
Minutes Summary 28 October 2014

Extraordinary Meeting held at 6.30pm on Tuesday, 28 October 2014.

APOLOGIES

DECLARATIONS OF INTEREST

Pecuniary Interests

Non Pecuniary – Significant Interests

Non Pecuniary – Less than Significant Interests

ITEM	TITLE	PAGE
1.	BUSINESS: REPORT OF THE GENERAL MANAGER	3
1.1	Annual Financial Reports 2013-2014	3

Minutes of the Extraordinary Meeting of the Campbelltown City Council held on 28 October 2014

Present His Worship the Mayor, Councillor P Lake
Councillor F Borg
Councillor A Chanthivong
Councillor W Glynn
Councillor G Greiss
Councillor P Hawker
Councillor R Kolkman
Councillor D Lound
Councillor C Mead
Councillor M Oates
Councillor T Rowell
Councillor R Thompson

Apologies It was **Moved** Councillor Lake, **Seconded** Councillor Hawker that the **APOLOGIES** from Councillors Brticevic, Dobson and Matheson be received and accepted.

208 The Motion on being Put was **CARRIED**.

Also in Attendance

Council's External Auditor
Council's Manager Financial Services

Acknowledgement of Land

An Acknowledgement of Land was presented by the Chairperson Councillor Lake.

DECLARATIONS OF INTEREST

There were no Declarations of Interest at this meeting.

Pecuniary Interests - Nil

Non Pecuniary – Significant Interests - Nil

Non Pecuniary – Less than Significant Interests - Nil

EXTRAORDINARY MEETING OF THE CAMPBELLTOWN CITY COUNCIL MEETING AS A COMMITTEE OF THE WHOLE COUNCIL TO BE HELD ON 28 OCTOBER 2014

1. BUSINESS: REPORT OF THE GENERAL MANAGER

1.1 Annual Financial Reports 2013-2014

Reporting Officer

Manager Financial Services

Attachments

Financial Statements 2013-2014 (distributed under separate due to size of document)

Report

Council resolved at its meeting held on 29 July 2014 to refer the 2013-2014 General Purpose Financial Reports and the 2013-2014 Special Purpose Financial Reports to audit. Following completion of the audit by Council's independent auditing firm Intentus Chartered Accountants and in accordance with Section 417 of the *Local Government Act 1993*, Council was issued with an audit opinion as outlined in the Auditor's reports.

Presentation of Financial Reports

Section 415 through to Section 421 of the *Local Government Act 1993* outlines Council's annual financial reporting and auditing requirements. Council must give a minimum of seven days' notice of the public meeting at which the audited financial reports together with the Auditor's reports are to be presented. Initial public notice was given on Tuesday 14 October via the Macarthur Chronicle and on Wednesday 15 October via the Macarthur Advertiser.

In accordance with Section 420 of the *Local Government Act 1993*, any person may make written submissions to the Council with respect to the audited financial reports or the Auditor's reports. Council must ensure that copies of all submissions are referred to Council's Auditor together with any action that Council considers appropriate in response to submissions received. There have been no submissions received in regard to the Financial Reports at the time of writing this report.

In accordance with Section 418 of the *Local Government Act 1993*, Council is required to hold a public meeting to review the Financial Reports within five weeks of receiving the Auditor's reports. Section 419 of the *Local Government Act 1993* advises that Council's Auditor may attend the meeting at which the Financial Reports are presented. Mrs Leanne Smith, Partner of Council's independent auditing firm, Intentus Chartered Accountants will be in attendance to make a presentation and discuss any matters that Council may wish to raise.

The Financial Reports

The Financial Reports have been prepared in accordance with the Australian equivalents to International Financial Reporting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the *Local Government Act 1993* and regulations thereunder, the Local Government Code of Accounting Practice and Financial Reporting (Update 22) and the Asset Accounting Manual.

Operational Result

The operating result for the period is an increase in equity of \$10m which includes depreciation of Council's infrastructure assets, capital grants and contributions and gains on revaluation of infrastructure, property, plant and equipment. The operating result before capital grants and contributions provided a deficit of \$2.6m. Capital grants and contributions amounted to \$13m which results in an adjusted operating result after capital grants and contributions of a surplus of \$10.5m.

In complying with the Australian Accounting Standards, any income received during the year must be brought to account in that financial period. As such any grant income, developer contributions and other income is brought to account when received or raised as an account receivable. The subsequent expenditure required from this income may not be carried out until a future financial period which distorts the operating result. These funds are however, protected by placing a restriction over the income. Details of restricted funds are disclosed in Note 6c to the Financial Reports. For the 2013-2014 financial year externally restricted funds, which are required to be committed to the purposes for which they were provided, amount to \$21m.

In assessing the operational result, consideration should also be given to Council's adjusted net current assets position, which has increased by \$150k. It is important to note that Council has committed an additional \$6.4m to its internal restrictions to ensure that these reserves are adequate to cash fund future liabilities and strategic infrastructure projects. This adjusted net current assets position demonstrates that Council is not only able to meet its obligations in the short term, but that Council's level of restrictions can also be managed in the longer term.

Performance Measures

The Office of Local Government requires a minimum number of prescribed indicators to be presented in Note 13 of the Financial Reports as follows:

Operating Performance

The operating performance percentage measures Council's achievement in containing operating expenditure within operating revenue. This indicator has improved for 2013-2014 to -2.92% and Council continues to strive to meet the benchmark of >0. It should be noted that this indicator includes depreciation expense.

2014	2013
-2.92%	-5.31%

Own Source Operating Revenue

The own source operating revenue percentage measures fiscal flexibility and the degree of reliance on external funding sources such as grants and contributions. This indicator has improved for 2013-2014 to 73.3% and remains above the benchmark of >60%.

2014	2013
73.3%	74.4%

Unrestricted Current Ratio

The unrestricted current ratio assesses the adequacy of working capital and the ability to satisfy obligations in the short term from the unrestricted activities of Council. This indicator has increased for 2013-2014 to 3.44:1. This ratio has consistently remained above the benchmark of 2:1 as a result of the retirement of debt and internal restrictions strategy.

2014	2013
3.44:1	3.17:1

Debt Service Cover Ratio

The debt service cover ratio measures the availability of operating cash to service debt and lease repayments. It is Council's current policy to maintain a low ratio and has been consistently higher than the benchmark of >2.

2014	2013
3.81:1	4.43%

Rates and Annual Charges Outstanding Percentage

The rates and annual charges outstanding percentage is reported to Council on a monthly basis as part of the Rates Summary Report. The percentage as at 30 June 2014 stood at 4.29%, which is a significant improvement on recent years. Council continually monitors opportunities to improve the collection of outstanding amounts as well as the adequacy of recovery efforts impacted by socio-economic factors.

2014	2013
4.29%	4.82%

Cash Expense Cover Ratio

The Cash Expense Cover Ratio indicates the number of months Council can contribute paying immediate expenses without additional cash flow. Council is above the benchmark of >3 months.

2014	2013
8.21	7.08

The Budget Result

The budget result for the year is aligned to funding and takes into consideration Council's total expenditure and revenue, including not only operational items but capital expenditure, loan borrowings and sale of assets. Council's original budget predicted a balanced budget for the 2013-2014 financial year, which was maintained through quarterly reviews. The final result was a small surplus of \$60k which is an excellent outcome for Council.

Infrastructure Assets

Council's fixed assets have been progressively re-valued to fair value in accordance with a staged implementation advised by the Office of Local Government. As at 30 June 2014, all asset classes are stated at their fair value and will be re-valued every three years or as significant changes affect assets. Council should note that this significantly impacts depreciation which has a flow on effect, increasing the difficulty in maintaining a surplus operating result before capital grants and contributions.

Special Schedule 7 details the condition of Council's buildings and infrastructure and highlights a current backlog of \$33.7m. This backlog and future funding gaps will be addressed by the special rate variation and loan borrowings under the Local Infrastructure Renewal Scheme over the next ten years.

Summary

Council as at 30 June 2014 remains in a sound and stable financial position for the short to medium term. After allowing for capital grants and contributions, the operational surplus of \$10.5m has now been consolidated into Council's total equity which now stands at \$1.926b.

Other than the operating performance percentage, Council's financial performance indicators continue to be above industry benchmarks. The ratios adequately provide for the delivery of the objectives set out in Council's Operational Plan. Council's financial indicators will be highlighted in the presentation at the Annual General Meeting.

Some of the items to note for the 2013-2014 financial period include:

- \$24m increase to Council's infrastructure assets, of which \$11m (46%) related to renewal or refurbishment works. Of the total \$24m; expenditure on Council's roads, bridges and footpaths amounted to \$16m of which \$3m was for Leumeah Rail Pedestrian Bridge, \$700k for Eagle Vale Drive and \$10m in road network renewal which was funded by the Local Infrastructure Renewal Scheme (LIRS)
 - 3% of rates revenue expended on Category 1 and 2 priorities in accordance with Council's Asset Management System
 - Funds set aside for internally restricted reserves have increased by \$6m to \$58m
 - Council's investment portfolio contributed \$4m in revenue to Council's operational result as per budget predictions despite a slowing of the economy and subsequent reductions in interest rates
 - Recognition of non-cash dedication revenue of \$4m for Glenfield Urban Road Release and in kind contribution of \$4.5m from Housing NSW relating to One Minto redevelopment.
-

Officer's Recommendation

That the Financial Reports and Auditor's Reports for the period 1 July 2013 to 30 June 2014 be received and noted.

Council Meeting 28 October 2014

Note: Council's External Auditor and Council's Manager Financial Services addressed the Council regarding the auditor's and financial reports.

Council Meeting 28 October 2014 (Borg/Thompson)

That the Officer's Recommendation be adopted.

Council Resolution Minute Number 209

That the Officer's Recommendation be adopted.

There being no further business the meeting closed at 6.58pm.

Confirmed by Council on

..... General Manager Chairperson
