WRITTEN STATEMENTS

SPECIAL MEETING OF COUNCIL

14 OCTOBER 2020

Item 3.1

Annual Report 2019–20

1. Mr George Reynolds (on behalf of Bayside Ratepayers Group)

****Note - in accordance with section 83 (1) of Council's Governance Rules 2020, parts of this written statement have been redacted as they were deemed to be either derogatory, or defamatory of Councillors, members of Council staff, or members of the community.***

SUBMISSION on behalf of Bayside Ratepayers Group to the Special Meeting of Bayside City Council to be held on 14th OCTOBER 2020.

Councillors,

The annual report for 2019-20, being presented for adoption in the meeting, is the fourth and last in the life of this Council. The report is a disappointment as it continues the practice of praising many achievements that are, in reality, serious failures. Financial irregularities abound. Can we forget the $600,000 spent on the aborted Netball Centre on the Wangara Road golf-driving range. It took more than $!.5million of unbudgeted cash to buy back the golf course lease, only to find that the rehabilitated quarry/refuse tip was full of methane gas and the proposed building also required deep piled foundations. The valuable lease was given back to a previous lessee at no rent, for eight years. This deal, carried out in secret, cost the general ratepayers more than $3million. It followed closely behind the disgrace of the Beaumaris Sports Club where the whole venture, initially worth $3million, was to be paid for by the club. When completed the cost to the club and the ratepayers was more than $9million. The club, unable to meet its obligations, reneged on the both the loans and the rent. The loan guarantors were excused their liability and the whole asset, now valued about $15million, was rented back to the sports club for $200 per week.

[redacted] In its 2019-20 accounts, following the precedent of previous years, Council again failed to comply with the requirements of the Local Government (Planning and Reporting) Regulations 2014. [redacted]

The double entry system requires that each debit must be balanced by a matching credit appropriate to the transaction. For example, on page 131 of the Annual Report we find a debit of $20.548 million for depreciation. Following the principles of double entry bookkeeping, the matching credit for a depreciation debit is anticipated to be found in an owner (or shareholder) contribution account. Such credit cannot be found, as Local Government does not buy its capital goods using owner contributions. Similarly, the $14.055 million income surplus, also on page 131 of the report, must present as a matching credit in a statement equivalent to "earnings before interest and tax"(EBIT). There is no audit path in the income statement which indicates that an appropriate transfer has taken place.

On the other side of the ledger, funds appear to have been credited to Council Cash without any identified legitimate source. Indeed an Own-source Revenue account, which should identify the source of Council Cash, is not presented. However, there have been statements in earlier years which indicate that depreciation, with surplus revenue, is used to supply funds to the Own-Source Revenue account. Surplus revenue, reporting as Council Cash, is then used, without appropriate accounting, to purchase capital goods.

Councillors, in the accounts presented, it is not appropriate accounting, to debit the General Rate revenue with a depreciation payment which is secretly credited to Own-Source Revenue. [redacted] The same conclusion applies to the surplus of General Rate revenue, which also appears to find its way to Own-Source Revenue. Together, the sum of the inappropriately transferred depreciation, amortisation and surplus, to Own-Source Revenue, amounts to $36.325million – 37% of the rates and charges revenue.

A further debit of $96.989million is shown, on page 131, in the Income and expenditure statement, representing employee, materials and services costs. Some of this money – particularly employee costs – will be provided for the supply and installation of capital goods. This entry must be accounted for, (debited) in Other Comprehensive Income. If CIS expenditure is treated correctly, the true surplus will be increased further - probably by another $18million. [redacted]

Councillors, by all means bask in the praise accorded to you in the “Highlights of the year” page, in the Annual Report. [redacted]

George Reynolds, Co-ordinator.