



SUPPLEMENTARY AGENDA
ORDINARY MEETING OF COUNCIL

To be held on

Wednesday, 25 October 2017
1pm

at

Armidale Council Chambers

Members

Councillor Simon Murray
Councillor Dorothy Robinson
Councillor Peter Bailey
Councillor Jon Galletly
Councillor Diane Gray
Councillor Libby Martin
Councillor Andrew Murat
Councillor Debra O'Brien
Councillor Margaret O'Connor
Councillor Ian Tiley
Councillor Bradley Widders

SUPPLEMENTARY AGENDA

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Item:	8.3	Ref: AINT/2017/16966
Title:	FOR DECISION: Draft 2016-2017 Financial Statements Refer To Audit	Container: ARC17/1643
Author:	Keith Lockyer, Service Leader Finance and Information Technology	
Attachments:	<ol style="list-style-type: none">1. Statements by Councillors and Management2. Draft General Purpose Financial Statements 2016-20173. Draft Special Purpose Financial Statements 2016-20174. Draft Special Schedules 2016-2017	

RECOMMENDATION:

- a) **That the Draft 2016-2017 Annual Financial Statements for the Armidale Regional Council be referred to the Auditor for audit in accordance with Section 413(1) of the Local Government Act 1993.**
- b) **That the Statements be signed as prescribed by Section 413(2)(c) of the Local Government Act 1993.**

Background:

Section 416 (1) of the *Local Government Act 1993* requires that a Council's financial reports for a year must be prepared and audited within four months after the end of that financial year. The Responsible Accounting Officer is required to prepare a set of statements in the approved form in accordance with the Australian Accounting Standards, *Local Government Act 1993*, *Local Government Financial Regulations 2007*, and Local Government Code of Accounting Practice.

Due to additional timeframe required to undertake asset valuations and resolve other merger issues management have received approval from the Office of Local Government to extend the statutory reporting period to the 31 December 2017 from the 31 October 2017.

Financial statements are a structured representation in accordance with AASB101 of the financial position and financial performance of Council. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions and assessment of the organisation.

The Code of Accounting Practice 25a made a provision for councils merged on the 12 May 2016 to report additional information and the resulting changes to Balance Sheet following the merger in Note 29.

Control over granted/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer. Note 6 lists the funds that are unspent and are committed to future projects in 2017-2018.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it:

- (i) it is probable that the economic benefits comprising the contribution will flow to the Council and;
- (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Refer to the General Purpose Reports **attached**.

Because of the merger many of the performance indicators and comparative data is not required to be reported. As the foundation year there has been many adjustments made to align Council Accounting policies. Councils accounting principles and practices are detailed in Note 1 of the General Purpose and Special Purpose reports. Special Schedule reports are for government data returns and are not auditable.

Council is required under section 413 (2) c of the *Local Government Act 1993*, to resolve that:

The attached Annual Financial Statements have been drawn up in accordance with :

- The *Local Government Act 1993* (as amended) and the Regulations.
- The Australian Accounting Standards and professional pronouncements.
- The Local Government Code of Accounting Practice and Financial Reporting.
- The Local Government Asset Accounting Manual.

To the best of Council's knowledge and belief, these reports:

- Present fairly the Council's financial position and operating result for the year, and
- Accord with Council's accounting and other records

And sign the two declarations for the:

- (i) General Purpose Financial Reports and
- (ii) Special Purpose Financial Reports.

Key Issues and Risks

The Financial Statements are Draft prepared by management. They are to be referred to Internal and External Audit in accordance with the LGA 1993 before making final. Failure to refer the financial statements to Audit by the end of October will put at risk the Auditors capacity to complete a final report and have Council adopt before 31 December. This will result by default in a Council Improvement Order from the Office of Local Government.

The draft Financial Statements have also been submitted to Councils Audit and Risk Committee for their review and endorsement.

Integrated Planning and Reporting Framework

The Council's Community Strategic Plan requires the Council to exceed community expectations when managing its budget and operations as well as ensuring financial sustainability is maintained.

Stakeholder Engagement

Internal Audit Committee, ELT Finance Committee, Council, NSW Audit Office.

Financial Implications

The former Armidale Dumaresq Council and Guyra Shire Council were amalgamated on 12 May 2016 to form the new Armidale Regional Council.

The Financial statements have to be presented in accordance with the accounting code of practice. There are 3 sets of independent accounts:

- (i) General Purpose Financial Reports (Main Financials)
- (ii) Special Purpose Reports (water and sewer) for national competition policy and dividend compliance.
- (iii) Special Schedules (Government and ABS reporting) this is also where special schedule 7 asset management reporting is presented.

While the reports cannot be presented in any other format other than in accordance with the accounting code the following points are worth noting when reading the accounts:

- They are the first set of accounts for the new entity (ARC) and therefore have a number of accounting entries to consolidate the balance sheet of the former councils. None of this has flowed through to the operating statement.
- There is no prior year's comparative data as this is the first reporting year. The only place that recognises the previous councils is in Note 29. The gain is then represented in the operating statement as a separately disclosed line \$859m.
- The merger of the council has been externally funded by the NSW government with a one off Grant of \$15m in the reporting Period
- 50% of the 2018 Financial Assistance Grant of \$3.2m, was paid 3 months early in June and has to be reflected as income received.
- The Reporting Period was proclaimed to be 13 May 2016 to 30 June 2017 for Expenditure (14 months)
- Income for the reporting period was for 1 July 2016 to the 30 June 2017 (12 months)
- The reports at this stage are presented as per section 413 LGA and are DRAFT until External Audit is completed at which time the Auditor will report to Council.
- In bring the two councils together the assets fair value on the balance sheets needed to be reassessed. The result of this assessment was a \$25m increase in roads assets and \$8.7m increase in Water and Sewer assets
- As part of the asset revaluation process depreciation has been recalculated based on remaining useful life and current condition of the asset. The change in depreciation expense has then been applied to the periods following the revaluation date (Ie 2017-18 financial year). The net change in depreciation expense for roads will decrease 1.1m in 2017-18. This will have a direct and material improvement on the general fund operating result for 2017-18 and reduce the current required asset capital renewal amount to match the depreciation expense.
- Depreciation for Water and Sewer increases 1.0m. This will impact on the operating result and may reduce future dividend payments as this is paid from the net profit.
- There was also a \$3.2m adjustment to writing off small assets that should not have been on the balance sheet. Under the councils accounting policy any asset less than \$10,000 should be expensed in the year of purchase. Due to the merger, asset adjustments such as this one can be made in the first year through the balance sheet. This is a once off situation. Any future write offs from July 2017 will need to be presented in the profit and loss.
- The financials presented are in line with the past performance of ADC and GSC combined and is consistent with assumptions made in the future forecasted results as part of the long term financial plan.

- Reports are presented on a consolidated basis except in note 21 of General Purpose that splits General Water and Sewer funds.
- Water and Sewer funds continue to make good profits and were not impacted by external grants.
- At the end of the reporting period Note 6 (consolidated) details the break up of cash. From the \$74m, \$69m is externally restricted. In the Financial Strategy, LTFP and recent Report with Morrison and Low there needs to be some effort to improve the unrestricted cash levels in 2018.

Next Steps

The draft financial reports have been submitted to the Audit and Risk Committee which is meeting on the 24 October 2017 for review.

Once the declarations are made, the completed set of financial statements will be formally referred to Council's Auditor. After the completion of an external audit the statements will be placed on public display for comment. Council's Auditor will then present an audit report to Council with an Audit opinion, after the advertising period, taking into account any submissions from the public.

Once audited the Statements will form part of Councils 2016-2017 Annual Report.

The signed audited Financial Statements, together with the signed Client Services Reports (Auditor's Reports) will be presented to the public at an Extraordinary Council meeting to be held on 11 December 2017 in accordance with section 419(1) LGA.

Item: 10.9 **Ref:** AINT/2017/17385
Title: FOR DECISION: Motion to LGNSW Conference 2017 - Wood Heating
Pollution **Container:** ARC16/0452
Author: Peter Wilson, Acting Program Leader Governance, Risk and Legal
Attachments: 1. Background Paper - Wood Heating Pollution

RECOMMENDATION:

That Council submit the following Environmental Policy motion to LGNSW for inclusion in the LGNSW Annual Conference 2017 Business Paper:

According to NSW Health, a tiny proportion of Sydney households using wood heating are causing 25% of pollution-related deaths in Greater Sydney. Because of the continued failure to develop a standard for real-life emissions of wood heaters, and the NSW Chief Medical Officer's advice that wood heaters are so detrimental to health she supports banning and phasing them out in built-up urban areas, we call on the NSW Government to develop legislation to:

- a) develop legislation to allow local councils to follow the NSW Chief Medical Officer's advice, e.g. by requiring wood heaters to be removed when houses are sold (estimated net benefit \$4 billion over 20 years).**
- b) introduce an effective education and incentive program commensurate with the \$8 billion health cost of residential wood heating pollution in NSW that will create widespread understanding of the benefits of switching non-polluting heating.**
- c) provide effective powers for councils to take action against unhealthy levels of wood smoke pollution, including local exceedances of National PM2.5 Air Quality Standards.**

Background:

The Conference is the annual policy-making event for NSW general-purpose councils, associate members and the NSW Aboriginal Land Council. It is the pre-eminent event of the local government year where local councillors come together to share ideas and debate issues that shape the way we are governed.

All members (including newly merged councils which are LGNSW members) are able to put forward motions to be considered at conference.

Key Issues and Risks

Wood heating is responsible for 25% of premature deaths in Sydney. NSW Health presented research at the NSW Clean Air Summit on 27 June 2017 on exposure to air pollution and its effect on mortality in Greater Sydney.

Further background on wood heating pollution and its impact on people's health is provided in the **Attachment**.

Integrated Planning and Reporting Framework

Community Strategic Plan – Environment and Infrastructure

E1 – The unique climate, landscape and environment of the region is protected, preserved and made accessible

E1.4 – Partner with stakeholders to develop strategies and provide programs which improve air quality across the region, including the reduction of smoke pollution by using alternative energy sources

E1.4.1 – Implement program to replace solid fuel heaters with non polluting energy efficient options

Stakeholder Engagement

The suggestion to put forward the conference motion came from Councillor Robinson who subsequently consulted with LGNSW on the appropriate wording of the motion.

Financial Implications

There are no financial implications relating to the submission of council motions.

Next Steps

The date for the submission of motions was 9 October 2017 to allow printing and distribution of the Business Paper. However in line with the LGNSW rules, the latest date motions can be accepted for inclusion in the Conference Business Paper is Monday 6 November 2017.