

## 10.7 Annual Financial Statements - 2011

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**From:** Vince Kelly [kellgroup@bigpond.com]  
**Sent:** Friday, 11 November 2011 6:56:42 PM  
**To:** Sandra Bailey  
**Subject:** Public Submission - Ballina Shire Council - 2011 Financial Statements

The General Manager  
Ballina Shire Council

11 November 2011

Dear Sir

### **Public Submission – Ballina Shire Council - 2011 Financial Statements**

This email represents a submission in respect to the Ballina Shire Council's 2011 Financial Statements which have been placed on public exhibition.

#### **Interest in Joint Ventures**

Australian Accounting Standard AASB 131 (copy attached) requires the disclosure of interests in joint ventures in a council's financial statements. Ballina Shire Council has failed to disclose in note 19 in its 2011 Financial Statements its interest in the Jointly Controlled Asset Joint Venture with the NSW Department of Human Services regarding the establishment/construction of the Child and Family Centre on Porter Park West Ballina.

The Jointly Controlled Asset Joint Venture and the contractual arrangements regarding the joint control between Ballina Shire Council and the NSW Department of Human Services are evidenced by the following:

1. Attached memorandum dated 28 March 2011 from Ms Janet Schorer, Director Department of Human Services NSW to Ms Sonja Stewart, Divisional Director, Department of Human Services NSW. This memorandum evidences the following:
  - First paragraph – acknowledgment of the partnership between Ballina Shire Council and the Department of Human Services NSW in establishing the Aboriginal Child and Family Centre.
  - First paragraph – acknowledgment of the selection (by the partnership) of the Porter Park site for the Child and Family Centre.
  - Third and fourth paragraphs – offer of a grant of \$100,000 on 28 February 2011 to the General Manager of Ballina Shire Council. This offer was made one month prior to the formal approval of the grant.
2. Attached letter dated 28 March 2011 from Ms Sonja Stewart, Divisional Director, Department of Human Services NSW to the General Manager of Ballina Shire Council. This letter evidences the following:
  - First paragraph – acknowledgment of Ballina Shire Council's partnership in the Child and Family Centre in Ballina;
  - Fourth paragraph – acknowledgment of Ballina Shire Council's continued partnership in establishing the Child and Family Centre;
  - Second paragraph – acknowledgment of the scale of the project and the resources required by Council to support the project;
  - Third paragraph – offer of a one off grant of \$100,000 for the purpose of

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supporting the Child and Family Centre Project.

3. Pursuant to the partnership arrangement Ballina Council has provided approval for the NSW State Government to lodge a development application to construct a Child and Family Centre at Porter Park which is freehold land owned by Ballina Council. The DA has been lodged with Council and is currently being assessed.
4. Pursuant to the partnership arrangement Ballina Council changed the categorisation of part of Porter Park, which was classified as community land, from sportsground to general community use. This change of categorisation was to allow the approval of the development application for the Child and Family Centre pursuant to the partnership arrangement.
5. Pursuant to the partnership arrangement Ballina Council exhibited the change in the Porter Park categorisation. The terms of reference of the community consultation did not allow for the consideration of alternative sites to Porter Park. This is because Ballina Council had already committed to the Porter Park site and the NSW Department of Human Services had indicated that no other site was acceptable. Consequently the centre is to be located on the general community use section of Porter Park.
6. Pursuant to the partnership arrangement Ballina Council has resolved to allow the State Government to lease from Council, the area of Porter Park on which the Child and Family Centre will be built, for a period of 21 years.
7. Pursuant to the partnership arrangement Ballina Shire Council and the NSW Department of Human Services have agreed to permit the Child and Family Centre once it has been built to be operated by a third party under a sublease or management agreement.
8. The Child and Family Centre asset is being built on freehold land (Porter Park) owned by Ballina Council. Pursuant to the partnership arrangement the building and the land will vest in the name of Ballina Shire Council and be recorded as an asset in the Council's financial statements.
9. Pursuant to the partnership arrangement the construction of the building of the centre is to be funded by a Federal Government grant which is being administered by the State Government.
10. Pursuant to the partnership arrangement the State Government is to manage the construction of the Child and Family Centre building.

While the costing of the construction of the Child and Family Centre has not been finalised the cost will be of a material amount and therefore reflect in the financial statements of Ballina Shire Council as such. Similarly the land contribution by Ballina Shire Council to the Jointly Controlled Asset Joint Venture represents a material amount.

It should be noted that AASB 131 relates to contractual arrangements as distinct from contractual agreements and/or formal agreements. In the case of the Jointly Controlled Asset Joint Venture between Ballina Shire Council and NSW Department of Human Services the contractual arrangements are evidenced by the actions of the ventures, contracts, correspondence, internal memoranda, minutes of meetings, reports, Council business papers and Council resolutions.

A copy of this submission has been provided to the external auditors.

**Recommendation**

As the above evidences the existence of a Jointly Controlled Asset Joint Venture pursuant to Australian Accounting Standard AASB 131 the following is recommended

1. Ballina Shire Council resolve to amend note 19 – Interests In Joint Ventures, of its 2011 financial statements, to disclose its interest in the Jointly Controlled Asset Joint Venture between Ballina Shire Council and NSW Department of Human Services regarding the establishment of a Child and Family Centre on the Porter Park land owned by Ballina Council.
2. In the event that Ballina Shire Council does not resolve to amend note 19 as in 1 above the external auditors amend their audit report to record the non disclosure in the Council's 2011 financial statements of its interest in the Jointly Controlled Asset Joint Venture between Ballina Shire Council and NSW Department of Human Services regarding the establishment of a Child and Family Centre on the Porter Park land owned by Ballina Council.

Yours faithfully

Vince Kelly

5 Easter Parade  
Ballina NSW.

- (b) the exception in paragraph 10, as modified by paragraph Aus10.1, of AASB 127 *Consolidated and Separate Financial Statements* allowing a parent that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or
- (c) all of the following apply:
  - (i) the venturer is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the venturer not applying proportionate consolidation or the equity method;
  - (ii) the venturer's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
  - (iii) the venturer did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and
  - (iv) the ultimate Australian or any intermediate parent of the venturer produces consolidated financial statements available for public use that comply with Australian equivalents to IFRSs.

## Definitions

- 3 The following terms are used in this Standard with the meanings specified.

*Control* is the power to govern the financial and operating policies of an economic activity so as to obtain benefits from it.

The *equity method* is a method of accounting whereby an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the

venturer's share of the profit or loss of the jointly controlled entity.

An *investor in a joint venture* is a party to a joint venture and does not have joint control over that joint venture.

*Joint control* is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

A *joint venture* is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

*Proportionate consolidation* is a method of accounting whereby a venturer's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.

*Separate financial statements* are those presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

*Significant influence* is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.

A *venturer* is a party to a joint venture and has joint control over that joint venture.

- 4 Financial statements in which proportionate consolidation or the equity method is applied are not *separate financial statements*, nor are the financial statements of an entity that does not have a subsidiary, associate or venturer's interest in a jointly controlled entity.
- 5 Separate financial statements are those presented in addition to consolidated financial statements, financial statements in which investments are accounted for using the equity method and financial statements in which venturers' interests in joint ventures are proportionately consolidated. Separate financial statements need not be appended to, or accompany, those statements.



**Human Services  
Community Services**

Mr Paul Hickey  
General Manager  
Ballina Shire Council  
PO Box 450  
BALLINA NSW 2478

Dear Mr Hickey,

The Child and Family Centre in Ballina is an important and exciting project for the community as an opportunity to invest in the early education and wellbeing of children. I would like to acknowledge your partnership in this project and the considerable work undertaken by you and your staff in working with us and with the Local Reference Group.

The scale of the project, in particular the resources required by Council to support the community development that is now required, were unforeseen and I acknowledge are significant for you and your staff. I am also aware of the issues that have emerged in response to the community discussions about the Child and Family Centre and the need for work to support community development into the future.

I would like to propose that Community Services provide Ballina Shire Council with a one-off grant of \$100,000 for the purpose of supporting community development activity in Ballina. If you are agreeable to this grant, please confirm in writing and provide an invoice so a prompt payment can be made. Should you have any questions, please contact Janet Schorer, Director Community Strategy and Planning on 02 9716 2836.

Thank you again for your continued partnership in establishing the Child and Family Centre.

Yours sincerely

Senja Stewart  
Divisional Director, Communities and Early Years

28/3/11  
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