
Minutes Summary

Extraordinary Meeting held at 7.00pm on Tuesday, 22 October 2013.

APOLOGIES

DECLARATIONS OF INTEREST

Pecuniary Interests

Non Pecuniary – Significant Interests

Non Pecuniary – Less than Significant Interests

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Minutes of the Extraordinary Meeting of the Campbelltown City Council held on 22 October 2013

Present His Worship the Mayor, Councillor C Mead
Councillor F Borg
Councillor G Brticevic
Councillor S Dobson
Councillor W Glynn
Councillor G Greiss
Councillor P Hawker
Councillor R Kolkman
Councillor P Lake
Councillor A Matheson
Councillor M Oates
Councillor T Rowell
Councillor R Thompson

Apology It was **Moved** Councillor Borg, **Seconded** Councillor Lake that the **APOLOGY** from Councillor Lound be received and accepted.

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

Note: Councillor A Chanthivong has been granted a leave of absence from Council, incorporating all formal Council and Committee meetings until Tuesday 12 August 2014.

Also in Attendance

Council's External Auditor - Ms L Smith
Council's Manager Financial Services - Mrs C Mears
Council's Finance and Tax Accountant - Mrs C Gavin

Acknowledgement of Land

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

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 TO BE HELD ON 22 OCTOBER 2013

1. BUSINESS: REPORT OF THE GENERAL MANAGER

1.1 Annual Financial Reports 2012-2013

Reporting Officer

Manager Financial Services

Attachments

Financial Statements 2012-2013 (distributed under separate cover).

Report

Council resolved at its meeting held on 13 August 2013 to refer the 2012-2013 General Purpose Financial Reports and the 2012-2013 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 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 8 October via the Macarthur Chronicle and on Wednesday 9 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 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 21) and the Asset Accounting Manual.

Operational Result

The operating result for the period is a decrease in equity of \$14m 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 \$6.7m. It should be noted that this deficit includes an increase in depreciation expense of some \$500k attributable to the increased value of Council's fixed assets under fair valuation methodology as well as \$1.5m in other operating expenses mainly attributable to increases in street lighting, electricity and water charges and payment to the Electoral Commission.

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 2012-2013 financial year externally restricted funds, which are required to be committed to the purposes for which they were provided, amount to \$26m.

In assessing the operational result, consideration should also be given to Council's adjusted net current assets position, which has decreased by \$3m. It is important to note that Council has committed an additional \$3.5m to its internal restrictions to ensure that these reserves are adequate to cash fund other areas of Council's operations. 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 Division of Local Government requires a minimum number of prescribed indicators to be presented in Note 13 of the Financial Reports as follows:

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 2012-2013 to 3.17:1. This ratio has consistently remained above the benchmark of 2:1 as a result of the retirement of debt and continued budget surpluses.

2013	2012	2011
3.17:1	2.66:1	3.06:1

Debt Service Ratio

The debt service ratio assesses the impact of loan repayments on discretionary revenue. Council continues to maintain a strong debt service ratio which this year was 4.30%. It is Council's current policy to maintain a low ratio.

2013	2012	2011
4.30%	4.38%	5.77%

Rate Coverage Ratio

The rate coverage ratio assesses the dependence on revenue from rates and annual charges. An analysis of income trends will be presented to Council during the Annual General Meeting. The ratio for this year was 59.86% and is consistent with most metropolitan councils.

2013	2012	2011
59.86%	57.72%	58.22%

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 2013 stood at 4.82%, 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.

2013	2012	2011
4.82%	5.36%	5.66%

Building and Infrastructure Renewals Ratio

The asset renewal ratio assesses the rate at which building and infrastructure assets are being renewed compared to the rate they are depreciating. The ratio as at 30 June 2013 stood at 48.38%. The benchmark for this ratio is 100% and Council's result of less than 50% over a number of years continues to highlight the funding gaps associated with asset renewal as an ongoing challenge for local government. It is also important to note increases in depreciation, due to fair value accounting has significantly affected this ratio.

2013	2012	2011
48.38%	35.75%	41.58%

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 2012-2013 financial year, which was maintained through quarterly reviews. The final result was a small surplus of \$35,843 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 Division of Local Government. As at 30 June 2013, all asset classes are now 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 \$29.7m. At the 15 October 2013 Council meeting, Council resolved to conduct a series of community consultations in relation to a Special Rate Variation of an additional 8% rate income and \$10m borrowings under the Local Infrastructure Renewal Scheme in order to address the backlog and future funding gaps. As part of the broadening of Council's revenue base, an independent review of all Council services and Divisions will be undertaken to determine the best operational models to provide ongoing services.

Summary

Council as at 30 June 2013 remains in a sound and stable financial position for the short to medium term. After allowing for capital grants and contributions, the operational deficit of \$1.665m has now been consolidated into Council's total equity which now stands at \$1.829b.

Other than the building and infrastructure renewals ratio, 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 2012-2013 financial period include:

- \$18m increase to Council's infrastructure assets, of which \$11m (61%) related to renewal or refurbishment works. Of the total \$18m; expenditure on Council's roads, bridges and footpaths amounted to \$12m of which \$1.4m is directly attributable to Farrow Road, \$716k to Eagle Vale Drive and \$5m 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 \$3.5m to \$52m
 - Council's investment portfolio contributed \$4.1m in revenue to Council's operational result as per budget predictions despite a slowing of the economy and subsequent reductions in interest rates
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- Decrease of \$1.7m in workers compensation claims liability assisted in reducing Council's operational deficit.

Officer's Recommendation

That the Financial Reports and Auditor's Reports for the period 1 July 2012 to 30 June 2013 be received and noted.

Council Meeting 22 October 2013 (Lake/Borg)

That the Officer's Recommendation be adopted.

Council Resolution Minute Number 233

That the Officer's Recommendation be adopted.

There being no further business the meeting closed at 7.40pm.

Confirmed by Council on

..... General Manager Chairperson
