



3 October 2017

You are hereby notified that the next Extraordinary Meeting of the Council will be held at the Civic Centre, Campbelltown on Tuesday 10 October 2017 at 6.30pm.

Lindy Deitz
General Manager

Agenda Summary

Extraordinary Council Meeting to be held on Tuesday 10 October 2017 at 6.30pm

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1. ACKNOWLEDGEMENT OF LAND

I would like to acknowledge the Traditional Custodians, the Dharawal people, whose Lands we are now meeting on. I would like to pay my respects to the Dharawal Elders, past and present and all other Aboriginal people who are here today.

2. APOLOGIES

3. DECLARATIONS OF INTEREST

Pecuniary Interests

Non Pecuniary – Significant Interests

Non Pecuniary – Less than Significant Interests

Other Disclosures

4. REPORTS FROM OFFICERS

4.1 Financial Statements 2016-2017

Reporting Officer

Executive Manager Corporate Services and Governance
City Governance

Community Strategic Plan

Objective	Strategy
3 Outcome Three: A Thriving, Attractive City	3.7 - Public funds and assets are managed strategically, transparently and efficiently

Officer's Recommendation

That the financial reports and the Auditors reports for the period 1 July 2016 to 30 June 2017 be received and noted.

Purpose

Presentation of Councils annual financial statements for the period 1 July 2016 to 30 June 2017.

Report

Council at its meeting held 8 August 2017 resolved to refer the 2016-2017 General Purpose Financial Reports and the 2016-2017 Special Purpose Financial Reports to audit. Following completion of the audit by Council's auditor, Audit Office of New South Wales, 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 to Section 421 of the *Local Government Act 1993* outlines Council's annual financial reporting and auditing requirements. Council must give 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 26 September via Council's website followed by an advertisement in 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. Mr Nathan Carter, Director Financial Audit Services from the Audit Office of New South Wales, will be in attendance to discuss any matters that Council may wish to raise.

The Financial Report

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 25) and the Asset Accounting Manual.

The Financial Statements 2016-2017 are available on Council's website: <https://www.campbelltown.nsw.gov.au/RCC/CouncilandCouncillors/FinancialInformation>

Operational Result

The operating result for the period is an increase in equity of \$309m 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 surplus of \$78.1m. Capital grants and contributions amounted to \$33.5m which results in an adjusted operating result after capital grants and contributions of a surplus of \$111.6m.

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 Statements. For the 2016-2017 financial year externally restricted funds, which are required to be committed to the purposes for which they were provided, amount to \$42m.

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 steadily improved and for 2016-2017 is 10.64 per cent and Council continues to exceed the benchmark of >0.

2017	2016
10.64%	9.65%

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 remained consistent for 2016-2017 at 64.0 per cent and remains above the benchmark of >60 per cent.

2017	2016
64.0%	67.3%

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 2016-2017 to 4.82:1. This ratio has consistently remained above the benchmark of 1.5:1 as a result of the retirement of debt and strong internal restrictions.

2017	2016
4.82:1	4.51:1

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, due to a conservative borrowing program coupled with positive operational results.

2017	2016
8.17:1	7.29:1

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 2017 stood at 3.25 per cent, 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.

2017	2016
3.25%	3.41%

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.

2017	2016
17.99 months	10.71 months

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 2016-2017 financial year, which was maintained through quarterly reviews. The final result was a small surplus of \$98k which is an excellent outcome for Council.

Infrastructure Assets

Council's fixed assets continue to be re-valued in accordance with Australian Accounting Standards and as at 30 June 2017, all asset classes are stated at their fair value and will be re-valued every five 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 \$20.2m. This backlog and future funding gaps is being addressed by the special rate variation and loan borrowings under the Local Infrastructure Renewal Scheme over an eight year period.

Summary

Council as at 30 June 2017 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 \$111.6m has now been consolidated into Council's total equity which now stands at \$2.588b.

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 2016-2017 financial period include:

- \$48m increase to Council's infrastructure assets, of which \$17m related to renewal or refurbishment works. Of the total capital expenditure increase:
 - \$30.1m on Councils roads, bridges and footpaths network
 - \$3.6m on buildings
 - \$1.5m on other structures
 - \$4m in dedicated infrastructure assets.
- Funds set aside for internally restricted reserves have increased by \$74.5m to \$150m largely due to the Menangle land sale which resulted in a gain on sale of \$57m.
- Council's investment portfolio contributed \$5m in revenue to Council's operational result exceeding budget predictions despite a slowing of the economy and subsequent reductions in interest rates to record lows.
- Recognition of non-cash dedication contributions of \$24.3m, being \$2.3m in S94 contributions for Glenfield and the balance of \$22m in dedicated land, road, kerb and gutter and stormwater asset values recognised for areas including Airds, Bardia, Claymore and Glenfield.

Overall, Council is proving its financial sustainability through meeting key financial performance indicators. These indicators underpin a Fit for the Future status and ensure Council is able to deliver quality services and infrastructure the community deserves and strengthen the system of local government.

Attachments

1. Extract of Financial Statements 2016-2017 (contained within this report)

income statement for the year ended 30 june 2017

Original budget * 2017 \$,000	notes	actual 2017 \$,000	actual 2016 \$,000
Income from continuing operations			
97,889	Rates and annual charges	99,880	95,386
12,431	User charges and fees	12,822	13,045
3,215	Interest and investment revenue	5,146	3,886
28,038	Grants and contributions provided for operating purposes	36,026	31,415
1,279	Grants and contributions provided for capital purposes	33,527	27,472
0	Net gain from the disposal of assets	56,703	0
6,381	Other revenues	10,327	8,264
149,233	Total income from continuing operations	254,431	179,468
Expenses from continuing operations			
62,537	Employee benefits and on-costs	60,391	58,770
1,122	Borrowing costs	1,075	1,367
27,600	Materials and contracts	25,320	22,654
22,664	Depreciation and amortisation	20,582	21,471
0	Net loss from the disposal of assets	0	832
33,697	Other expenses	35,456	32,985
147,620	Total expenses from continuing operations	142,824	138,079
1,613	Operating result from continuing operations	111,607	41,389
1,613	Attributable to Council	111,607	41,389
334	Net operating result for the year before grants and contributions provided for capital purposes	78,080	13,917

* Original budget as approved by Council - refer to note 16

The above Income Statement should be read in conjunction with the accompanying notes

statement of financial position as at 30 June 2017

	notes	actual 2017 \$,000	actual 2016 \$,000
Assets			
Current assets			
Cash and cash equivalents	6a	2,710	3,123
Investments	6b	143,956	115,594
Receivables	7	7,755	6,511
Inventories	8	342	8,113
Other	8	0	25
Non-current assets classified as held for sale	22	222	222
Total current assets		154,985	133,588
Non-current assets			
Investments	6	60,000	0
Receivables	7	0	0
Inventories	8	1,053	1,053
Infrastructure, property, plant and equipment	9	2,402,862	2,180,779
Investment property	14	19,689	15,309
Total non-current assets		2,483,604	2,197,141
Total assets		2,638,589	2,330,729
Liabilities			
Current liabilities			
Payables	10a	6,395	5,402
Borrowings	10a	3,551	3,743
Provisions	10a	19,632	19,690
Income received in advance	10a	2,195	1,899
Total current liabilities		31,773	30,734
Non-current liabilities			
Borrowings	10a	15,691	19,157
Provisions	10a	3,162	2,240
Total non-current liabilities		18,853	21,397
Total liabilities		50,626	52,131
Net assets		2,587,963	2,278,598
Equity			
Retained earnings	20	1,004,340	892,733
Revaluation reserves	20	1,583,623	1,385,865
Total equity		2,587,963	2,278,598

The above Statement of Financial Position should be read in conjunction with the accompanying notes

statement of changes in equity as at 30 June 2017



Japanese Garden, Arts Centre



Campbelltown Arts Centre



	2016 \$,000						2017 \$,000					
	Total equity	Non controlling interest	Council equity interest	Other reserves	Asset revaluation reserve	Retained earnings	Total equity	Non controlling interest	Council equity interest	Other reserves	Asset revaluation reserve	Retained earnings
Opening balance	2,125,424	0	2,125,424	0	1,280,035	845,389	2,278,598	0	2,278,598	0	1,385,865	892,733
Correction of errors	102,121	0	102,121	0	96,166	5,955	0	0	0	0	0	0
Changes in accounting policy	0	0	0	0	0	0	0	0	0	0	0	0
Restated opening balance	2,227,545	0	2,227,545	0	1,376,201	851,344	2,278,598	0	2,278,598	0	1,385,865	892,733
Net operating result for year	41,389	0	41,389	0	0	41,389	111,607	0	111,607	0	0	111,607
Other comprehensive income	9,664	0	9,664	0	9,664	0	197,758	0	197,758	0	197,758	0
Total comprehensive income	51,053	0	51,053	0	9,664	41,389	309,365	0	309,365	0	197,758	111,607
Closing balance	2,278,598	0	2,278,598	0	1,385,865	892,733	2,587,963	0	2,587,963	0	1,583,623	1,004,340

Note

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

statement of cash flows for the year ended 30 june 2017

budget 2017 \$,000	notes	actual 2017 \$,000	actual 2016 \$,000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts:			
97,889	Rates and annual charges	100,255	95,864
15,724	User charges and fees	16,553	17,540
3,215	Investment revenue and interest	4,726	3,739
26,025	Grants and contributions	44,037	37,613
0	Deposits and retentions received	520	222
6,380	Other	4,779	9,547
Payments:			
(62,537)	Employee benefits and on-costs	(59,334)	(58,917)
(26,058)	Materials and contracts	(25,006)	(24,863)
(1,122)	Borrowing costs	(1,002)	(1,184)
0	Deposits and retentions refunded	(17)	(31)
(33,697)	Other	(35,414)	(32,933)
25,819	Net cash provided by/or used in operating activities	50,097	46,598
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts:			
1,274	Sale of infrastructure, property, plant and equipment	2,364	1,642
0	Sale of real estate assets	65,000	0
0	Sale of investments	53,820	51,065
Payments:			
0	Purchase of investments	(142,183)	(63,952)
(20,990)	Purchase of infrastructure, property, plant and equipment	(25,768)	(31,127)
0	Capital expenditure on investment properties	0	(33)
0	Purchase of real estate assets	0	0
(19,716)	Net cash provided by/or used in investing activities	(46,767)	(42,405)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts:			
0	Borrowing and advances	0	0
0	Other	0	0
Payments:			
(3,743)	Borrowing and advances	(3,743)	(3,906)
0	Other	0	0
(3,743)	Net cash provided by/or used in financing activities	(3,743)	(3,906)
2,360	Net increase/(decrease) in cash assets and cash equivalents	(413)	287
	Cash and cash equivalents at beginning of reporting period	3,123	2,836
2,360	Cash and cash equivalents at end of reporting period	2,710	3,123

The above Statement of Cash Flows should be read in conjunction with the accompanying notes