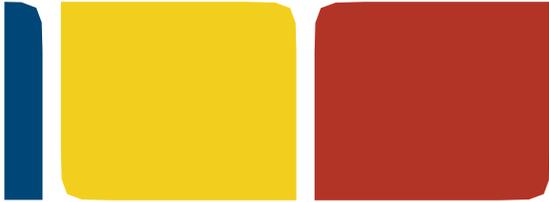




Ararat Rural City



AGENDA

SPECIAL MEETING OF COUNCIL

Tuesday 11 September 2018

To be held in the
Council Chamber, Shire Hall,
233-235 Barkly Street, Ararat
Commencing at 6.00pm

Council:

Cr Gwenda Allgood (Mayor)
Cr Jo Armstrong
Cr Peter Beales
Cr Bill Braithwaite
Cr Frank Deutsch
Cr Fay Hull
Cr David Pettman

Our Vision

Our communities, our opportunities

Our Mission Statement

We will demonstrate leadership through social responsibility, openness and transparency by actively working with our community to achieve shared goals.

Our Values

Respect - Respect for each other and the wider community.

Excellence - Striving for ongoing professionalism and organisational excellence.

Passion - Passion for our people, community and services.

An audio recording of this meeting is being made for the purpose of verifying the accuracy of the minutes of the Special Council Meeting.

Recordings of Council Meetings and Special Council Meetings (excluding closed sessions) are made available on Council's website.

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SECTION 1 – PROCEDURAL MATTERS

1.1 AUDIO RECORDING

An audio recording of this meeting is being made for the purpose of verifying the accuracy of the minutes of the Special Council Meeting.

1.2 TRADITIONAL ACKNOWLEDGEMENT/OPENING PRAYER/COUNCILLORS PLEDGE

Traditional acknowledgement

We acknowledge the traditional owners of the land on which we meet today, and pay our respects to their elders, past, present and emerging.

Opening Prayer

Almighty God, we humbly ask you to help us, as elected Councillors of the Ararat Rural City Council. Guide our deliberations. Prosper what is your will for us, to your honour and glory and for the welfare and benefit of the people whom we serve in the Ararat Rural City.

Councillors Pledge

We will undertake the duties of the office of Councillor in the best interests of the people of the municipal district of the Ararat Rural City Council and faithfully and impartially carry out the functions, powers, authorities and discretions vested in us under the local government act 1989 or any other act to the best of our skill and judgment.

1.3 APOLOGIES

RECOMMENDATION (if required)

That the apology of **(Name)** be accepted.

1.4 DECLARATION OF DISCLOSURE OF INTERESTS

Disclosure of Interests are to be made immediately prior to any relevant item being discussed.

Local Government Act 1989 Section 79 (2) A Councillor or member of a special committee who has a conflict of interest and is attending the meeting of the Council or special committee must make a full disclosure of that interest -

- (a) by either -
 - (i) advising the Council or special committee at the meeting of the details required under paragraph (b) and (c) immediately before the matter is considered at the meeting; or
 - (ii) advising the Chief Executive Officer in writing of the details required under paragraphs (b) and (c) before the meeting; and
- (b) classifying the type of interest that has given rise to the conflict as either -
 - (i) a direct interest: or
 - (ii) an indirect interest and specifying the particular kind of indirect interest under section 78, 78A, 78B, 78C, 78D or 78E; and
- (c) describing the nature of the interest; and
- (d) if the Councillor or member advised the Chief Executive Officer of the details under paragraph (a) (ii), the Councillor or member must make a disclosure of the class of interest only to the meeting immediately before the matter is considered at the meeting.

Local Government Act 1989 Section 80C) A person who is providing advice or a report to a meeting of the Council or a special committee, and who has a conflict of interest in a matter to which the advice or report relates, must disclose the constituting the conflict of interest when providing the advice or report and before the advice or report is considered by the Council or the committee.

SECTION 2 – REPORTS REQUIRING COUNCIL DECISION

2.1 APPROVAL OF THE FINANCIAL STATEMENTS AND PERFORMANCE STATEMENTS

RESPONSIBLE OFFICER: MANAGER CORPORATE SUPPORT
DEPARTMENT: ASSETS, FINANCE AND CORPORATE SERVICES
REFERENCE: 18098357

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Under Section 80C of the *Local Government Act 1989* officers providing advice to Council must disclose any interests, including the type of interest.

No person involved in the preparation of this report has a direct or indirect interest requiring disclosure.

PURPOSE

To give in principle approval to the Financial Statements and Performance Statement for the year ended 30 June 2018; and to authorise the Chief Executive Officer and two Councillors to certify the 2017/18 statements in their final form.

EXECUTIVE SUMMARY

The Financial Statements and Performance Statement (the statements) has been prepared for the period ended 30 June 2018. The Victorian Auditor-General is required to audit the statements but cannot issue his report unless Council approves the statements.

RECOMMENDATION

- 1 That pursuant to Section 132 of the Local Government Act 1989, Council gives in principle approval to the Financial Statements and Performance Statements for the year ended 30 June 2018; and
- 2 That pursuant to Section 132 of the Local Government Act 1989, Council authorises the Chief Executive Officer, Councillor Gwenda Allgood and Councillor Peter Beales to certify the 2017/18 Financial Statements and Performance Statement in their final form.

BACKGROUND

Pursuant to the Local Government Act 1989 (the Act) Council is required to give “in principle approval” to the 2017/18 Financial Statements and Performance Statement, and authorise two Councillors to approve the statements in their final form.

The Council must not submit the statements to the Auditor-General or the Minister unless it has passed a resolution giving its in principle approval to the statements. Legislation also recognises that further changes may be made to the statements and therefore Council must authorise two Councillors to certify the Financial Statements and Performance Statement in their final form after any changes recommended by the auditor have been made.

DISCUSSION

The Auditor-General’s agent was onsite in Ararat from the week commencing Monday 30 July 2018 to conduct the end of year audit.

Financial Statements

The Comprehensive Income Statement measures how well Council has performed from an operating nature. It reports revenue and expenditure from the activities and functions undertaken, with the net effect being a surplus or deficit. Capital expenditure is excluded from this statement, as it is reflected in the Balance Sheet.

The Comprehensive Income Statement shows total income of \$32.848 million in revenue and \$29.770 million in expenses to 30 June 2018. This has resulted in a surplus of \$3.078 million for the year ended 30 June 2018.

Income

Rates and charges account for 51% of the total income for 2017/18. Rates and charges are recognised when the rates have been raised, not when the income has been received. An amount of \$16.629 million has been recognised as income for the year ended 30 June 2018.

User fees account for 5% of the total income for 2017/18, and \$1.505 million has been received to 30 June 2018. The majority of this relates to home care services, parking fees, animal registration fees and landfill gate fees reimbursed from Northern Grampians Shire Council.

Recurrent Operating Grants total \$6.632 million to 30 June 2018, including \$3.417 million from the Victorian Grants Commission for general purpose grants and \$2.134 million for the local roads grants.

Non-recurrent Capital Grants – Council has been successful in obtaining Local Roads to Market funding of \$0.950 million for road reconstruction works on Tatyoon Road. Council has also been granted \$0.750 million in Federal funding under the Bridge Renewal Programme to undertake reconstruction of the Elmhurst-Landsborough Road Bridge, with the Pyrenees Shire Council contributing half the remaining cost required to complete the works; estimated to total \$1.5 million. Council has also received \$2.4 million from the State Government and \$0.756 million from the Federal Government this year to partly fund the Ararat Arts Precinct upgrade.

Expenses

Employee Costs account for approximately 37% of the total expenditure for 2017/18. For the year ended 30 June 2018 Council has incurred \$11.147 million in employee costs, which was \$0.481 million less than budget. There have been delays in replacing some staff members and other recent vacancies that have not been filled at year end.

Materials and Services account for approximately 35% of the total expenditure for 2017/18. For the year ended 30 June 2018, Council has incurred \$10.367 million in materials and services costs compared to a budget of \$8.570 million, a variance of \$1.797 million. Flood recovery works of \$0.309 million were not included in the budget. Grading and resheeting maintenance works exceeded budget by \$0.267 million and pothole patching exceeded budget by \$0.114 million. Local Government Victoria invoiced Council \$0.087 million for the costs associated with the Commission of Inquiry. Council has incurred a further \$0.091 million in cost associated with implementing the recommendations made by the Minister for Local Government. These costs were not in the budget. A government grant of \$0.100 million was received to upgrade bus shelters. The income and the expenditure associated with upgrading the bus shelters was not in the budget.

Balance Sheet

The Balance Sheet is one of the main financial statements and it reports Council's assets, liabilities and equity at a given date, in this case 30 June 2018. Comparative figures have been provided as at 30 June 2017.

Council's current assets have decreased by \$2.328 million from \$20.757 million as at 30 June 2017 to \$18.429 million as at 30 June 2018. Cash and cash equivalents have decreased by \$2.258 million.

Total liabilities have decreased from \$7.119 million in 2016/17 to \$6.238 million in 2017/18, largely due to \$0.800 million less in trade and other payables at balance date. The level of payables in 2017 was inflated as it included large contract payments and accrued expenses - \$0.221 million for flood recovery works, \$0.322 million for the Ararat Arts Precinct and \$0.230 million for plant hire and gravel supplies for road reconstruction.

Statement of Cash Flows

The Statement of Cash Flows shows how changes in the Balance Sheet and Income Statement affect Cash and Cash Equivalents, and breaks down the analysis to operating activities, investing activities and financing activities.

The Cash and Cash Equivalents at the beginning of the financial year of \$17.963 million have decreased by \$2.258 million to \$15.705 million as at 30 June 2018. A proposed \$1 million loan included in the budget was not required during the year, as Council received an advance payment of \$2.879 million from the Victorian Grants Commission.

Net cash provided by operating activities was \$10.127 million, however \$12.339 million was used in investing activities and \$0.046 million was used in financing activities.

Investing activities includes payments for property, plant and equipment, and infrastructure totalling \$12.690 million. Major capital building works included the Ararat Arts Precinct (\$5.668 million); Moyston Community Hall (\$0.486 million); the Tatyoon Recreation Reserve Change Rooms (\$0.264 million). Infrastructure works included Roads (\$4.072 million), Bridges (\$0.177 million), Footpaths & Cycle ways (\$0.214 million) and Drainage (\$0.230 million).

Performance Statement

The Victorian Government has introduced a mandatory system of performance reporting which prescribes performance information to be included on Council's annual reports.

"Councils must describe the prescribed indicators and measures in the performance statement so it is clear to the audience what is being measured. In addition, the performance statement must include the results achieved in relation to the prescribed service performance outcome, financial performance and sustainable capacity for the financial year and three preceding years.

For the financial performance indicators and measures, the performance statement must also include the forecast results for four years based on the financial statements included in the strategic resource plan.

Reporting trend information helps the reader understand changes in Council performance over time and acts as a point of reference for results. The regulations require that Councils must also provide an explanation of any material variations in the results between the current year and other years disclosed, to enable the reader to form an understanding of the reason for the variation".

The performance reporting framework requires Councils to load the indicators included in this performance statement, as well as a number of other indicators that are required to be included in the report of operations, onto the "Know your Council" website, which will allow the community to compare the performance result of Councils across Victoria.

Part of the performance reporting framework includes the State Government setting expected ranges for each indicator. Based on the draft financial statement and performance statement Council is within the expected range for most indicators. The working capital indicator has an expected range of 100% to 400%. Council's indicator of 473% is greater than the expected range as this indicator has been influenced by receiving part of the 2018/19 Grants Commission allocation in 2017/18. The reasons for the material variations are included in the performance statement.

Audit Committee Review

The draft financial statements were considered by the Audit Committee on 4 September 2018. Ms. Cassandra Gravenall from Crowe Horwath presented the Auditors closing report and Management letter at that meeting, answering any issues raised by the Audit Committee members. The Audit Committee identified a minor changes to the statements which have been incorporated into the Statements attached to this report. Further changes may be required after the Victorian Auditor General's Office has reviewed the statements and before the nominated Councillors certify the accounts in their final form.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

5.1 – Good governance though leadership

Financial

The surplus included in the Comprehensive Income Statement of \$3.078 million compares unfavourably with the surplus of \$4.756 million in 2017/18. The actual results for both years were inflated as Council received advanced payments from the Victorian Grants Commission (VGC). Income was \$0.113 million less than 2016/17 and expenditure was \$1.565 million more than 2016/17.

The Cash Flow Statement shows the cash and cash equivalent position has decreased by \$2.258 million. The net transfer to reserves was \$0.630 million. The loan of \$1.0 million included in the budget was not required in 2017/18

as Council had sufficient funds to meet the cost of the Ararat Arts Precinct. The loan will be taken up in 2018/19, which will improve Council's cash position.

Policy/Legal/Statutory

Section 132 (2) of the Local Government Act 1989 states that: "the Council, after passing a resolution giving its approval in principle to the performance statement and financial statements, must submit the statements to the auditor for reporting on the audit".

Section 132 (4) of the Local Government Act 1989 states that: "the auditor must not sign a report under subsection (3) or under Part 3 of the Audit Act 1994 unless the performance statement or the financial statements (as applicable) have been certified under subsection (5).

Section 132 (5) of the Local Government Act 1989 states that: "The Council must ensure that the performance statement and financial statements, in their final form after any changes recommended or agreed by the auditor have been made, are certified in accordance with the regulations by—

- (a) 2 Councillors authorised by the Council for the purposes of this subsection; and
- (b) any other prescribed persons.

Risk Assessment

Council is required to approve the statements before the Auditor-General can issue the audit report. Council has until 30 September 2018 to finalise the statements.

Stakeholder Consultation and Communication

Various Council officers have been involved with the preparation of the statements. The statements will be included in the Annual Report that will be made available to the public.

CONCLUSION

Council officers have prepared the in principle accounts for Council's consideration. The Audit Committee has reviewed the statements on 4 September 2018 and recommended that subject to Management making changes to the satisfaction of the External Auditor Council authorises Councillors and the Chief Executive Officer to certify the Financial Statements and the Performance Statement in the final form.

It is recommended that Council give "in principle" approval of the 2016/17 Financial Statements and Performance Statement and authorise two Councillors to approve the statements in their final form.

ATTACHMENTS

- 1 The Performance Statement and Financial Statements are provided as attachments.