there is a potential need for staff training surrounding these obligations.</p>	Senior Governance Officer, Coordinator Information Management, Manager of Finance and Corporate Services, Public Relations Advisor.	Further to these strategies, it is recommended a position be tasked to facilitate media creation. The position would develop multimedia when requested for the City officer. In many cases, employees would be able to create digital media to use with respect to public relations, community engagement and information initiatives without incurring additional costs.	DOWNGRADED	<p>The existing controls for this risk issue are rated as adequate; meaning there is some further scope for improvement. However, process controls are generally operating as intended and are reviewed and tested. Risk has been downgraded in terms of likelihood from 'likely' to 'possible'.</p> <p>The existing controls in relation to this risk issue have been rated as 'Inadequate' as the risk owner has identified a need for improvement or action. The lapse in contract and lack of awareness or process controls around copyright responsibilities means the controls are not operating as intended.</p>

Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline for mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
7	Failure to maintain an SDS and hazards register in accordance with legislative requirements.	Material Operating Risk	Possible	Moderate	Moderate	<p>The City is required to document the use of chemicals on site, and the legislative requirement is to obtain the Safety Data Sheet (SDS) Formerly MSDS, Material Safety Data Sheet sheets from the supplier/manufacturer and hold these in a register. The current registers are in hard copy and held at each site (Bayswater Waves, Depot, Civic Centre etc.).</p> <p>SDS documents are information sheets which detail information about a chemical. This information includes Hazardous classification, Composition or ingredients, First Aid measures and firefighting measures.</p> <p>Governing legislation includes OSH Act 1984: 19. Duties of employers, 23G. Duties of employers to maintain safe premises, 23L. Notification of hazard to person having control of workplace, OSH Regulations 1996: 3.1. Identification of hazards, and assessment and reduction of risks, duties of employer etc., 5.11. Employer etc. to obtain MSDS for hazardous substance etc. and Register of hazardous substance, duties of employer etc. and Code of Ethics.</p> <p>Legislation requires SDS documents to be kept onsite in the primary storage area for any chemical. Any City employee who works with or can be exposed to a chemical must have access to SDS documentation. Employees who work with hazardous chemicals must be provided with training on the safe use of that chemical.</p>	Adequate	Unlikely	Minor	Low	<p>SDS and risks associated with chemicals are currently identified and managed through an SDS and material risk management system, Risk assessment for each chemical (Registers must be maintained and stored in key operational areas such as chemical storage areas, administration offices and emergency information posts and staff training.</p>	Workplace Safety and Health Officer	<p>The City has a two year subscription to an online electronic chemical management system, 'MSDS online' which manages chemical storage and locations. This is a new system for the City. The provider has conducted Hazardous substance risk assessment training to relevant City staff with two further sessions planned. An update will be sought from the City's Workplace Safety and Health Officer in April, 2018 as to how MSDS online is performing and if there are any gaps in training requirements.</p>	DOWNGRADED	<p>There has been a notable reduction in this risk profile due to the implementation of an online electronic chemical management system that has occurred since June 2016.</p> <p>Likelihood rating has been improved from 'Possible' to 'Unlikely' which has also caused the consequence rating to be changed from 'Moderate' to 'Minor'. The overall risk rating has been downgraded from 'Moderate' to 'Low' meaning that new controls are operating as intended and are aligned to Policies and Procedures, subject to ongoing monitoring and are reviewed regularly.</p>



Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
8	Site induction and task analysis for contractor works is not adequately carried out.	Material Operating Risk	Unlikely	Major	Moderate	<p>The City has outlined its commitment to meeting its duty of care to all contractors engaged by the City in its recently endorsed Management Practice for Contractor Safety. The City is responsible for ensuring contractor work health and safety. This will be achieved through ensuring that:</p> <p>The contractors are made aware of the standards to be met and their obligations to provide safe work practices and safe systems of work.</p> <p>City employees who deal with contractors at all stages of their engagement act to ensure that the contractors have safe plant, systems of work and are appropriately qualified to conduct the work.</p> <p>The City's responsible officer provides appropriate supervision to ensure that contractors follow their approved safe system of work.</p> <p>The City is required to conduct initial training and formally induct new contractors on specific site requirements, especially when plant and machinery or specific hazards are present (working from heights, adjacent to roadways and so on). The 2015 audit identified the need to develop an effective contractor induction system and integrate it into the City's procurement processes.</p> <p>Governing Legislation includes the OSH Act 1984, OSH Regulations 1996. Contractors will also work in accordance with the applicable approved Codes of Practice and Guidance Notes and applicable Australian Standards. Other relevant documentation includes Finance Procurement Policy, Procurement and Contract Authorisation Management Guidelines - Contracts by quotation.</p>	Adequate	Unlikely	Moderate	Moderate	<p>A contractor Management Procedure has been developed within the recently endorsed Management Practice in relation to Low Risk/Low Value contracts, High Risk Low Value quotations, Low Risk/High Value tenders and High Risk/High Value tenders.</p> <p>Corporate Induction and Site Induction training is being finalised for all relevant staff members to be rolled out in December, 2017 and will cover the responsibilities of contractors to comply with all requirements of the WA Occupational Health and Safety Legislative Framework, responsibilities of sub-contractors to provide sufficient insurance and approved JHA's or JSA's. Internally the training will also address the responsibilities of the Executive Leadership Team, Managers and Officers and the City's Workplace Health and Safety Officer.</p>	Risk Management Advisor / Manager Corporate Services	Training entitled "Contractor Management including Risk Review" is currently being finalised for staff to attend from Technical Services, Libraries, Building and Recreation directorates in December 2017.	DOWNGRADED	There has been a notable reduction in this risk profile due to the project work that has occurred since the endorsement of the Management Practice for Contractor Safety. The City has an implementation timetable for the rollout of contractor management training, both internally and on site. Once this training has been implemented and the required management reports have been made the existing control ratings may be changed to 'effective' at next review period.



Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
9	Ensuring that Mobile Technology Devices are appropriately procured and recorded for replacement purposes and used within limitations of acceptable use.	Fraud & Misconduct	Possible	Minor	Moderate	Administrative and operational access is provided to a range of mobile devices (phones, notebooks, tablets and laptops) for the purposes of carrying out work related tasks. Most of these devices are permanently assigned to a designated officer and there are no restrictions on taking these devices outside of the office environment. There are some restrictions on use, which is driven through policies and management practices which cover appropriate access to the internet and restrict access to social media.  The use of mobile devices is increasingly becoming accepted as the norm and in most cases has benefits in terms of convenience, flexibility and efficiency.  The identified risk is in ensuring that mobile devices are appropriately procured and recorded for replacement purposes, and are used only for legitimate work purposes or within the limitations of acceptable personal use. This is recognised as increasingly complex as the devices become more widespread through the organisation.  The specific risks are: <ul style="list-style-type: none"> <li>• Procuring mobile devices through the appropriate cost centres for equipment.</li> <li>• Recording mobile devices that are below the \$2,000 asset recording limit.</li> <li>• Loss or theft of the devices.</li> <li>• Security of work related content, including confidential information.</li> <li>• Inappropriate access or usage</li> <li>• Cyber security</li> </ul> Governing Legislation includes Corruption Crime and Misconduct Act 2003, Fair Work Act 2009, Fair Work Regulations 2009, Financial Management Act (2006), Freedom of Information Act (1992), State Records Act (2000), Procurement Practice Guide and Code of Ethics.  All mobile devices are procured by the City's Information Technology business unit through a single cost centre and movements are recorded in an asset register using barcodes. The actual allocation decision is left with the respective line managers.  Mobile devices are increasingly being internet enabled, allowing users to access their emails and the internet generally. This creates some content security issues, for example if a mobile device is left in a public area and is not secured through PIN code or password there is potential for a member of the public to gain unauthorised access to confidential or sensitive content.  There is potential for inappropriate access to internet content and social media, and this is well recognised and currently managed through an acceptable use Management Practice and the Code of Ethics.	Effective	Rare	Minor	Low	The central procurement of mobile devices is an effective control. All devices are connected to the City's master usage agreement, so there is limited potential for unauthorised procurement of a mobile device through unrelated cost centres. The asset recording system is also an effective control, as all devices can be tracked via the bar code.  The City's policy on mobile phones is largely redundant as a control. However, the Code of Ethics and the Management Practice on internet use provide sufficient clarity.  The main risk exposure is through potential unauthorised access from loss, as there is currently no mandatory requirement to lock devices through PIN codes or other security means.  The general movement of devices is well managed, and lost devices can be disabled on request to Telstra.  It is recognised that mobile devices will be inherently prone to loss or damage; however the evidence is that such incidents have been relatively minor.	Manager Information Services	Some development could be done in terms of setting reasonable limits for data usage. Further work is also recommended for improving security of the devices, and as a minimum, they should be PIN protected to reduce opportunities for unauthorised access to confidential or sensitive information. Ongoing training of officers is required to manage security of data and raise awareness of the inherent risks.  The Manager of Information Services will monitor this risk issue with routine inspection and provide updates as necessary.	DOWNGRADED	Existing controls rating has improved from 'Adequate' to 'Effective' given that there is little scope for improvement on this activity.  Controls are operating as intended and are aligned to Policies and Procedures, subject to ongoing monitoring and are reviewed regularly. Likelihood downgraded to rare given control activities in place and the regular reporting schedule in relation to mobile phone usage and procurement. Overall risk rating is now Low.

Risk #	Description of Risk <i>What could occur?</i>	Risk Category <i>Risk themes defined by the City.</i>	June 2016 risk ratings			Current Controls <i>List of current treatments, actions, activities.</i>	Existing Controls Rating <i>Adequacy of existing controls.</i>	December 2017 risk ratings			Further control activities <i>Further improvements, treatments, actions.</i>	Risk Owner <i>Name/Title.</i>	Task Alert <i>Timeline for mitigation activities.</i>	RISK STATUS	Notation & Next Review <i>Explanation of current ratings and future review schedule.</i>
			Likelihood	Consequence	Rating			Likelihood	Consequence	Rating					
10	Strategic Risks; Government Agenda	Strategic Risks	Rare	Major	Low	The agendas of State and Federal Governments change and a risk is if the City fails to identify key changes in the State Government agenda and fails to respond appropriately, the City may suffer increased compliance requirements, loss of control of key services, reputational damage, and loss of opportunities, financial impacts and reduced relevancy.  Activating events include a Change of Federal or State Government or a Change of Federal or State Government Policies. Current controls and actions include the City's membership with peak sector bodies, sector networking, engaging councillors' political influences and undertaking community engagement.	Adequate	Rare	Major	Low	For the most part, the activating events to this risk are beyond the City's control. However, the City is able to network and liaise with relevant stakeholders to identify possible changes in the political landscape. The City is also able to leverage the sector for assistance and support.	Senior Governance Officer	The Manager of Governance will monitor this risk issue with routine inspection and provide updates as necessary.	UNCHANGED	No change in likelihood, consequence or overall risk rating. Controls are largely unchanged since review in June 2016. Process controls are generally operating as intended.

**14. MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

*Cr Catherine Ehrhardt left the meeting at 7.36pm during item 14.1 and returned at 7.39pm.*

**14.1 Cr Elli Petersen-Pik - Community Safety and Vulnerable People****CR LORNA CLARKE DECLARED A FINANCIAL INTEREST**

***In accordance with section 5.60A of the Local Government Act 1995, Cr Lorna Clarke declared a financial interest in this item as she is employed by the Police Minister and this motion is about community safety. At 7.26pm Cr Lorna Clarke withdrew from the meeting.***

In accordance with clause 4.5(1) of the City of Bayswater's *Standing Orders Local Law 2013*, Cr Elli Petersen-Pik raised the following motion:

***"That:***

- 1. The City holds a forum on community safety, homelessness and begging in the first quarter of 2018;***
- 2. Relevant agencies and organisations (e.g. WA Police, support services) are invited to participate in the forum;***
- 3. The City releases information to the community such as a discussion paper prior to the forum to educate the community and guide their questions and input;***
- 4. Outcomes from this forum should assist and support completion of actions in the City's current Community Safety and Crime Prevention Plan, and contribute to any other relevant City policies; and***
- 5. A report be provided to Council following the forum regarding the formation of an ongoing committee to follow up issues raised at the forum and discuss any other issues related to community safety, homelessness and begging."***

**MATERIAL FACTS**

In accordance with clause 4.5(7) of the City of Bayswater *Standing Orders Local Law 2013*, the Chief Executive Officer may provide relevant and material facts and circumstances relating to the notice of motion on such matters as policy, budget and law relevant to the notice of motion.

This Notice of Motion was raised at the Ordinary Council Meeting held on 14 November 2017. At that meeting the item was deferred for the following reasons:

- Councillors were undecided as to whether one or several forums should be held
- During public question time, a statement was made regarding inaccuracies within the statement of facts
- Further information is provided in the Officers Comment section regarding these points.

**Community Safety Advisory Committee History**

The City of Bayswater most recently had a Community Safety Advisory Committee from October 2015 to May 2016. This committee consisted of four (4) councillors, WA Police and community members as individuals, business representatives and community organisation representatives.

The purpose of this committee was to provide advice on community safety matters; however the primary purpose of the committee was to provide advice regarding the formation of the City's first Community Safety and Crime Prevention Plan (CSCP Plan). Following the adoption of the CSCP Plan, the Community Safety Advisory Committee was disbanded.

At the Ordinary Council Meeting held on 31 January 2017, following a question at the Annual General Meeting of Electors, Council resolved to reform the Community Safety Advisory Committee.

Following the advertising for members, a report was presented to Council during the May 2017 round of meetings. At the Ordinary Council Meeting on 23 May 2017, Council rescinded the previous decision from January 2017 to reform the committee, meaning that the committee was not formed.

The reason for this rescission motion was that Council was of the opinion that the City's officers already work closely with WA Police and other agencies and officers' time could be better spent elsewhere.

#### Community Safety Crime Prevention

Currently the City has two initiatives in relation to crime prevention. The City provides 24 hour security patrols and the City has a Community Safety and Crime Prevention Plan.

The City's 24 hour Security Watch service commenced in 1997. The purpose of this service is to deter antisocial behaviour and incidents, along with curbing the crime rate within all areas of the City. Officers within this team, primarily undertake the following functions:

- Proactive patrols throughout the City, including targeted patrols;
- Management of the City's CCTV network;
- Implementation of the City's CSCP Plan; and
- Liaison and joint work with Local Police on crime prevention and criminal matters.

The City's first CSCP Plan was adopted by Council in May 2016. The plan sets out the City's actions to prevent criminal and antisocial behaviour and to increase the sense of safety within the community.

#### Homelessness

Homelessness is a responsibility of the Department of Communities (formerly the Department of Child Protection and Family Support). The City does not currently have any actions in its Corporate Business Plan regarding homelessness.

In 2016, the City developed a resource booklet regarding homelessness. The booklet provides information and background on why some people find themselves homeless. The booklet also provides a list of service providers located and/or operating within the City that assist homeless people.

#### **OFFICER COMMENT**

The City's Security Watch and Local Police could benefit from holding a community forum on community safety. When forums of this nature have occurred in the past, both Security Watch and Local Police have gained insight into local issues that may have otherwise not been reported. The forum would also provide an avenue to reinforce community education about prevention and reporting of crimes.

While the City does not have any actions in relation to homelessness in its Corporate Business Plan, inviting the Department of Communities to a forum may assist to educate the community on homelessness and may assist the Department of Communities with information on local issues.

#### Holding One or Multiple Forums

There are various benefits and risks to each approach that are provided in the table below:

Option	Benefits	Risks
Hold 1 forum	<ul style="list-style-type: none"> <li>• Easier to engage agencies</li> <li>• Reduced staff resource requirement</li> <li>• Easier to find suitable venue</li> </ul>	<ul style="list-style-type: none"> <li>• Less able to deal with local issues</li> <li>• Complaints over travel distance to central forum</li> </ul>
Hold multiple forums	<ul style="list-style-type: none"> <li>• More able to deal with local issues</li> <li>• Closer to residents</li> </ul>	<ul style="list-style-type: none"> <li>• Increased staff resource requirements</li> <li>• Risk that agencies won't attend multiple forums due to time commitment</li> <li>• Harder to find multiple suitable venues</li> </ul>

#### Inaccuracies in Statement of Facts

Upon contacting the resident that made this statement, in general the concerns were related to two particular points. One being that the Department of Communities (formerly the Department of Child Protection) is not the sole government department responsible for homelessness. In relation to this concern, Officers acknowledge that several government departments provide support to homeless people. While the Department of Communities advertises the responsibility for homelessness on their website and is certainly the key agency dealing directly with homeless people in this state, there are other state and federal departments that provide financial, accommodation and other support for homelessness.

The second concern raised in relation to this item was the conflict or alignment between the issues being proposed for discussion at the forum. Community Safety is a topic that relates to reducing anti-social and criminal behaviour and improving the sense of community safety, this would typically involve WA Police. The topics of homelessness and begging are social issues not necessarily related to anti-social or criminal behaviour. Homelessness and begging are instead related more specifically to social inequity or social disadvantage. Forums relating to social disadvantage would typically involve community support organisations; direct service providers; and would usually not involve WA Police directly. The resident was concerned at the confusion a forum of this type would cause throughout the community and that this would further perpetuate misunderstanding regarding homelessness and begging by linking anti-social and criminal behaviours to this social issue.

#### **LEGAL IMPLICATIONS**

Nil.

#### **POLICY IMPLICATIONS**

Nil.

#### **STRATEGIC IMPLICATIONS**

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme: Our Community  
 Aspiration: An active and engaged community.  
 Outcome B2: A strong sense of community through the provision of quality services and facilities.

**FINANCIAL IMPLICATIONS**

There are no financial implications in relation to holding a public forum. A City building can be utilised at no cost and staff and other resources will be sourced from existing budget.

**VOTING REQUIREMENTS**

Simple Majority required.

*Revised motion provided from Cr Petersen- Pik at the meeting:*

**COUNCIL RESOLUTION**

**That:**

1. The City holds forums on community safety, homelessness and begging before the end of the financial year;
2. Relevant agencies and organisations (e.g. WA Police, support services) are invited to participate in the forums;
3. The City releases information to the community such as a discussion paper prior to the forums to educate the community and guide their questions and input;
4. Outcomes from these forums should assist and support completion of actions in the City's current Community Safety and Crime Prevention Plan, and contribute to any other relevant City policies; and
5. A report be provided to Council following the forums regarding the formation of an ongoing inter-agency committee (coordinated by the City) to follow up issues raised at the forum and discuss any other issues related to community safety, homelessness and begging.

**CR ELLI PETERSEN-PIK MOVED, CR BARRY McKENNA SECONDED**

**CARRIED: 6/3**

**For:** Cr Bull, Mayor, Cr Cornish, Deputy Mayor, Cr Piffaretti, Cr Ehrhardt, Cr McKenna and Cr Petersen-Pik.

**Against:** Cr Fleeton, Cr Gray and Cr Johnson.



*Cr Lorna Clarke returned to the meeting at 7.44pm*

#### **14.2 Mayor Cr Dan Bull - Meltham Station Precinct Structure Plan**

In accordance with clause 4.5(1) of the City of Bayswater's Standing Orders Local Law 2013, Mayor, Cr Dan Bull raised the following motion:

**"That Council considers as part of the 2018/2019 budget process an allocation of \$150,000 to fund the undertaking of further detailed planning (structure plan) in 2018/2019 of the remaining area within the 400m walkable catchment of the Meltham Train Station that is not covered by the Meltham Station Precinct Structure Plan approved by the Western Australian Planning Commission."**

#### **MATERIAL FACTS**

In accordance with clause 4.5(7) of the City of Bayswater *Standing Orders Local Law 2013*, the Chief Executive Officer may provide relevant and material facts and circumstances relating to the notice of motion on such matters as policy, budget and law relevant to the notice of motion.

On Tuesday 24 October 2017 the Western Australian Planning Commission's Statutory Planning Committee (SPC) effectively approved the Meltham Station Precinct Structure Plan as submitted by Planning Solutions subject to modifications. The SPC resolved as follows:

- "1. In accordance with clause 22 (1) (b), Schedule 2 - Deemed Provisions for Local Planning Schemes of the Planning and Development (Local Planning Schemes) Regulations 2015, require the City of Bayswater to: a) modify the draft Meltham Station Precinct Structure Plan in accordance with the attached Schedule of Modifications, appended as Attachment 6; and b) resubmit the modified plan to the Western Australian Planning Commission for approval.*
- 2. Advise the City of Bayswater that the Western Australian Planning Commission expects subsequent local planning scheme amendments, local planning policies and/or local development plans relating to the Meltham Station Precinct to incorporate appropriate development controls that align with the densities proposed by the structure plan.*
- 3. Advise the City of Bayswater that further detailed planning should be undertaken to investigate further opportunities to increase residential densities within the 400-metre walkable catchment of Meltham train station. The motion was put and carried."*

The City subsequently met with officers from the Department of Planning, Lands and Heritage (DPLH) to seek clarification as to Point 3 of the SPC decision.

The DPLH officers advised the City that the resolution to require further detailed planning for the 400m surrounding the Meltham train station was in response to a number of deputations presented by the local community, which requested the area be extended and that the process be run by the City and involve significant consultation with the community.

The DPLH officers further advised that the Local Planning Strategy (LPS) process and review of the City's town planning scheme may be sufficient to meet the expectations of the above detailed planning, and the DPLH will advise further once they have considered the draft LPS. In the event further detailed planning is still required the DPLH indicated that it could be done as an amendment to the Meltham Station Precinct Structure plan at a later date or as a new structure plan which encompasses the whole area and supersedes the current approved structure plan.

**OFFICER COMMENT**

The plan below indicates a 400m radius around the Meltham Station (blue circle) compared to the boundary of the approved Meltham Station Precinct Structure Plan (red outline). The exact boundary of any future structure plan would be subject to further investigation and determination by the City.



The City is currently developing the LPS to guide development throughout the whole City for the next 5 years. The City is currently conducting preliminary community engagement for the LPS through a project called 'Building Bayswater'.

As a result of the interest in the Meltham Station Precinct, during the initial phases of this engagement, the City has received significant feedback in focus groups and online regarding the wider 400m area surrounding the Meltham station. The community feedback on the dwelling types that they consider are appropriate in that area and the conditions on which they would support those dwellings will be included with the feedback on other areas of the City and provided to a community panel to be convened in February and March 2018. Ultimately, the recommendations of the panel on built form in the whole City, including Meltham, will be provided to Council and inform the draft LPS, scheduled for completion in June 2018.

Structure plans generally address the following matters:

- Background and context;
- Precinct vision and objectives;
- Land use, dwellings, density and population;
- Movement strategy; and
- Implementation and development controls.

The need or otherwise for a structure plan for the wider Meltham station area depends on extent of community engagement and range of matters that Council considers it wants to address for the precinct. The draft LPS will provide the dwelling type and density and the process includes broad consultation. A future scheme amendment could follow the draft LPS to establish the residential coding and extend the built form controls proposed for the subject area.

A structure plan for the wider Meltham station area could include more comprehensive and targeted consultation and would include further consideration of matters such as vision and objectives, non-residential land uses, vehicular and non-vehicular transport, and development. It would also provide supporting reports such as traffic modelling.

### **LEGAL IMPLICATIONS**

Nil.

### **POLICY IMPLICATIONS**

Nil.

### **STRATEGIC IMPLICATIONS**

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme: Our Built Environment  
Aspiration: A quality and connected built environment.  
Outcome B2: A connected community with sustainable and well maintained transport.

### **FINANCIAL IMPLICATIONS**

A structure plan for the broader Meltham station area is not included in the City's adopted Corporate Business Plan.

In adopting the 2017-2018 Annual Budget at its Special Meeting held on 28 June 2017, Council resolved as follows:

"...

8b) *In the event that the West Australian Planning Commission rejects the Meltham Precinct Structure Plan, at the next available opportunity an item is considered by the Council to include an appropriate amount in the budget to proceed with the structure plan for that precinct."*

The WAPC did not reject the structure plan and therefore it is considered that this resolution does not specifically apply to the question of another structure plan for the wider 400m area.

It is estimated that it will cost approximately \$150,000 for consultants to prepare and undertake extensive community consultation on the structure plan. Managing the consultant and the project would also require City officer resources, which would be diverted from other strategic planning projects. The implications of this will be known upon adoption of the City's 2018-2019 Budget.

**VOTING REQUIREMENTS**

Simple Majority required

**COUNCIL RESOLUTION**

That Council considers as part of the 2018/2019 budget process an allocation of \$150,000 to fund the undertaking of further detailed planning (structure plan) in 2018/2019 of the remaining area within the 400m walkable catchment of the Meltham Train Station that is not covered by the Meltham Station Precinct Structure Plan approved by the Western Australian Planning Commission.

CR DAN BULL, MAYOR MOVED, CR LORNA CLARKE SECONDED

CARRIED: 10/0

**14.3 Cr Chris Cornish - Converting Grass Land into a Forest**

In accordance with clause 4.5(1) of the City of Bayswater's *Standing Orders Local Law 2013*, Councillor Chris Cornish, Deputy Mayor raised the following motion:

***"That Council request the City to prepare a report on the possibility of converting the grass land between Memorial Drive and the Eric Singleton Bird Sanctuary into a forest. The report should include the costs (including cost savings) and feasibility, as well as provide ideas for community consultation and community involvement. The report should be delivered in time for 2018-19 budget deliberations."***

**MATERIAL FACTS**

In accordance with clause 4.5(7) of the City of Bayswater *Standing Orders Local Law 2013*, the Chief Executive Officer may provide relevant and material facts and circumstances relating to the notice of motion on such matters as policy, budget and law relevant to the notice of motion.

The subject land between Memorial Drive and the Eric Singleton Bird Sanctuary is classified as a Contaminated Site.



The land is a former landfill site which is currently classified as 'possibly contaminated investigation required'. In accordance with the requirements of this classification, the City has undertaken a detailed site investigation (DSI) of the site and is awaiting further classification from the Department of Water and Environmental Regulation (DWER).

The site has not been planted previously due to its previous use as a landfill and the DSI indicates that this area is appropriate for its current use (grassed parkland).



Whilst tree planting may be an alternative appropriate use, further investigation would be required to identify whether any proposed works undertaken in this area would be possible (in terms of suitability of the site for tree planting, given the previous use of the site) or could possibly pose a risk to human health or the environment.

From limited sampling at the site, it is understood that the depth of cover of clean fill over the former landfill site ranges from 0.4M to 1.0M. This depth of soil is less than ideal for healthy tree survival as has historically been evidenced in Memorial Drive where some trees which were planted have failed when they grew to a mature size. This is presumed to be as a result of the tree roots coming into contact with the landfill material.

Considering the above, it is possible that there would be a risk of significant tree deaths within a number of years following planting should the depth or quality of soil cover not be adequate.

It should also be noted that permit approval may be required from the DWER as well as Department of Biodiversity, Attractions and Conservation (DBAC) for any proposed tree planting program.

#### **OFFICER COMMENT**

Whilst there is undoubtedly merit in utilising the subject site as an urban forest, Council needs to consider the initial and ongoing cost implications with the proposal, as well as whether this is the optimal use for the site. For example, urban infill in the area is likely to drive a push for more active sporting areas and the site could potentially be used for this purpose.

With respect to this proposal, a review of the depth of cover required to grow healthy large native trees would need to be undertaken to understand the likelihood of long term survival of the trees.

It should be noted that a number of land managers in Perth have revegetated or returned contaminated sites to parkland by raising the height of the landfill cover to >1.0M.

It is further noted that there is also an opportunity to combine this proposal into a project which connects the adjacent surrounding environmental reserves into one management site:

- The recently purchased land at 128 King William Street (previously owned by Carters);
- The City owned land at 124 King William Street; and
- The Eric Singleton Bird Sanctuary.

The report proposed in the Notice of Motion could be undertaken with in-house resources and would consider

- Costs to undertake appropriate investigations to inform a management plan;
- Order cost magnitude to increase soil profile;
- Order of cost magnitude to revegetate the area;
- Community consultation; and
- Project opportunities and approaches.



Notwithstanding the above, it should be noted that resources for the project has not been allocated within this year's budget and works program. Alternatively, a detailed report which undertakes the required on ground investigations and provides recommendations could be undertaken utilising external resources at a cost of approximately \$30,000 to \$50,000.

It may be appropriate to consider this proposal further during the review of the Corporate Business Plan and Long Term Financial Plan.

### **LEGAL IMPLICATIONS**

Approvals may be required by:

- DWER under the *Contaminated Sites Act*; and
- DBAC under the *Swan and Canning Rivers Management Act*.

### **POLICY IMPLICATIONS**

The Council supports the increase of tree canopy coverage under the City of Bayswater's Urban Forest Strategy.

### **STRATEGIC IMPLICATIONS**

In accordance with the City of Bayswater Strategic Community Plan 2017-2027, the following applies:

Theme: Our Natural Environment  
Aspiration: A green and sustainable City.  
Outcome B2: A natural environment and biodiversity which are conserved and protected.

### **FINANCIAL IMPLICATIONS**

The cost of the report or project has not been budgeted for or identified in the Long Term Financial Plan. As detailed above, outsourcing the investigations required for the report would cost in the vicinity of \$30,000 to \$50,000. Alternatively, the works could be undertaken utilising in-house resources, however, this would require a diversion of resources from already committed programs and projects.

### **VOTING REQUIREMENTS**

Simple Majority Required.

### **COUNCIL RESOLUTION**

**That Council request the City to prepare a report on the possibility of converting the grass land between Memorial Drive and the Eric Singleton Bird Sanctuary into a forest. The report should include the costs (including cost savings) and feasibility, as well as provide ideas for community consultation and community involvement. The report should be delivered in time for 2018-19 budget deliberations.**

**CR CHRIS CORNISH, DEPUTY MAYOR MOVED, CR STEPHANIE GRAY SECONDED**

**CARRIED: 7/3**

**For: Cr Bull, Mayor, Cr Cornish, Deputy Mayor, Cr Clarke, Cr McKenna, Cr Petersen-Pik, Cr Gray and Cr Johnson.**

**Against: Cr Fleton, Cr Piffaretti, and Cr Ehrhardt.**

**15. NOTICE OF MOTION FOR CONSIDERATION AT THE FOLLOWING MEETING IF GIVEN DURING THE MEETING**

Nil.

**16. MAYORS REPORT****KMART WISHING TREE - WEDNESDAY, 15 NOVEMBER 2017**

- I was pleased to attend the 30<sup>th</sup> Anniversary of the Kmart Wishing Tree Appeal which has collected more than 8 million gifts over the years.
- This year's Appeal is aiming to raise more than 500,000 gifts for Australians doing it tough.

**BUSINESS SUNDOWNER EVENT - THURSDAY, 16 NOVEMBER 2017**

- The City of Bayswater in partnership with the Central Eastern Business Association (CEBA) and the Chamber of Commerce and Industry of WA (CCIWA) hosted a networking sundowner for local businesses.
- The evening provided a great opportunity to connect with other businesses and discuss new opportunities for them.

**CITY OF BAYSWATER ART AWARDS AND EXHIBITION PRESENTATION - THURSDAY, 16 NOVEMBER 2017**

- The Art Awards and Exhibition is one of the City's leading events and is a wonderful platform for artists to showcase their talent.
- I am proud to announce, that this year, the City received 130 entries.
- This year's winner of the City's Open Award was Mr Nick Mahony for 'The Cage'. Congratulations to Nick and all the other category winners.

**DURHAM ROAD SCHOOL GRADUATION - TUESDAY, 22 NOVEMBER 2017**

- I attended the Durham Road School Class of 2017 Graduates and School Leavers Ceremony and presented the City's 2017 Book Prize Award.

**CITY OF BAYSWATER GARDEN AWARDS COCKTAIL PRESENTATION EVENING - THURSDAY, 23 NOVEMBER 2017**

- This year celebrated the City's 36<sup>th</sup> Annual Garden Awards Competition, with awards presented for best verge garden, urban garden, vegetable garden, native garden and first time entry.
- The calibre of entries was high and all entrants should be justifiably proud of their efforts and the enormous contribution they make to the quality of the amenity which is enjoyed by all residents and visitors to the City.

**DEPARTMENT OF LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES - TUESDAY, 28 NOVEMBER 2017**

- The Department invited elected members and officers including residents to hear about the *Local Government Act* review and to contribute ideas to help modernise local governments in WA.
- This represents the first major review of the Act since its introduction some 20 years ago. The review will be conducted in two phases. The first is currently underway and will focus on making information available online; I encourage people to lodge submissions if they have views on changes they believe are needed.

**FRIENDS OF OXFAM SITE VISIT - WEDNESDAY, 29 NOVEMBER 2017**

- Along with Cr Johnson, we took the opportunity to visit the Bayswater Office of the Friends of Oxfam where they undertake their charitable work.

- The site includes meeting rooms, a volunteer-run fair trade shop and a library for teachers, students and interested members of the public.

**BLUE RIBBON CLUB AWARDS - THURSDAY, 30 NOVEMBER 2017**

- I had the pleasure of attending Blue Ribbon Club Awards which recognises the outstanding work of our local clubs and volunteers.
- Amongst the winners this year included Carole Bowland from Bayswater Lacrosse Club Juniors who was the recipient of the Volunteer of the Year Award for her tireless pursuit of funding and her efforts to boost club membership.
- Perth Bayswater Rugby Union Club received the Club of the Year Award. The Club celebrated on-field success across several junior grades and this year expanded to accommodate female rugby teams.
- Tanika Lockley from Emberson Little Athletics Club received the Athlete of the Year Award. Tanika took home the gold during a recent international competition in Malaysia. She also acts as a mentor to younger athletes.

**MORLEY SENIOR CITIZENS CHRISTMAS LUNCH - FRIDAY, 1 DECEMBER 2017**

- I had the honour of being invited to attend the Morley Senior Citizens Christmas Lunch this year and catch up with some local senior citizens within our community.

**BAYSWATER PLAYGROUP CHRISTMAS PARTY - FRIDAY, 1 DECEMBER 2017**

- I also had the opportunity to channel my inner 'Santa' and deliver presents to the kids of the Bayswater Playgroup who held their annual Christmas Party at Bert Wright Park this year.
- It was lots of fun for the kids with face painting, fire engine rides, petting zoo, bouncy castles and lots more.

**SYMPHONY OF THE SWAMP - FRIDAY, 1 DECEMBER 2017**

- I had the pleasure of kicking off the Symphony of the Swamp at Halliday House, a community event which celebrated the bright new future of the Carter's Wetland.
- Preventing any future development on Carter's Land is a wonderful outcome for the community and just shows how a united community have joined together to make this possible for future generations to enjoy.

**MERTOME VILLAGE CHRISTMAS DINNER - SATURDAY, 2 DECEMBER 2017**

- With the festive season well and truly upon us, I was pleased to join Cr Johnson and Clarke and the residents of Mertome Village for a Christmas drink and catch up.

**VOLUNTEERS CHRISTMAS LUNCH - TUESDAY, 5 DECEMBER 2017**

- As a small token of the City's appreciation, the City once again hosted a luncheon for the many volunteers within our community. It was great to have the opportunity to thank our many volunteers for their dedication and service to our community. I was accompanied by Cr Clarke and Cr Ehrhardt. Council would be unable to provide the high standard of services to the community without the tremendous contribution of our volunteers.

**CHRISTMAS FOOD APPEAL - WEDNESDAY, 6 DECEMBER 2017**

- I would like to acknowledge the donations received from the Love and Care Group towards the City's Annual Christmas Food Appeal.
- The Group have contributed a substantial amount of food and toys to the Appeal for many years and this year again, was no exception with an abundance of food provided.
- The Group is run by volunteers and is based at the Buddhist Temple on Guildford Road in Maylands.

**RUSSELL STREET 'POP UP' PARK TURNING OF THE SOD - THURSDAY, 7 DECEMBER 2017**

- Along with the Minister for Water, David Kelly, and Member for Morley I was delighted to kick off Stage 1 of the Russell Street 'Pop Up' Park works, which will be revitalised with a Ninja Warrior style obstacle course.
- The project will transform the closed-off Water Corporation drainage site on Russell Street, Morley, following Cr Cornish's original motion six years ago.

**CAMBOON PRIMARY SCHOOL CHRISTMAS FOOD APPEAL - FRIDAY, 8 DECEMBER 2017**

- Accompanied by Cr Piffaretti, I was delighted to receive the food hamper from Camboon Primary School on behalf of the City towards the City's Christmas Food Appeal for St Vincent De Paul.
- It was great to see the generosity shown by the school community with the considerable quantities of food donated which will provide much needed relief for the needy this Christmas.

**MORNING TEA WITH MERTOME VILLAGE RESIDENTS - MONDAY, 11 DECEMBER 2017**

- It was great to share a cup of tea and a scone with the residents of Mertome Village to meet and greet the Councillors and provide an update on the Mertome Redevelopment project along with Cr Johnson.

**BEDFORD BOWLING CLUB CHRISTMAS EVENT - MONDAY, 11 DECEMBER 2017**

- It was a real please to attend the Bedford Bowling club Christmas event joined by the deputy Mayor Cr Cornish and Cr Johnson and Cr Clarke.
- It was nice to catch up with some of executive and the committee.

**THANK YOU TO FELLOW COUNCILLORS**

- I would like to take this opportunity to thank the Deputy Mayor and fellow Councillors who attended events and functions at this busy time of year.
- Cr Filomena Piffaretti attended the Camboon Primary School Graduation on Wednesday, 6 December 2017.
- Deputy Mayor, Cr Chris Cornish, attended the Weld Square Primary School Graduation held on Thursday, 7 December 2017.
- Cr Brent Fleeton attended the Noranda Primary School Graduation Ceremony this morning.
- Cr Giorgia Johnson attended the Bayswater Primary School Graduation this evening.

**CAROLS BY CANDLELIGHT - SATURDAY, 16 DECEMBER 2017**

- I would just like to remind and take the opportunity to invite everyone to this year's Carols by Candlelight which will be held at Halliday Park, Bayswater, commencing at 5.00pm this Saturday, 16 December 2017.

**CHRISTMAS/NEW YEAR WISHES**

- I would also like to take the opportunity to thank all the Councillors and their partners, our CEO, Directors and staff for their tremendous efforts during the last few months and in particular in supporting me as the Mayor.
- I would like to wish you and your families a very Merry Christmas and a happy, safe and prosperous New Year and I look forward to working hard with all the Councillors and staff for the residents and ratepayers of the City of Bayswater for 2018

**17. AFFIXING OF COMMON SEAL****17.1 Ratification for Affixing of the Common Seal**

Ratification is sought for affixing of the common seal to the following documents:

Document Details	No. of Documents	Council Resolution
Notification under section 70A - addressing Development Approval Condition	2	NA
Withdrawal and replacement of Section 70A Notification	2	NA

**CR FILOMENA PIFFARETTI MOVED, CR LORNA CLARKE SECONDED**

**CARRIED: 10/0**

**17.2 Approval for Affixing of the Common Seal**

Nil.

**18. DISCUSSION OF MATTERS BEHIND CLOSED DOORS****18.1 Planning and Development Services Committee**

Nil.

**18.2 Community, Technical, Finance & Corporate Services Committee**

Nil.

**18.3 Reports of Management/Advisory Committees**

Nil.

**19. CLOSURE**

There being no further business to discuss, the Chairperson, Cr Dan Bull, Mayor, declared the meeting closed at 8.18pm.