



Shire of
Serpentine
Jarrahdale

Special Council Meeting Minutes

**Monday, 8 December 2014
6.00pm**

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NOTE: a) **Declaration of Councillors and Officers Interest is made at the time the item is discussed.**

Notice of Meeting

Minutes of the Special Council Meeting held in the Council Chambers, 6 Paterson Street, Mundijong on Monday 8 December 2014. The Shire President declared the meeting open at 6.00pm and welcomed Councillors, staff and members of the gallery.

1. Attendances and apologies (including leave of absence):

In Attendance:

Councillors: K Ellis Presiding Member
S Piipponen
S Hawkins
J Erren
B Moore
B Urban
J Kirkpatrick
J Rossiter
G Wilson

Officers: Mr R Gorbunow Chief Executive Officer
Mr A Hart Director Corporate and Community
Mr B Gleeson..... Director Planning
Mr G Allan Director Engineering
Ms K Peddie Executive Assistant to the CEO

Apologies: Nil

Observers: K Cornish
S Tweedie

Members of the Public – 0
Members of the Press – 0

Leave of Absence: Nil

2. Public Question Time:

Nil

3. Public Statement Time:

Nil

4. Petitions and Deputations:

Nil

5. Declaration of Councillors and Officers Interest:

Nil

6. Receipts of Minutes or Reports and Consideration for Recommendations:

Nil

7. Motions of Which Notice has been Given:

SCM003/12/14	Item AC001/12/14 - 2013/2014 Financial Statements and Audit
Author:	Kelli Hayward – Contract Financial Accountant
Senior Officer/s:	Alan Hart – Director Corporate and Community Services
Date of Report:	24 November 2014
Disclosure of Officers Interest:	In accordance with Section 5.70 of the Local Government Act an officer involved with the preparation of this report declares an interest as he owns property within the Shire.

Introduction:

Council's Auditor, UHY Haines Norton, has provided Council with the Audit Report and Management Report for the financial year ended 30 June 2014.

Background:

Pursuant to Sections 7.2, 7.3 and 7.9 of the *Local Government Act 1995*, local governments are required each year to have the accounts and annual financial report of the Council audited by an auditor appointed by the local government.

Relevant Previous Decisions of Council:

There is no previous Council decision relating to this matter.

Community / Stakeholder Consultation:

No community consultation was undertaken / required.

Comment:

At the completion of the audit, UHY Haines Norton advised that there were no non-compliance issues.

UHY Haines Norton has advised that there was three management issue in their Management Report for the financial year ended 30 June 2014. The point brought to Councils attention is regarding Ratios:

1. Debt Service Cover Ratio

This ratio is below the target level and trending downwards.

This ratio measures Council's ability to service debt out of its uncommitted or general purpose funds available from its operations.

The main reasons for this ratio's weaknesses are the significant repayments in excess of budgeted repayments in the current year together with the weak operating surplus (see comments below for the Operating Surplus Ratio). Had early repayments of \$1,765,242 not been effected, the ratio would be 1.38.

Whilst this ratio has been below target levels for the last 3 years, we note the 2014/15 budget indicates an improvement. Should the budgeted operating surplus for 2014/15 be achieved and the budgeted debt repayments occur, the ratio would be 9.67 for the 2014/15 financial year.

Comment: Council repaid the loans that were taken out from Developer Contribution projects in previous years when the Developer Contribution Plan was approved by the Minister and funds were reimbursed for administration costs in previous years. Shire

officers are aware of the borrowing capacity of the Shire and have recommended to Council to limit borrowings in future years, to be in line with industry benchmarks.

2. Operating Surplus Ratio

This ratio is below the target level and trending downwards.

The Operating Surplus Ratio measures Council's financial sustainability having regard to asset management and the community's service level needs.

A negative ratio indicates the local government is experiencing an operating deficit. A sustained period of deficits will erode Council's ability to service debt and maintain both its operational service level and asset base over the longer term whilst a positive ratio which is consistently above 0.15 provides the Shire with greater flexibility in meeting operational service levels and asset management requirements.

Analysis of the Shire's Statement of Comprehensive Income indicates the main reason for the downward trend of the ratio to be the increase in operating expenditure whilst operating revenue remains at a similar level to the prior year.

To help alleviate the continued erosion of this ratio, Council and Management should consider ways to improve the operating result.

3. Asset Renewal Funding Ratio

This ratio indicates whether Council's planned capital renewal expenditure over the next 10 years per its Long Term Financial Plan is sufficient to meet the required capital renewal expenditure over the next 10 years per its Asset Management Plans.

Interpretation of this ratio should be considered together with the Asset Sustainability Ratio (ASR) (Low risk at 1.22) and the Asset Consumption Ratio (ACR) (Low risk at 0.78).

Whilst both the ASR and ACR for the year suggest the Council is currently replacing or renewing its existing assets at about the same rate they are wearing out, the Council should consider reviewing the Shire's long-term capital investment program to help ensure asset renewal is maintained at an appropriate level with sufficient funding support in the future.

Comment: All of these ratios are new and it may take some time for their implication to be understood. However it is advised that they become a part of the overall management of the Shire and are monitored to ensure the Shire's scarce resources are managed effectively.

There was also one uncorrected misstatement, which related to the recognition of a grant received for 2014/15 in the 30 June 2013 financial year. This misstatement has been noted, however is immaterial both individually and in aggregate to the financial report as a whole.

The financial performance of the Shire has improved from previous years. Below is a table of the 2013/2014 and previous financial years for comparisons. As detailed below the net result, reserve balance, and cash and cash equivalents are improving in performance and there is a positive trend. Rates raised, operating and capital expenditure, operating and non-operating (capital) income, are also increasing and this is a result of growth in the Shire.

	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Rates Raised	6,605,973	7,836,850	8,946,043	10,220,714	11,527,614	12,976,751	14,492,919
Operating Expenditure	15,664,215	16,934,642	17,490,523	19,064,617	21,524,499	22,460,557	24,352,565
Operating Revenue	12,817,460	15,119,671	17,220,430	18,593,130	21,498,379	23,529,257	23,490,214
Non-Operating Revenue	2,746,383	4,394,758	3,246,791	3,501,419	4,893,664	3,967,341	5,192,179
Actual Net Result	(100,372)	2,579,787	2,976,698	3,009,932	4,867,544	5,036,041	4,102,201
Capital Expenditure	4,159,367	2,661,691	6,123,534	3,289,577	5,098,768	9,119,851	6,433,078
Loan Borrowing Balance	3,363,064	4,599,606	5,704,816	4,411,103	4,486,292	5,787,337	2,796,675
Reserve Balance	1,214,305	1,250,596	1,661,942	1,949,015	2,101,206	2,617,973	4,841,087
Cash & Cash Equivalents Balance (excluding restricted & reserve cash)	(78,368)	557,428	748,225	713,018	2,841,460	3,010,059	2,989,651

Attachments:

- [SCM003.1/12/14](#) - Management Audit Report (E14/5495)
- [SCM003.2/12/14](#) – 2013/2014 Annual Financial Report including Independent Audit Report (E14/5493)
- [SCM003.3/12/14](#) - 2013/2014 Concise Annual Financial Report including Independent Audit Report (E14/5494)

Alignment with our Strategic Community Plan:

Objective 2.1	Responsible Management
Key Action 2.1.1	This report is a tool for evaluating performance against service delivery to ensure efficiency, effectiveness and meets the needs of the community, elected members, management and staff.

Statutory Environment:

Section 7.2 of the *Local Government Act 1995* states that, “the accounts and financial statements of a local government for each financial year are to be audited by an auditor appointed by the local government.”

Section 7.3 of the *Local Government Act 1995* states, “A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint a person, on the recommendation of the Audit Committee, to be its auditor”.

Section 7.9 (1) of the *Local Government Act 1995* states, “An auditor is required to examine the accounts and annual financial report submitted for audit and, by 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of the report to:

- The Mayor or President;
- The Chief Executive Officer of the local government; and
- The Minister.”

Financial Implications:

A budget provision has been included in the 2014/2015 budget to accommodate the expenses associated with carrying out an audit.

Voting Requirements: Absolute Majority

SCM003/12/14 COUNCIL DECISION / Audit Committee Recommendation:

Moved Cr Urban, seconded Cr Wilson

That Council:

- 1. Adopt the Independent Audit Report and the Concise Independent Audit Report from UHY Haines Norton for the financial year ended 30 June 2014.**
- 2. Receive the Management Report.**
- 3. Receive the Audited Financial Report and the Concise Audited Financial Report for the Shire of Serpentine Jarrahdale for the financial year ended 30 June 2014.**
- 4. Adopt that the Annual Report will include the Concise Financial Report and that the full Financial Report will be available to the public, in person, or via the website.**

CARRIED ABSOLUTE MAJORITY 9/0

SCM004/12/14 Annual Report 2013/2014 (SJ1014)	
Author:	Tammy Wayne-Elliot, Manager Communications and Executive Services
Senior Officer/s:	Richard Gorbunow, Chief Executive Officer
Date of Report:	19 November 2014
Disclosure of Officers Interest:	No officer involved in the preparation of this report is required to declare an interest in accordance with the provisions of the <i>Local Government Act</i>

Introduction:

The Local Government Act 1995 (the Act) requires the Annual Report to be adopted by Council no later than 31 December after that financial year or no later than two months after the auditor's report becomes available. The purpose of this report is to progress adoption of the Annual Report 2012-2013, with a draft of the published version to be tabled at the meeting.

Background:

The Annual Report has been prepared in-house based on the achievements of the year 2013-2014.

Community / Stakeholder Consultation:

Section 5.55 of the Local Government Act 1995 states that:

“the CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.”

Comment:

The Local Government Act 1995 (the Act) requires the Annual Report to be adopted by Council no later than 31 December after that financial year or no later than two months after the auditor's report becomes available.

Local governments are to prepare an annual report for each financial year. This annual report is to contain:

1. A report from the Mayor or President;
2. A report from the Chief Executive Officer;
3. An overview of the Strategic Community Plan of the district including major initiatives that are proposed to commence or to continue in the next financial year;
4. The financial report for the financial year;
5. Such information as may be prescribed in relation to payments made to employees;
6. The auditor's report for the financial year; and
7. A matter on which a report must be made under section 29(2) of the Disability Services Act 1993.

The Audit Committee meeting was held on 27 November 2014 to consider the signed audit report and financial statements. The Audit Partner from UHY Haines Norton was present at this meeting to answer any Audit Committee questions in relation to the audit. The Audit Committee Meeting resolution was:

AC001/12/14 Audit Committee / Officer Recommendation:

Moved Cr Erren, seconded Cr Rossiter

That the Audit Committee:

1. Adopt the Independent Audit Report and the Concise Independent Audit Report from UHY Haines Norton for the financial year ended 30 June 2014.
2. Receive the Management Report.
3. Receive the Audited Financial Report and the Concise Audited Financial Report for the Shire of Serpentine Jarrahdale for the financial year ended 30 June 2014.
4. Adopt that the Annual Report will include the Concise Financial Report and that the full Financial Report will be available to the public, in person, in person, or via the website.

CARRIED 4/0

The concise audit report and concise financial statements are included in the Annual Report.

In order to meet the requirements of the Local Government Act 1995, the annual electors meeting must be held within 56 days of the adoption of the annual report. Should the annual report be accepted by the Council at their Ordinary Council Meeting on 8 December 2014 the annual electors meeting would need to be held before 30 January 2014.

It is anticipated that the annual electors meeting will be held in the Council Chambers at the Shire Administration Building, 6 Paterson Street, Mundijong, on Tuesday 27 January 2014 commencing at 6.00pm, with the planned order of business being as follows:

1. Receiving of the annual report
2. Receiving of the annual financial statements
3. Reading of the auditors' report
4. General business

The annual elector's meeting will be advertised to the community in local newspapers as well as through community notice boards in the New Year. The public will be asked to provide questions in writing at least 48 hours before the meeting to enable questions to be answered fully and without delay.

Copies of the annual report including the concise financial statement for the period ending 30 June 2014 will be able to be obtained from the Shire's Administration Centre in Mundijong or by telephoning 9526 1111.

Attachments:

- [SCM004.1/12/14](#) – Draft Annual Report 2013 / 2014 (To be tabled under separate cover)

Alignment with our Strategic Community Plan:

Governance and Leadership Progressive Organisation
1.2.4 Provide robust reporting that is relevant, transparent and easily accessible by staff and the community.
1.2.6 Comply with all legislative and statutory requirements

Statutory Environment:

Section 5.53 of the Local Government Act 1995 requires local governments to prepare an annual report for each financial year and stipulates the format of the report. Section 5.54 states that this report is to be accepted by the local government no later than 31 December each year unless the auditor's report is not available.

Section 7.2 of the Local Government Act 1995 states that:

“the accounts and financial statements of a local government for each financial year are to be audited by an auditor appointed by the local government.”

Section 7.9 (1) of the Act states:

“An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of the report to –

- a) The Mayor or President,
- b) The CEO of the local government, and
- c) The Minister.”

Financial Implications:

A budget provision has been made in the 2014/2015 budget to accommodate the costs associated with the annual report costs.

Voting Requirements: Absolute Majority

SCM004/12/14 COUNCIL DECISION / Officer Recommendation:

Moved Cr Hawkins, seconded Cr Kirkpatrick

That Council accept the 2013-2014 Annual Report for the Shire of Serpentine Jarrahdale as provided at attachment SCM004.1/12/14.

CARRIED ABSOLUTE MAJORITY 9/0

8. Urgent Business:

Nil

9. Closure:

There being no further business the Presiding Member declared the meeting closed at 6.01pm.

I certify that these minutes were confirmed at the
Ordinary Council Meeting held on 9 February 2014.

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Presiding Member

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Date