

# SouthEast Housing Co-operative Ltd

## Annual Report 2013-2014



**SouthEast**  
Housing Co-operative  
*Housing Futures*





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# Co-operative identity, values & principles

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## DEFINITION

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

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## VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

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## PRINCIPLES

The co-operative principles are guidelines by which co-operatives put their values into practice.

### 1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### 2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

### **3. Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

### **4. Autonomy and Independence**

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

### **5. Education, Training and Information**

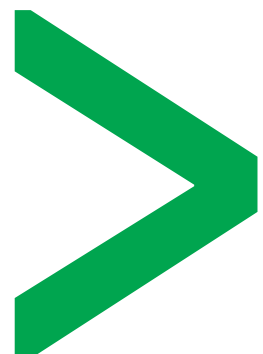
Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

### **6. Co-operation among Co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

### **7. Concern for Community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.



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# Strategic Overview

Our mission is to provide affordable, secure and financially and environmentally sustainable housing for people on low incomes in the south and east of Melbourne who want to be part of a housing co-operative.

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## STRATEGIC GOALS

### In carrying out our mission we will:

1. Provide affordable, secure, well maintained and sustainable housing
2. Operate a well-run, adaptive and financially secure organisation that meets the expectations of tenants, government and other stakeholders
3. Develop a well-informed, engaged and committed membership
4. Promote and strengthen the co-operative housing model.
5. Pursue opportunities for growth in the range and level of affordable housing available through SouthEast



**The co-operative will practically, legally and ethically:**

- Have an ongoing commitment to cooperative values and principles including continuous improvements to service quality and training and education
- Meet the rights and needs of members as owners and users of services
- Be committed to good cooperative governance policies and practices that are accountable and transparent to members
- Treat members, potential tenants, staff and other people with dignity and respect in all circumstances
- Practice honesty, accountability, transparency, innovation and safety in all its dealings.

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**ASSUMPTIONS**

- Limited growth through either new properties, or acquiring titles for DHS managed properties to increase the financial strength of SouthEast and instead reinforce and improve security of tenure for all members.
- Growth must be supported by members and be prudent, risk managed and within organisational capacity and be consistent with service quality improvements and any new properties provide appropriate voluntary downsizing opportunities for members.
- Environmentally sustainable housing is in the cooperatives and the members' interest.
- Accommodation must be adaptable to meet the changing needs of members.
- Partners must be compatible with the co-operative's values.

## CONSIDERATIONS:

Member engagement and the cooperative structure are central to our operations because the co-operative model enhances and facilitates member ownership and control with member benefit created through member ownership and control.

The likely developments of the co-operative in future financial years and the expected results of these developments are:

- Continued implementation of the General Lease with DHS for the 150 properties managed by SouthEast for DHS until at least 2016.
- A continued growth in rental income and a continuing capacity to generate a surplus subject to income support measures of the Australian Coalition Government and the Australian Parliament.
- A continued program of improving services for all members.
- A small growth in the property portfolio subject to DHS approval of a property redevelopment and the development of other appropriate growth initiatives.

### In three years' time Southeast will:

- Improve the engagement of members in the co-operative through the development and implementation of: active membership, member engagement strategies and, improved member services.
- Continue to enhance the reputation of SouthEast as a leading housing co-operative
- Continue best practice governance with the continuous improvement of policies, procedures and practices and increased transparency and accountability.
- Continue to provide high quality services to member tenants
- Continue to purchase and redevelop units, especially for smaller households
- Maintain a strong partnership with Common Equity Housing Limited while there is a mutual benefit
- Have strong partnerships with other agencies and individuals who can assist SouthEast achieve its goals
- Continue to employ and maintain skilled and experienced staff necessary for the delivery of high quality services and achieving growth

A realistic membership engagement strategy must be based on a clear understanding of the different circumstances and attitudes of members.

Customer members. These are members whose primary concern is the services offered by the co-operative and co-operative philosophy and values are not particularly relevant in their relationship to the co-operative to the extent they may even be hostile to the philosophy and values of co-operation.

Disillusioned co-operators are those members who believe that the co-operative has departed from co-operative philosophy and values and their primary interest is organizational reform back to co-operative philosophy and values.

Organizational members are those members whose primary focus is the survival of the co-operative as an organization – not necessarily as a co-operative and not because it is a co-operative. The concern is about the organization and certainly not co-operation – including co-operation between co-operatives.

Co-operative enthusiasts are those who maintain a commitment to co-operative philosophy and values and their co-operative.

This is, of course, a rough categorization of the interests and attitudes of the members of any co-operative but it informs a membership engagement strategy and the challenge of understanding and developing commitment-building processes and outcomes. The circumstances and attitudes of members can change and fluctuate over time and there can also be overlapping interests and attitudes at any one time.

In a housing co-operative the members have a dual relationship with the co-operative:

Individually the members are tenants with their homes and with the obligations as a tenant with the co-operative.

Collectively the members are also owners of the co-operative – through General meetings setting the rules and major policies. Members exercise their power at General Meetings of the co-operative. Collectively the members delegate their authority and elect a board that appoints the general Manager who is delegated day-to-day operations.

The challenge for the co-operative is to encourage the members to act collectively and not remain individual tenants of the co-operative.



# Challenging Times

These are challenging times for members and the co-operative with four significant reports and/or documents released towards the end of the year:

## NEW DIRECTIONS FOR SOCIAL HOUSING:

On 28 March 2014 the Victorian Government released New Directions for Social Housing: a Framework for a Strong and Sustainable Future.

This followed a consultation period that commenced in 2012. On 30 April 2012 the Minister for Housing Wendy Lovell announced that the Victorian Government was undertaking a three month public consultation on the future directions of public housing. As part of this consultation two discussion papers were provided.

- Pathways to a fair and sustainable social housing system
- Social Housing – Options to improve the supply of quality housing

The Government invited the wider community, including public housing tenants and representative bodies, housing associations, the not-for-profit sector and business to participate in the public consultation process. When the consultation period closed on 31 July 2012, the Government had received more than 1,200 submissions and over 560 people had participated in consultation sessions.

The framework in New Directions for Social Housing has three strategic directions.

### Direction 1 – Better communities:

We will make social housing a better place to live by addressing antisocial behaviour in public housing and increasing safety on public housing estates; improving the management of public housing properties and estates; giving tenants a greater say in the services they receive; and encouraging tenants to participate more in their local communities.

### Direction 2 – Better opportunities:

We will do more to assist existing and prospective social housing tenants to achieve greater levels of independence through connecting tenants with work and study opportunities; helping tenants to access services they need; providing more support for tenants to enter the private housing market; and improving access to public housing for those in greatest need.

### Direction 3 – Better assets:

We will boost investment to renew and upgrade existing public housing and to halt the deterioration of stock that has occurred over the last decade; we will renew public housing that is ageing or no longer meets needs; we will enhance the role of community housing including through the Director of Housing considering a strategy for stock transfers to the community housing sector; and we will look to attract new sources of investment for social housing through partnerships with the private and not-for-profit sectors.

**The framework has 12 objectives as set out below, with a range of actions that we will pursue to achieve these objectives over the next few years.**

New Directions for Social Housing		
Direction 1: Better communities	Direction 2: Better opportunities	Direction 3: Better assets
Promote and enforce neighbourly behaviour in public housing	Provide more support for people who are able to move into the private rental market	Boost investment to improve the quality of existing public housing
Encourage tenants to participate in their communities	Increase opportunities for tenants to work and study	Renew public housing that is ageing or no longer meets needs
Strengthen public housing management	Encourage more tenants into home ownership	Enhance the role of community housing
Trial new service delivery models for management and maintenance	Improve access to public housing for those in greatest need	Attract more private investment in social housing

## WELFARE REVIEW:

On the 9 June 2014 the Australian Minister for Social Services Kevin Andrews released the interim review of Australia's welfare system which has put forward a simplified payments structure with four basic payment types, among other potential reforms.

Mr Andrews said Patrick McClure AO, former CEO of Mission Australia, is carrying out an independent review of the welfare system for the Government, to identify what improvements could be made to ensure it was sustainable, simple, equitable and effective. In releasing the report, the Minister said: "The welfare system isn't just about payments – the system should help people build the capacity they need to participate economically and socially, to the extent they are able."

The report has looked at working age payments and services and considered whether they support people who have the capacity to work to get a job and identified four main pillars of reform:

- simpler and sustainable income support system
- strengthening individual and family capability
- engaging with employers
- building community capacity.

Among its suggestions is a system that consists of four main payments: a tiered Working Age Payment; a Disability Support Pension; an Age Pension; and a Child Payment.

The report has recommended that rent Assistance should be reviewed to determine appropriate levels of assistance and the best mechanism for adjusting assistance levels over time. Rent Assistance for parents should recognise their role in supporting young people beyond school to independence. Consideration could be given to moving away from the current system of income based rents towards the use of Rent Assistance as the preferred rent subsidy scheme across both private and public tenures. The report asks: How could Rent Assistance be better targeted to meet the needs of people in public or private rental housing?

Mutuals and co-operatives have played a significant role over many years in building communities in rural and regional Australia. Co-operatives and mutuals are autonomous, economic organisations formed to meet the needs of their members. They are premised on self-help and empowerment rather than aid and charity. In developing intergenerational self-reliance co-operatives help to reduce welfare dependency.

They provide jobs for local people, offer goods and services and use procurement practices that support local business. They are grassroots businesses owned and operated at a local level and their profits remain in the community contributing to local economic development. They are a great example of social and economic participation. Their importance is particularly apparent in periods of economic downturn when other businesses may take the decision to close or relocate in response to external shareholders recalling capital.

It is stated that current income support is "no longer in step with community expectations or Australia's labor market and economy" and there is a need for an income support system that "maintain community support and reflects community values and expectations." These include the expectation that people receiving income support who are able to work are encouraged to do so, while providing support when people need it.

It is stated there is a need to "adequately support those who are genuinely not able to work", income support should "help people meet daily living costs" and there is a need to meet "basic costs of living" and adequate payments must encourage people to use their own resources to support themselves and seek work when it is reasonable to do so.



## COMMISSION OF AUDIT:

On the 1 May 2014 'Towards Responsible Government The Report of the National Commission of Audit' was released by the Australian Government with these findings:

- Over the past 40 years government spending, adjusted for inflation, has increased from around \$6,000 per person per year to over \$15,000 per person today.
  - Under the Commission's 'business as usual' fiscal scenario Australia faces 16 consecutive years of budget deficits with net debt rising from \$190 billion today to \$440 billion by 2023-24.
  - One of the major reasons is that Commonwealth spending will increase by \$280 billion over the next ten years with 70% of this increase coming from the 15 largest programs.
  - Spending on most of these programs will increase faster than the growth in the economy and faster than the Commonwealth receives taxes. Aged pension, aged care, health, education, child care and paid parental leave, overseas aid and disability are the fastest growing programs.
  - The Commission makes 86 recommendations – 64 in its Phase 1 Report which deal predominantly with improving the sustainability of the nation's finances and a further 22 recommendations in its Phase 2 Report which mostly address public sector performance and accountability as well as infrastructure.
  - The recommendations offer savings estimated at \$60 to \$70 billion per year within ten years. On top of this with the reduction of debt there will be a significant annual saving in interest.
- The National Commission of Audit had these specific comments on housing:
- There is no specific head of power under the Constitution for the Commonwealth in relation to housing. Housing affordability and homelessness prevention are the responsibility of the States.
  - Nonetheless, the Commonwealth currently has two major areas of spending on housing – the provision of Rent Assistance and payments to the States for affordable housing and homelessness.
  - Rent Assistance payments are provided to certain income support recipients. More than a million renters around Australia currently receive Rent Assistance at a cost of around \$3.6 billion per year. Rent Assistance is not paid to public housing tenants (Department of Families, Housing, Community Services and Indigenous Affairs, 2013).
  - Rent Assistance is a non-taxable income supplement payment added on to the pension, allowance or benefit of eligible income support customers who rent in the private rental market. In order to receive Rent Assistance, a customer must first qualify for a social security income support payment, more than the base rate of Family Tax Benefit Part A or a service pension. Rent Assistance is paid at the rate of 75 cents for every dollar of rent paid above the specified threshold until the maximum rate is reached. The maximum rates and thresholds vary according to a customer's family situation and the number of children they have.
  - State governments (sometimes in conjunction with local governments) control most of the levers for housing affordability including stamp duty, land tax, zoning issues and infrastructure charges. It is therefore appropriate for State governments to have sole responsibility for housing affordability.
  - The Henry Tax Review outlined the case for extending Rent Assistance to public housing tenants, with these tenants facing the market rent of the dwelling (Australian Government, 2010). Under such an arrangement, the Commonwealth would need to increase aggregate Rent Assistance funding. However, this additional funding could be sourced from a redirection of funding currently contributed to the National Affordable Housing Agreement and the National Rental Affordability Scheme.
  - As noted above annual funding for these two programmes is currently around \$1.5 billion per year (Australian Government, 2010).
  - The Commission considers that there is merit in considering this option further. Two benefits would arise from this approach. First, the market would determine rents for public and private housing. Second, abolishing housing agreements with the States would remove duplication of effort, improve accountability and alleviate the reporting burden for State governments. Commonwealth funding currently directed to the housing agreements should be redirected to fund the extension of rent assistance to public housing tenants.
  - The Commission notes that there may also be flow-on effects to eligibility for Rent Assistance flowing from its recommendations on family payments, age pension and other social welfare areas. If this option is adopted, implementation should include an examination of ways of ensuring that Rent Assistance is well targeted and delivered in the most appropriate way.
  - Further examination of the effectiveness of the First Home Saver Account scheme may also be warranted. This is another programme run by the Commonwealth Government to promote affordability.

## BUDGET 2014-15:

On the 3 May 2014 the Treasurer, the Hon Joe Hockey delivered the Budget Speech in the House of Representatives and said: "It is time, for all of us, to contribute and build. From this effort, there will be benefits for jobs, for higher education, for health and for those in genuine need. If we all contribute now, we will build a truly world-class higher education system and a workforce that can meet head-on the emerging competition in Asia. If we all contribute now, we will build a sustainable welfare system that helps the most disadvantaged and supports the most vulnerable.

If we all contribute now, we will build the biggest medical research endowment fund in the world within just six years, a fund that will underpin the health system of the future.

If we all contribute now, we will build a strong defence and security capability, that keeps our nation safe for decades to come.

The Treasurer also said: "" But unless we fix the Budget together, we will leave the next generation a legacy of debt, not opportunity. As Australians, we must not leave our children worse off. That's not fair That is not our way."" "We are a nation of lifters, not leaners. "The Treasurer continued: "So tonight, we present you with a Budget that delivers a sustainable future for your children, and the generations beyond.

The required Budget contributions that could decrease the incomes of members and SouthEast include: Reducing the value of pensions through a change in the indexation arrangements. Reducing the eligibility of young people for the Newstart or Youth Allowance.

Family payments reduced. A GP co-payment and a higher co-payment for prescriptions. Twice yearly fuel exercise increase.

These required contributions have been criticised by the Australian Council of Social service, the Australian Council of Trade Unions, the Labor Opposition and the Greens as unfair and disproportionate.

Subsequently, on the 11 June 2014 the Hon Joe Hockey spoke at the Sydney Institute on A Budget of Opportunity has responded to these criticisms: "Tonight I want to address the claim that the Budget is unfair and exacerbates inequality. This misguided cry is made on the claim that not everyone is asked to contribute equally and that in the future some people will pay more for government services or receive less in payments. In our view it is the responsibility of government to provide equality of opportunity with a fair and comprehensive support system for those who are most vulnerable. After that it is up to individuals in the community to accept personal responsibility for their lives and their destiny.

Mr. Hockey continued: "To put it in perspective, around one in ten households (roughly 13%) rely entirely on the government for household income. Thirteen per cent of young Australians receive Youth Allowance. Over seventy percent of Australians over 65 receive the Age or

Service Pension. And more than one in twenty working age Australians receive the Disability Support Pension. Our duty is to help Australians to get to the starting line, while accepting that some will run faster than others. "

Mr. Hockey further continued: "We should all have the opportunity to contribute to society to the best of our ability rather than being subject to the lottery of our birth or the fate of our parents' wealth. In striving to achieve equality, it is not the role of government to use the taxation and welfare system as a tool to "level the playing field". We must use the levers of government to help those who are vulnerable and frail. A just and fair society never leaves anyone behind. But a just and fair society must not seek to penalise those who aspire to be better. "

"We must reward the lifters and discourage the leaners."

Mr. Hockey said: "Provided we ensure that those most in need receive the most support, our ambition must be for equality of opportunity rather than equality of outcome. This is what the Budget sets out to do and this is what the Government is determined to achieve. We have a very comprehensive welfare system."

The 2014-2015 budget measures are, of course, subject to the deliberations of the Senate. In the past, most of the measures would have eventually been approved by the Senate.

### Four Challenges

What is certain, however, is that these four reports will critically influence public policy debate over the next few years and life circumstances of members and, therefore, it is important to understand their nature and the potential impacts for they will also shape the future of the co-operative.

Key issues for housing co-operatives include (a) acceptance of housing co-operatives as an economically viable model

(b) recognition of diverse models of housing co-operatives and

(c) the ability to choose tenants willing and able to become co-operators.

(d) continuing a secure tenancy for members.

It is pleasing that the Victorian Government's New Directions for Social Housing specifically acknowledged housing co-operatives and has not proposed measures to undermine co-operative values and principles and member security of tenure whereas in New South Wales, for example, an under-occupancy tax has been introduced. It is also pleasing that the Australian Government's welfare review has noted the potential role of co-operatives and mutuals and the importance of community sustainability. The Treasurer has focussed on lifters and leaners and what is significant about housing co-operatives is that individuals come together to meet their needs in common which is not otherwise achievable individually. It is collective lifting. It is also pleasing to note that the Greater Dandenong Council has developed a draft Housing Strategy which includes as a significant theme affordable housing.

# Looking Backward 2013–2014

## STRATEGIES

In carrying out our mission and goals SouthEast:

- Provided affordable, secure, well maintained & sustainable housing
- Operated a well-run, adaptive and financially secure organisation that meets the expectations of tenants, government and other stakeholders
- Facilitated a well-informed, engaged and committed membership
- Promoted and strengthened the co-operative housing model.
- Pursued opportunities for growth of affordable housing

## PRINCIPAL ACTIVITIES

The primary activities of SouthEast during the year were the provision of housing and associated services to Members.

## SIGNIFICANT CHANGES

There have been no significant changes to the primary activities and the state of affairs of the co-operative during the year except for the proposed Australian Government budget changes.

The results of the SouthEast's operations from its activities of providing Housing services to members did not change significantly from those of the previous year.

### Performance Highlights

The performance highlights during 2013–2014 included:

- Tenancy and maintenance services have continued to be provided at a high level and remain our top priority.
- An active democracy is the essence of co-operation. A continuing strength of SouthEast is the attendance of members at general meetings—averaging 40%. While we would like to increase attendance at meetings, this needs to be compared with others e.g. 5% for CEHL and between 1–3% for 17 mutuals recently surveyed. There has also been a significantly improved response

rate to surveys. The survey on the Housing Futures newsletter had 68 responses – a 42.8% response rate

- SouthEast is 100% compliant with Housing Registrar's performance indicators.
- The ongoing capacity and willingness of the board to consult with members on key issues.
- Key decisions areas for members have been identified with members adopting: Strategic Plan. 2013–2016 and Guidelines for the board on a General Lease with DHS.
- Governance processes have been reviewed and strengthened and relationship with members is increasingly transparent and accountable. The co-operative's newsletter (Housing Futures) and the web site (SouthEast.org.au) are central to this commitment. This year a Mid-Year Report was provided to members at the General Meeting on 26 May 2014. This provided a new level of accountability and transparency to members.
- Continued improved communications through the Housing Futures newsletter and the web site.
- During 2013–2014 the board continued the process of increased emphasis on improvements with growth remaining an objective, but recognized as only achievable incrementally over a period of time and without sacrificing service quality
- Financial management has continued to be rigorous and robust, with monthly and yearly comparisons of profit and loss, cash flows and balance sheets and key financial performance indicators presented to each board meeting.

### Financial highlights at the end of the financial year 30 June 2014 were as follows:

1. A surplus of \$ 412,374
2. Revenue \$1,757,270
3. Total Assets \$4,458,879
4. Equity \$4,078,960

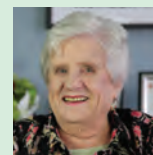
### Leading and Developing People

We aim to provide our staff with a supportive environment, with a strong focus on professional development to ensure that our staff have the opportunity to reach their full potential. We strongly promote equality and respect in our diverse workforce and align expectations to our values.



## CHAIRPERSON: SHIRLEY FARAM

A co-operative is its membership and without the active participation of members there is no point to a co-operative.



SouthEast has two requirements for its members – to remain tenants in good standing and participate in general meetings through attendance or providing an apology with a reason. Remaining a tenant in good standing involves such things as paying rent on time, returning income statements, responding to member surveys.

It is pleasing that many members attend general meetings of the co-operative or provide an apology if they are not able to attend.

SouthEast is not unique in experiencing active co-operators and inactive co-operators – members whose participation varies between participation-related activities as demonstrated by this table:

	<b>Active Co-operator</b>	<b>Inactive Co-operator</b>
<b>General Meeting</b>	Attends or provides apology with reason.	Does not attend or does not provide apology with reason.
<b>Rental Payments</b>	Pay on time or immediately contacting the Office to explain.	Not paying on time and not contacting the office to explain and not responding to telephone calls and letters.
<b>Annual Income Statements</b>	Provided by the due date	Not provided by the due date
<b>Member Surveys</b>	Returned	Not returned
<b>Director Elections</b>	Nominates and/or Votes	Does not nominate and/or vote

I note, however, that 21 of our members have retired and, therefore, are relieved of the obligation of attending General Meetings. I would ask, however, that retired members consider the possibility of coming out of retirement and becoming more active in the co-operative their health permitting. As a co-operative we place no limit on the capacity of our members to contribute whatever their age. I would like to thank the board for their hard work throughout the past year. I am proud of the work the board does for the members, and I will always strive to keep promoting co-operative housing and the co-op movement and with the board to ensure that our members can continue to enjoy secure and affordable housing into the future.

I would like to thank Ian McLaren for his dedication to the board and the members over the past year. Ian has shown a great commitment to the organisation. I would also like to thank our other staff Joy Haines, Jim Kokoras, Dale Carroll, Michelle D'Rozario, Trang Le and David Griffiths for their commitment to SouthEast and the members.

Much has been achieved over the last 14 years by SouthEast and I would summarise the highlights of these years as being:

Actively participating in IYC 2012 above our weight.

Co-sponsoring the CEHL National Housing Conference in 2012.

The relatively high level of members attending General Meetings.

Continued high levels of satisfaction with services provided to members.

The publications The Phoenix, Co-operators – Co-operation and Co-operatives (2010) and the Housing Futures newsletter

A unique commitment to accountability and transparency through the Annual Report, the web site and the Housing Futures newsletter.

Surviving and emerging stronger from the Housing Registrar intervention.

A commitment to continuous improvement.

This last highlight is critical. We cannot afford to be complacent about services and the governance of the board.

We need to ensure that service quality and board accountability and transparency is always high and capable of improvement.

## SECRETARY: ANDREA LEE



### Performance Standards

Southeast is a registered provider with the Housing Registrar. Continued registration depends on ongoing compliance with performance standards developed by the Registrar. Each year The Housing Registrar reviews SouthEast compliance and these reports are uploaded to the Southeast web site located at <http://www.southeast.org.au/Index.php/publications/housingregistrar>

New performance standards have been developed by the Housing Registrar and the board has been reviewing these in advance of their introduction on 1 July 2014.

### Co-operatives National Law

Co-operatives National Law commenced in Victoria, and NSW, on 3 March 2014. The new laws will provide automatic authorisation to co-operatives wanting to carry on business across state and territory borders and a reduction in regulatory costs and simplified financial reporting and auditing requirements for smaller co-operatives. There are 640 registered co-operatives in Victoria. The board and its Governance and Policy Committee have commenced work on realigning Southeast's Rules with Co-operatives National Law for consideration at the AGM on 17 November 2014.

### Secretary Obligations

Under CNL the responsibility of the Secretary is outlined as follows:

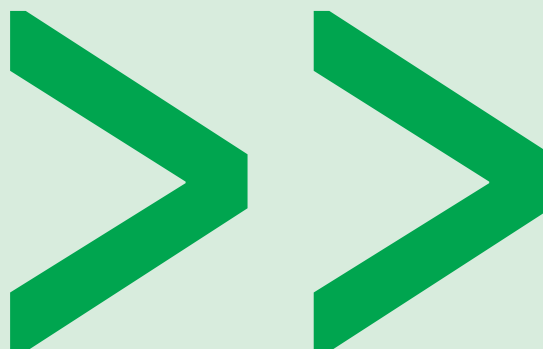
- (1) The secretary of a co-operative contravenes this subsection if the co-operative contravenes a provision of this Law specified in the National Regulations.  
Maximum penalty: \$500.
- (2) An offence based on subsection (1) is an offence of strict liability.
- (3) A person does not contravene subsection (1) if they show that they took all reasonable steps to ensure that the co-operative complied with the section.

It is an onerous and important responsibility.

### Directors

During 2013-14 Member Director Natalie Leddick and Independent Director Louise Kloot retired and Greg Nolan and Gayle Koubwere (Member Directors) and Steven Grange (Independent Director) joined the board.

I would like to express my appreciation for the hard work and dedication of the staff in their support of the board and its members, especially to our General Manager, Ian McLaren, who has dedicated countless hours beyond normal expectations to the many issues that arise in the daily running of SouthEast.



## GENERAL MANAGER—IAN MCLAREN

I urge all members to carefully analyse an Annual Report and ask yourself whether it answers three basic questions:



- How well the co-operatives doing. Are earnings higher, lower, or the same as the year before? Is this information presented clearly in the financial section of the annual report.
- Is the co-operative making more money than it is spending. How does the balance sheet look? Are assets higher or lower than the year before? Is debt growing, shrinking, or about the same as the year before?
- Is the board's strategic plan for the coming year explained How will the board and management build on the co-operative's success?

From the Annual Report members should be able to understand:

*Where the co-operative has been*

*Where it is now*

*Where it is going*

Read the Annual Report to get answers to these questions. If none of this is clear to you in the Annual Report, then, members should be asking questions at the Annual General Meeting. As a member you have an obligation to ask questions and receive accountable and transparent responses that are understandable.

A balance sheet, for example, reports the dollar amounts of a company's assets, liabilities, and owner's equity (or stockholders' equity) as of a previous date. Assets include cash, accounts receivable, inventory, investments, land, buildings, equipment, some intangible assets, and others. Generally assets are reported at their cost or a lower amount due to depreciation, the cost principle, and conservatism. The cost principle also means that some very valuable aspects of the company are not listed as assets.

With every balance sheet distributed by a co-operative there should be notes or footnotes. These notes provide important additional information about the co-operative's financial position including potential liabilities not yet appearing as amounts on the balance sheet.

A profit and loss report shows the profitability of the co-operative over a specific period. It can cover any period of time, but is most commonly produced monthly, quarterly or annually. A profit and loss report is a useful tool for monitoring business activity. For members, it highlights where the co-operative is succeeding and where it is struggling. In general, the profit and loss report will be split into two sections:

- revenue - details of all income from your primary business activities (i.e. sale of products and services), any revenue from secondary activities (e.g. bank interest) and any other financial gains

- expenses - details of all expenditure on primary activities (e.g. material and labour costs), any secondary expenditure and any other losses during the period.

### Revenue

The most important part of the revenue section of the profit and loss report statement is total rental income. Secondary revenue and other income can be unpredictable, so to grow your business you should focus on your primary source of revenue. Note how much tenancy income has risen or fallen since last year's profit and loss statement. Always look to increased tenancy revenue in the period between each profit and loss statement. A pattern of falling rental revenue shows a business in trouble.

### Expenses

The 2 main sets of figures in the expenses section of a profit and loss statement are cost of goods sold (i.e. cost of direct labour and any raw materials used to produce the services) and operating expenses (i.e. cost of indirect labour and any other costs not directly linked to the production of the services).

You should check the profit and loss statement, for example, for any sudden or unexpected spikes in costs, rather than gradual increases over time (due to factors such as inflation and annual employee pay rises).

The staff of SouthEast work for a unique organisation because the owners of the co-operative are the day-to-day customers whether it is about maintenance or tenancy matters. Co-operative staff deliver the services provided by the co-operative to members and are the front-line business representatives to the members. The staff understand and support the cooperative as a unique business structure and the board acknowledges the professional and dedicated work of all staff.

I would also like to express my appreciation to the board and particular the office-bearers Jan Dickson, Shirley Faram, Tracey Hall and Andrea Lee. The board appoints the General Manager. It is the obligation of the board to ensure that the General Manager is accountable and transparent to the board so that the board itself can be accountable and transparent to members.

In closing, I commend the decision of both members and the board, to support the transfer from the HPF Lease to the General Lease, effective from the 1st July 2013.

This years financial performance fully vindicates that original decision.



# Continuing Co-operation 2014-2015

SEE STRATEGIC PLAN PRIORITIES 2013-2016, PAGES 30-32 INCLUSIVE

## FUTURE DEVELOPMENTS AND RESULTS

### STRATEGIC GOAL 1.

Provide affordable, secure, well maintained and sustainable housing

### STRATEGIC GOAL 5.

Pursue opportunities for growth in the range and level of affordable housing available through SouthEast

### 2014 TO 2015 OBJECTIVES

- First Street Development of three new properties pending DHS approval.
- Explore with CEHL collocation in Central Dandenong through purchase of property.
- Organisational capacity to match possible extra property management portfolio.

TASK		WHO	TIME	TARGET
1.1	Construction of three First Street redeveloped properties.	GM, Board and CEHL	Q1 to 4	DHS approval and project completed
1.2	Continue to identify a potential purchase of a new office location including the continuation of sharing facilities with CEHL. With regard to competitive tender contract planning, consider contingency analysis including organisational capacity to take up extra properties from transfers.	GM, GPC, Board and CEHL	Q1 to 4	Review MOU with CEHL
1.3	Plan for organisational resourcing (staffing, office space, technology, financial etc.) that matches any possible title and or management transfers	G, BFC and Board	Q3	Conduct risk analysis and cost options impact on budget and financial resourcing
ESTABLISH RESERVE FUNDS FOR:				
1.4	Disability modifications including those related to tenants with complex needs	GM and Finance	Q1	BFC review August 2014
	And –			
1.5	Explore SouthEast redevelopments potential.	GM and Property and BFC	Q4	Establish asset plan – identify suitable options – seek title transfers and review risks and risk assess.
1.6	Finalise the council and water services rates handover from DHS to SouthEast	GM and Finance	Q1 to 4	Complete in the 2014 to 2015 financial year
1.7	Review and verify DHS commissioned property inspections, plan property inspections and complete a 3 year asset plan of existing stock	GM and Property	Q1 and 2	Hi Tech completed and SouthEast obtains copies of all relevant condition reports

Note: See page 30 for full strategic plan 2013-2016

### STRATEGIC GOAL 2

Operate a well-run, adaptive and financially secure organisation that meets the expectations of tenants, government and other stakeholders

### 2014 TO 2015 OBJECTIVES

- Ensure full and competent governance compliance with the new performance standards.
- Conduct annual board review
- Rationalise and focus strategic policy and procedures development to accord with strategic objectives and facilitate organisational adaptability in complex political and economic contexts.

TASK		WHO	TIME	TARGET
1.1	Implement and complete the identified board skills development plans	Board, GM	Q1 to 4	As per board Co-operative College audit report
1.2	Prior to completing the 2015 to 2016 business plan “review” the strategic plan and update long term goals if required via swot and threats and opportunities analysis	GPC	Q3	Complete Cooperative College Board Skills Audit recommendations and conduct the board annual review
1.3	Implement the succession plan	GM and Board	Ongoing	Board Staff and GM
1.4	Align rules to new standards and laws	GPC	Ongoing	Complete within 2014-2015 financial year

Risk management is ongoing and requires regular and strategic review. The cooperative will undergo a planned property development in 2014-15 pending DHS approval. Commonwealth Government proposed budget cuts in May 2014 could impact on the income of members, and, therefore, the income of SouthEast subject to passage of budget measures through the Australian Senate. Worst case scenario is a 10% loss of income. Most member tenants are recipients of Commonwealth Rent Assistance. Post-budget Commonwealth Review of welfare could result in further income cuts.

- To proactively identify and control strategic business risk.
- To maximise opportunities to access transfers of property management leading to title transfers subject to member approval and risk analysis of transfers.
- Ensure full alignment to the new national performance standards
- Ensure adequate financial resources are available for long term property maintenance

TASK		WHO	TIME	TARGET
1.1	Conduct a risk assessment for possible transfer of title for existing SouthEast properties managed on behalf of DHS subject to member support.	GM and GPC and Tenancy team Issue rose at General Meeting 26 May 2014.	Q2	SouthEast Membership of key CHFV committees
1.3	Include risk for – interest rates – general lease – new housing policy – asset management – office accommodation	GM and board committees	Q2 and 3	Financial modelling to HR in December 2014

#### CONTINUOUS IMPROVEMENT

1.4	Develop new and existing policy for members with and potential for complex needs.	GM and GPC and Property team	Q2	Adjust to Housing Registrar and DHS guidelines
1.5	Develop a new community engagement strategy consistent with new performance standards	GM and Tenancy Team	Q2	Identify present good practise and determine gaps and appropriate bridging strategies
1.6	Report by General Manager on the UK housing co-op experience and explore application of findings to SouthEast	GM and GPC	Q2	Mervyn Wilson has set up key coops meetings
1.7	Complete PD updates and implement performance reviews	GM and CEHL and staff	Q1 and 2 and 3	PD's and performance reviews completed

### STRATEGIC GOAL 3

Develop a well-informed engaged and committed membership

### STRATEGIC GOAL 4

Promote and strengthen the cooperative housing model

#### 2014 to 2015 Objectives

- Provide members with a way of building a sense of social inclusion as a housing cooperative through education and information for member identified issues
- To foster cooperative involvement
- To encourage members to grow in cooperative culture and reinforce a positive sense of cooperative identity.

TASK		WHO	TIME	TARGET
1.1	Provide Effective Money Management education opportunities for members.	GM	Q1 to 4	Survey members and families for interest and develop articles for Housing Futures news-letter and brochures.
1.2	Continue to provide opportunities for member participation and engagement	Board via GPC and GM	Q1 to 4	Hold open office sessions and a further Xmas celebration for members and families.
1.3	Development of potential internal opportunities for members	Board via GPC and GM	Q10 Q4	Letters to members to gauge support and interest
1.4	Member workshops for new members	Board via GPC and GM	Q10 Q4	Letters to new members to gauge support and interest

# Governance Framework

## GOVERNANCE IS:

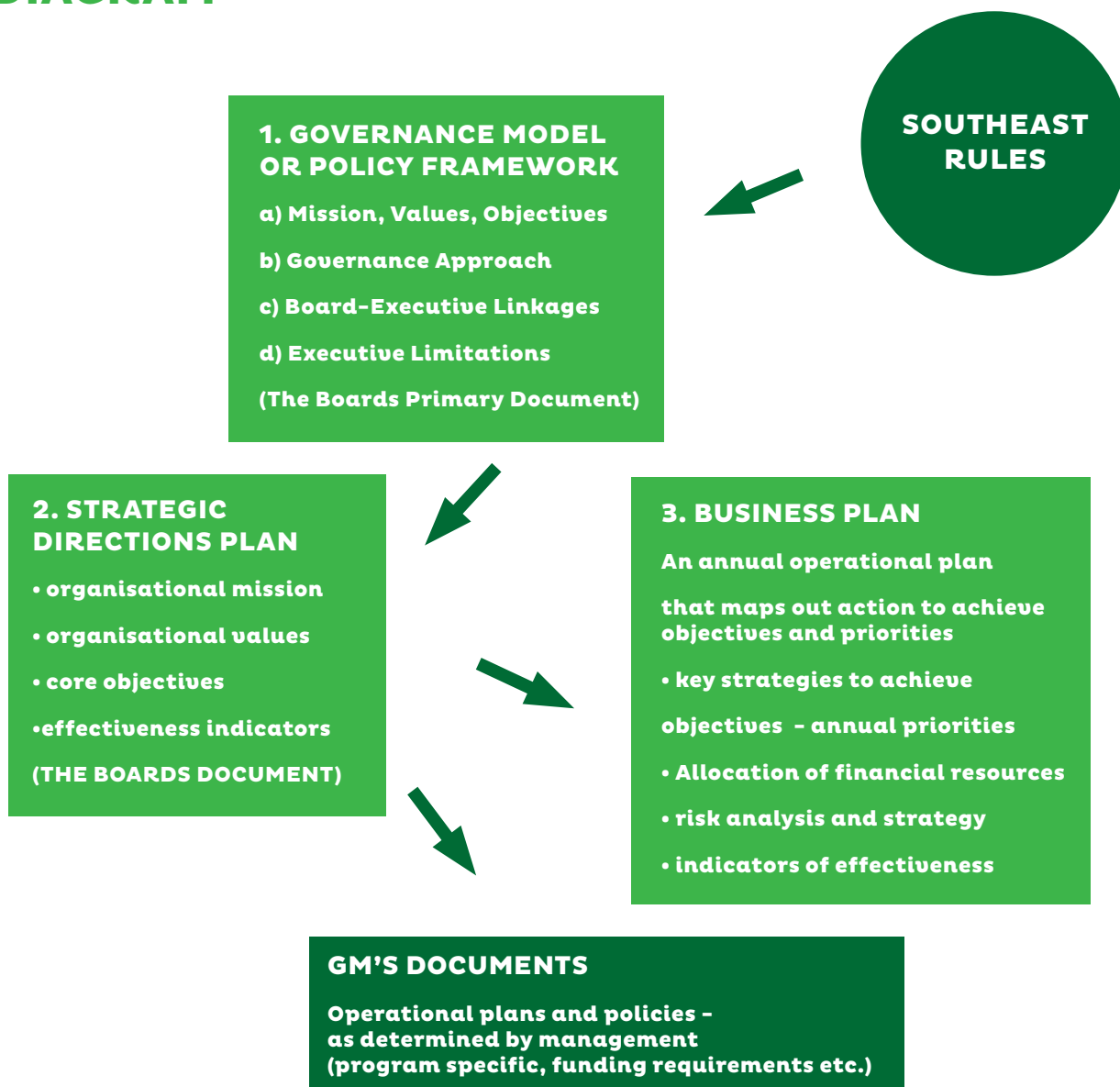
- The processes by which the SouthEast strategic plan is chosen, monitored, and changed.
- The systems of interaction between the board, the General Manager and members
- The process within SouthEast for creating and implementing policy.
- The mechanisms by which members and the board define their interests and interact with each other.

## SOUTHEAST GOVERNANCE FRAMEWORK

**This incorporates four inter-connected elements:**

1. governance policy framework: evolving through implementation and review
2. strategic directions plan: developed every 2 to 3 years and refreshed annually by the Board or as needed
3. business plan: developed annually
4. annual report: prepared annually

## DIAGRAM



# Board

## BOARD JOB DESCRIPTION

- (a) The board is the link between the members of SouthEast and the organisation. The board's authority is from and is accountable to the membership.
- (b) The role of the board is to govern SouthEast so that its mission is carried out effectively whilst acting ethically and prudently and operating within the law, the Rules and agreements with Government.
- (i) Ensures that the General Manager fulfils statutory and regulatory obligations
- (j) Develop policies relating to the governance of SouthEast and the role and conduct of the board
- (k) Connects with other relevant governance bodies including federal, state and local governments as well as the boards of non-government organisations where such connections further the mission of SouthEast

### Accordingly the board:

- (a) Creates the SouthEast mission, objectives and values
- (b) Sets strategic directions & values
- (c) Employs and manages the General Manager
- (d) Monitors the General Manager's performance
- (e) Monitors and reports on outcomes to members, government and other key stakeholders
- (f) Nurtures a healthy organisational culture for members and staff
- (g) Engages actively & meaningfully with the membership
- (h) Sets clear parameters through delegations within which the General Manager can lead and manage the organisation

### In taking up its role the board:

- (a) Provides strategic leadership by articulating a clear mission and strategic direction for SouthEast rather than becoming preoccupied with administrative or operational detail
- (b) Operates on the basis of a clear distinction between the role of the board and the role of the General Manager
- (c) Commits itself to a collective decision making process and not allow individual, committees or sub-groups to make decisions on behalf of the whole board



## BOARD COMMITTEES

The board as a whole is responsible for policy decisions and this cannot be delegated. To increase efficiency and expertise in decision-making, committees established by the board undertake detailed work and/or consider certain issues and functions that there is insufficient time for the board as a whole, to properly deal with these matters. Committees recommend policy for approval by the whole board. They do not make policy for the board.

The Convenors of each Committee are responsible for reporting to the board on the committee's work.

### The board has three committees:

- Audit Committee—oversees management and financial and statutory compliance.
- Business and Finance— oversees financial management and reporting and property development
- Governance and Policy – oversees governance policies and practices.

## AUDIT COMMITTEE



The Audit Committee shall:

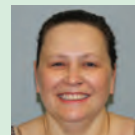
1. Recommend appointment, dismissal and remuneration of internal and external auditors and oversee the audit process
2. Maintain an effective audit function
3. Have unlimited access to the auditor and to the General Manager and all employees
4. Engage outside expertise if needed for audit purposes e.g. legal and technical consultants
5. Approve policies for reporting, risk management and internal audit. Monitor policies through quarterly reporting by the General Manager
6. Where there is any difference of view between the auditor and management, the audit committee should ensure that the difference is reported, followed up and resolved to the Committee's satisfaction
7. Invite the auditor to attend Committee meetings as appropriate
8. Take steps to ensure that all recommendations arising from audits are considered and implemented if appropriate and reasons given as to why recommendations have not been implemented

9. Receive and consider a status report for all recommendations provided by the auditors for which it is agreed action is required. These reports should include accountable officers and implementation dates.

The SouthEast Audit Committee was established to ensure probity in the processes of SouthEast and to review and manage risks, including financial risks. Members of the Audit Committee are two independent directors, both with accounting degrees and audit experience, and an independent audit expert. The external auditor also attends two meetings, to discuss the financial audit and to report on the results of the audit. During the 2013-2014 financial year, the Committee reviewed some payment processes, reviewed and amended the risk management plan, and received and approved the Audited Financial Statements for the previous year. At each meeting, possible risks relating to government policy, the economic environment, and financial matters are discussed and management's mitigation strategies are reviewed.

Steve Kropf – Convenor

## BUSINESS AND FINANCE COMMITTEE



- Meets at least quarterly to monitor business matters, growth options, finance policy and procedures and SouthEast's financial position
- Recommends business and finance policy and procedures to the board through the Business and Finance Committee Director
- Supports the board in business and financial decision making (including financial risk assessments and the development of annual budgets) and receiving financial statements
- Recommends to the board business and finance policy and procedures for the Strategic and Business Plans
- Ensures via recommendations to the board, SouthEast's business and financial reports are aligned with business and financial policies and procedures.
- Monitors the continuing applicability of the business and finance policies and procedures and recommends to the board any changes
- Recommends to the board the amount and placement of investments.

The Business and Finance Committee has a critical role of monitoring the financial health of SouthEast, and this involves examining the financial statements that are prepared for the board. This is a demanding task as the financial statements are comprehensive and sophisticated. Throughout the year the committee has been overseeing a possible development where a property no longer fit for habitation, could be redeveloped into three units. The process, however, of securing approval from the local council and DHS is variously complex and prolonged. Other expansion options are under consideration.

Tracey Hall, Convenor

## GOVERNANCE AND POLICY COMMITTEE

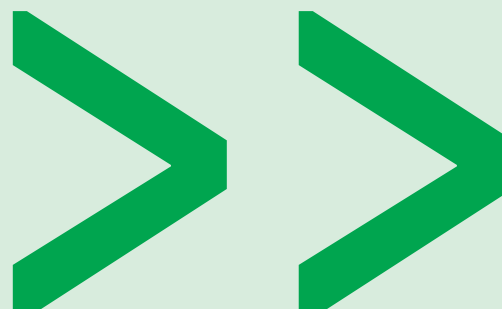


The Governance and Policy Committee has an overall responsibility to report to the board on:

- The governance performance of SouthEast
- The development and implementation of the strategic and business plans
- Member needs and wishes and policies and practices that reflect and reinforce these.
- Specifically, the Governance and Policy Committee advises the board on:
  1. Governance policies, structures, processes and practices
  2. Informing and engaging members including active membership provision and implementation.
  3. The development of policy and to recommend changes to policy and new policy.
  4. Processes for reviewing the performances of the board and the General Manager;
  5. Reviewing the strategic and business plans.
  6. Programmes for the training of Directors and members.
  7. Director succession and recruitment.
  8. The agenda for board meetings

During 2013-2014 the Governance and Policy Committee reviewed the Annual Report, previewed and reviewed the General Meeting of Members on 26 May 2014, reviewed the Strategic Plan, developed succession planning, IT and disability modifications policies, reviewed the Member Handbook and developed new rules for the co-operative based on Co-operatives National Law. The committee has a pivotal role in identifying the ways that accountability and transparency to members can be improved and initiated.

Andrea Lee, Convenor.






## THE DIRECTORS

The board has nine directors—seven member directors and two independent directors. Directors serve three year terms. Member directors are elected at the AGM and the two independent directors are appointed by the board.

### SOUTHEAST BOARD AND COMMITTEE MEMBERS – QUALIFICATIONS AND EXPERIENCES

DIRECTOR	QUALIFICATIONS AND EXPERIENCE	ROLE
<b>Jan Dickson</b> 	<ul style="list-style-type: none"> <li>• Previous director and chairperson 1 year</li> <li>• Co-operative director four years</li> <li>• Co-operative member since 4/5/2001</li> <li>• Home Duties</li> <li>• Participated in a co-op Office Support Group and was a Policy Group participant also.</li> <li>• Committee member Clayton Junior Football Club ten years</li> </ul>	Member Director, Deputy Secretary and member of the Governance and Policy and Business and Finance Committees.
<b>Debbie Dioguardi</b> 	<ul style="list-style-type: none"> <li>• Previous member Ringwood/Croydon co-op for three years and participated in the policy committee</li> <li>• Previous banking experience for total of six years</li> <li>• Certificate in book keeping to trial balance</li> <li>• Co-operative member since December 2004</li> <li>• Level 2 first aid certificate</li> <li>• Managed a team for a planning company</li> <li>• Active member of SouthEast Housing for over five years</li> </ul>	Member Director and member of the Business and Finance Committee
<b>Shirley Faram</b> 	<ul style="list-style-type: none"> <li>• Over 14 years on Board</li> <li>• Over 12 years as SouthEast Chairperson</li> <li>• Four years secretary of Frankston Council's Good Neighbour program</li> <li>• Four years volunteering with the Bayside Shared Accommodation Register</li> <li>• Four years as Board member and worker with the Bayside Youth Housing Project</li> </ul>	Member Director, Chairperson and member of the Governance and Policy and Business and Finance Committees.
<b>Steven Grange</b> 	<ul style="list-style-type: none"> <li>• Steven works for, First Option Credit Union, a \$160M credit union with 10,000 members across Australia and his role is as a Business Development Manger</li> <li>• Steven has spent 35 years in co-operative experience working for industry based credit unions.</li> <li>• Other roles Steven has filled include: Director: Kyneton Community Co-operative from 1983 – 1987 – Director/Chairman: Reservoir Fawkner Credit Co-operative from 1990 – 1997</li> <li>• Industry Training: Director training via AICUD – Australian Institute Credit Union Directors</li> <li>• Tertiary Qualifications: Diploma in Marketing: Hawthorn Institute of Technology, 1990</li> </ul>	Independent Director and member of the Audit Committee
<b>Tracey Hall</b> 	<ul style="list-style-type: none"> <li>• Over 12 years on Board</li> <li>• Cert 4 Small Business Management</li> <li>• Cert 4 Business (Governance)</li> <li>• Enrolled in Bachelor of Business Studies</li> <li>• Worked as Policy Director, Secretary, Finance Director and Chairperson</li> <li>• School committee: publicity officer</li> </ul>	Member Director and Convenor of the Business and Finance Committee.



DIRECTOR	QUALIFICATIONS AND EXPERIENCE	ROLE
<b>Gayle Koubwere</b> 	<ul style="list-style-type: none"> <li>• A SouthEast member and joined the board in 2013.</li> <li>• Previously a member of the Oakleigh Rental Housing Co-operative from 1992 to 1996 and worked on the Policy and Finance Sub-committees.</li> <li>• Worked in Administration and Accounts and recently completed a Cert III in Aged Care, Home and Community Care and Frontline Management.</li> <li>• A volunteer within an emergency resources community out-reach for 5 years.</li> <li>• Gayle has had her artworks features on a Calendar in 2012 and 2013 as well as mounted and displayed in a community art project at Monash Hospital, East Bentleigh. Also a Mosaic artwork was published and featured on the cover of a book.</li> </ul>	Member Director and member of the Governance and Policy Committee.
<b>Steve Kropf</b> 	<ul style="list-style-type: none"> <li>• MBA, BBus BA, FCPA, over twenty years experience in senior commercial management roles including CFO, GM Finance and planning roles through a range of companies covering transport and logistics, tourism, government privatisations and pharmaceuticals. Currently owner and manager of two companies both in the service sector.</li> </ul>	Independent Director and Convenor of the Audit Committee
<b>Andrea Lee</b> 	<ul style="list-style-type: none"> <li>• Co-operative member since 8/7/2001</li> <li>• Board member 2005/6 and since 2010</li> <li>• Bachelor of Business Accounting and Management</li> <li>• Accountant – seven years in Business Services</li> </ul>	Member Director, Deputy Chairperson, Secretary, and Convenor of the Governance and Policy Committee.
<b>Greg Nolan</b> 	<ul style="list-style-type: none"> <li>• SouthEast co-operative member since 2004, and previously a Moorabbin Rental Housing Co-op (RHC) tenant-member since October, 1989.</li> <li>• Had two previous terms on Moorabbin RHC Steering Committee (Board) in late 1990's and early 2000's, including once as a Vice-Chair.</li> <li>• In the mid-90's, Greg was on a founding committee which had the task of setting up the constitutional foundations of the Joint Housing Collective (J.H.C.), which was the initial state-wide peak body for RHC's in Victoria.</li> <li>• Served for several years as Moorabbin delegate on the former J.H.C. The equivalent and expanded forum today is the Community Housing Federation Victoria (CHFV).</li> </ul>	Member Director and member of the Governance and Policy Committee

## INDEPENDENT AUDIT COMMITTEE ADVISOR

<b>Darcy Smith</b>	<ul style="list-style-type: none"> <li>• Strong financial background over many years.</li> </ul>	Audit Committee member
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## THE DIRECTORS (CONT)

No director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by SouthEast, controlled entity, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

Subject to confidentiality and privacy provisions, all directors have unrestricted access to records and information of SouthEast. In order to fulfil their responsibilities the board collectively, and each director individually, has the right to seek independent professional advice whenever it is considered necessary. Individual directors may seek independent professional advice on any matter connected with the discharge of their responsibilities to ensure they exercise their objective, unfettered and independent judgement. In addition, the board and each committee, at the expense of SouthEast, may obtain relevant professional advice, as required, to assist in undertaking its role.

In carrying out its role, the board operates in a manner reflecting SouthEast's values and in accordance with approved governance policies. The board has developed a Code of Conduct which applies to everyone at SouthEast. This code was reviewed in 2013-14 and updated to ensure it reflects the highest level of behaviour and practices and provides a guideline for the standards of ethical behaviour and decision making expected to be displayed by all SouthEast directors and employees.

Each director must ensure that no action or decision is taken that places their interest in front of the interests of SouthEast. Directors commit to the collective decision making processes of the board. Individual directors are expected to debate issues openly and constructively and to be free to respectfully question or challenge the opinions of others.

The board has established a clear framework for the handling of actual or potential conflicts of interest with

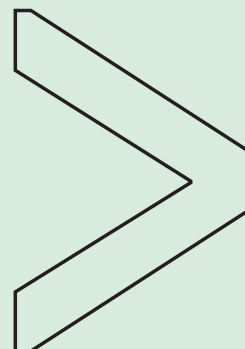
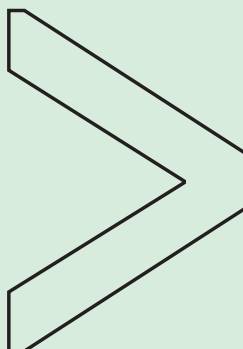
respect to the activities or decision-making responsibilities of SouthEast's directors. In order to ensure that such conflicts are properly identified, declared and managed, all SouthEast directors are required to disclose any conflict of interest (whether actual or potential).

The board has delegated authority to achieve SouthEast's strategic objectives to the General Manager who is responsible for day-to-day leadership and management of SouthEast's business activities and implementation of board approved strategies, policies, resolutions and directions.

The board of SouthEast is committed to ensuring that the financial reports present a true and fair view and are constructed in accordance with applicable accounting rules and policies. The board, through the responsibility of the Audit Committee, maintain a close focus to ensure the external auditor is independent and serves members interest by knowing the true financial position of SouthEast.

The board is responsible for approving SouthEast's Risk Management Framework and monitoring and reviewing the performance of SouthEast in accordance with the risk framework. Through the Audit Committee, the board is responsible for ensuring there are internal control systems. There are established policies for oversight and management of material risks. These are embedded as controls to manage SouthEast's material business risks. Further explanatory notes on the management of risk are included throughout the financial report.

**Indemnification and Insurance:** during the year, a premium was paid by the Victorian government in respect of insuring directors and Officers of SouthEast against any costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an officer of SouthEast. The officers of SouthEast covered by the insurance contract include the directors, general manager, secretary and employees.



# RISK MANAGEMENT PLAN

## ORGANISATIONAL BARRIERS

RISK IDENTIFIED	CONSEQUENCES	LIKELIHOOD	HOW DO WE MANAGE THE RISK? (NOT IN ORDER OF IMPORTANCE)	CONTROL EVALUATION
Decrease in income through government changes to welfare payments such as reductions in Commonwealth Rent Assistance, pension and benefit payments which may be exacerbated by managing additional properties	Moderate	Possible	Develop budgeting learning opportunities for members.  Continue to manage rent arrears proactively	Existing controls are adequate.
Decline in service quality in maintenance and tenancy services	Major	Unlikely	Ensure that there is ongoing quality monitoring of services supported by ongoing information to members about services. This is achieved through committed and quality staff.	Systematic surveys in place including internal and Registrar designed.  Surveys results acted upon as required by staff and board.
Public Housing transfers	Major	Moderate	Ensure there is appropriate risk management analysis of any possible public housing transfers.	Current business plan will conduct strategic continuous improvement, risk and SWOT analysis involving staff and the board.
Incompetent governance	Catastrophic	Unlikely	Ensure directors are trained, experienced and competent  Continue appointing independent directors with complementary skills in areas such as finance, law and property management  Engage highly skilled independent advisors to provide complementary assistance and commentary with governance  Board receives good and timely information  Governance Committee exerts influence  Use contractors independent advisors as required  The Chair shows leadership  Annual review of board efficiency and effectiveness	Directors participated in a skills audit conducted by an independent provider from the UK Cooperative College which identified a number of recommendations for improvement and a workshop on 26 April 2013 developed an implementation plan for these improvements.

RISK IDENTIFIED	CONSEQUENCES	LIKELIHOOD	HOW DO WE MANAGE THE RISK? (NOT IN ORDER OF IMPORTANCE)	CONTROL EVALUATION
Not meeting registration criteria after applying or subsequently losing registration	Catastrophic	Unlikely	<p>Allocate resources to ensure SouthEast meets performance standards and indicators criteria</p> <p>Ensure Board and Manager are aware of the criteria and implementing it</p> <p>Continue to employ a worker to monitor and report on compliance with registration requirements</p> <p>Staff and directors continue to receive training on compliance obligations</p> <p>Quarterly review to check standards are being met</p> <p>Produce a Compliance Report</p>	Implemented
Incompetent financial management	Major	Unlikely	<p>Employing skilled and efficient staff to administer finances</p> <p>Ensure finance and expenditure policies are good practice and adhered to</p> <p>Minimise arrears</p> <p>Use independent bookkeepers and accountants as required</p> <p>Have a good working and ethical relationship with the auditor</p> <p>Finance and Audit Committees fulfil their briefs</p> <p>The Board reviews the monthly Balance Sheets and Profit and Loss.</p> <p>Bi monthly review by Business and Finance Committee</p> <p>Finance Director having undergone training</p> <p>Board approves unusual or new major financial activities</p>	Implemented – directors have considerable financial experience Financial statements training is being provided.
Incompetently handling new property acquisitions	Major	Unlikely	<p>Have an effective project management risk strategy. CEHL expertise in project management minimizes risk to SouthEast in all activities relating to new stock</p> <p>Board properly informed of new stock processes</p> <p>Having a well-documented and cost efficient procedure for acquiring new stock</p> <p>Using skilled and impartial staff to arrange the purchase and tenanting of properties</p>	Implemented

RISK IDENTIFIED	CONSEQUENCES	LIKELIHOOD	HOW DO WE MANAGE THE RISK? (NOT IN ORDER OF IMPORTANCE)	CONTROL EVALUATION
Board divisiveness	Major	Possible	<p>Continuous Board training</p> <p>Grievance procedure is used if required</p> <p>Governance Committee exerts influence</p> <p>The Chair shows leadership in facilitating fraternal and constructive culture</p>	Board training needs identified as part of the Cooperative College skills audit.
Handling Risk badly	Major	Possible	<p>Regular reports to the Board on Risk</p> <p>Major activities are considered using a risk matrix</p> <p>Board and Manager aware of and using risk management procedures and using them</p> <p>Development and maintenance of a risk register</p>	Audit Committee has reviewed how risk is reported and considered by board
Board and staff turnover	Moderate	Possible	<p>Organisation has a fraternal and constructive culture</p> <p>Skills decentralised so that no individual is essential</p> <p>Job procedures documented</p> <p>Staff properly remunerated and provided with positive feedback and opportunities to apply and develop their experience and skills.</p>	Implemented, CEHL is assisting with reviewing and updating position descriptions of all staff.



## STAFF

The board recognises the staff of SouthEast are the front-line for the co-operative and the experience of members. The staff influence the perceptions of SouthEast and the extent that members value the co-operative is influenced by this relationship. SouthEast is fortunate with the quality and commitment of all its staff and their ongoing loyalty to the co-operative and the co-operative values and principles. Staff turnover is minimal and this is a credit to both the co-operative and the staff.

### The current staff of SouthEast are:

**Ian McLaren**



**General Manager**

Ian joined the staff  
in May 2010

**Dale Carroll**



**Compliance and  
Development Officer**

Dale joined the staff  
in December 2009

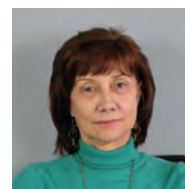
**Michelle D'Rozario**



**Administration Officer  
and Assistant Asset  
Coordinator**

Michelle joined the staff  
in April 2009

**Joy Haines,**



**Tenancy Officer**

Joy joined the staff  
in 2001

**Jim Kokoras**



**Property Officer**

Jim joined the staff  
in 2004

**Trang Le**



**Bookkeeper**

Trang joined the staff  
in June 2006

**David Griffiths**



**Governance Officer**

David joined the staff on a  
casual basis in January 2012

# Strategic Plan Priorities 2013–2016

## OBJECTIVE 1: Provide affordable secure, well maintained and sustainable housing

Priorities 2013–2016	Effectiveness Indicators	Comments
Develop appropriate lease structure for future development.		General Lease has replaced HPF Lease – more autonomy, security and income.
Improve the effectiveness and efficiency of tenancy and maintenance services.		SouthEast rates well with service delivery and member satisfaction with services. While satisfaction is increasing this provides no basis for complacency. Consequently, at a general meeting of members on 20 May 2013 focus groups were organised to address how service delivery by SouthEast could be improved. The board approved a plan of action to follow-up the issues raised during the general meeting and presented a formal response to the AGM in November 2013.
		Goal: To ensure staff and board responsibilities, skills and abilities are adequate and aligned to meet the strategic and operational needs of the cooperative. Two priorities for 2013–2014 are to: (a) Complete staff position descriptions with the assistance of CEHL and (b) Co-operative College follow-up to the director skills audit undertaken in 2012.
	Average turnaround time 17 days subject to availability for tenancy.	Achieved 12 days in 2010–11 and 21 days in 2011–12 with similar agencies 9 days. Achieving indicator depends on whether or not a property is lettable after a tenant leaves. Turnaround times have been identified as requiring improvement. Innovative strategies will be explored, implemented and evaluated for effectiveness.
	100% allocation maintenance expenditure	Not a HR KPM, a DHS requirement and an enhanced SouthEast KPM. Allocation not spent has to be carried over for DHS properties.
	85% allocation spent disability modifications	A new allocation has been established in the SouthEast budget in 2013–2014.
	Consider establishment of a Disability Modifications Reserve.	A cyclical maintenance reserve has been maintained for SouthEast owned properties. \$15,000 is currently in the Reserve. This will increase to \$30,000 this year.
	In 2013–2014, 92.5 % of members were Satisfied or Very Satisfied with Maintenance.	SouthEast achieved 69% in 2010–11, 81.8% in 2011–2012 and similar agencies 83.5% in 2011–12. For 2012–13 on maintenance services 73 members (84.88%) were either Very Satisfied or Fairly Satisfied. The Australian Institute of Health and Welfare has just released the National Social Housing Survey: Summary of National Results. The level of satisfaction with maintenance was (a) day-to-day maintenance – public housing 71% and community housing 76% and (b) emergency maintenance – public housing 77% and community housing 79%. The survey was mailed to a random sample which included 55,101 public housing and 17,570 community housing households. The response rate was 16% for public housing and 17% for community housing.
	100% of urgent maintenance completed within 24 hours subject to tenant availability when trade visits.	SouthEast achieved 100% in 2010–11 and 95.7% in 2011–12 and similar agencies 94.5% Achievement is subject to tenant being available at agreed time and date when trades persons arrive.
	100% of non-urgent maintenance completed within 14 days.	SouthEast achieved 100% in 2010–11 and 98% in 2011–12 compared with 93.6% for similar agencies in 2011–12. % Achievement is subject to tenants being available at agreed times and dates when trade persons arrive.
	100% tenancies maintained.	SouthEast achieved 95.6% in 2010–11 and 100% in 2011–12 compared with 85.1% of similar agencies in 2011–12
	6% evictions (percentage of exits)	SouthEast achieved no evictions in 2010–11 and in 2011–12 compared with 6% for similar agencies in 2011–12.
	Explore options for new build properties.	Effective indicators were not developed for the Strategic Plan 2010–2013.

## OBJECTIVE 2: Operate a well-run, adaptive and financially secure organisation that

## meets the expectations of members, government and other stakeholders.

Priorities 2013-2016	Effectiveness Indicators	Comment
Continue to strengthen the governance of SouthEast through reviewing and improving our governance model and practices	Ongoing Annual Review of governance model and continued improvement and, in particular, implementation of Governance Audit undertaken by UK Co-operative College.	Two workshops were organised with Cathy Whelan, from Reckon Community, on 25 April and 6 July 2013 to follow-up the UK Co-operative College Skill Audit in 2012. A follow-up skills audit was undertaken by the Co-operative College in October 2013. Current reviewed included succession planning, disability modifications, information technology and maintenance feedback. SouthEast established a policy review schedule and has identified key policies due for review in 2013-14.  Directors are developing individual development plans and be provided with requisite training including financial skills training that increase their ability to accurately understand and interpret and make quality informed decisions in relation to financial reporting statements in particular. Board agendas and report formats will be reviewed to facilitate board decisions.
Establish clear strategic directions and priorities for SouthEast by refreshing our Strategic Plan and by staying in tune with and adapting to the demands of the changing community housing environment	Annual Review and consideration by board and subsequent general meeting.	Revised Strategic Plan reviewed by board and subsequently adopted by General Meeting of members on 20 May 2013.
Continue to employ skilled and experienced staff necessary for the delivery of high quality services and achieving necessary growth.	80%	In 2010-11 SouthEast staff turnover was 14.3% and 0% in 2011-12 with 14.9% for similar agencies in 2011-12. A priority for 2013-2014 is to complete staff position descriptions with the assistance of CEHL
	100%	In 2010-11 SouthEast staff turnover was 50% and 0% in 2011-12 and 0% in 2012-2013 with 19.6% for similar agencies in 2011-12.
	Review of staff position descriptions	Review initiated April 2013 with the co-operation of CEHL. This will be completed in 2013-2014.
	First aid training for all staff	All staff were trained on 1 September 2012. There was a refresher course in 2014.
Support the effective & efficient operation of SouthEast office space	Maintain existing space with appropriate maintenance, cleaning and security policies, processes and procedures.	Ongoing.
Enhance the financial sustainability of SouthEast	Continued functioning and resourcing of Audit Committee with regular meetings and reports to board and liaison with Auditor.	Achieved in 2012-2013 and 2013-2014. Not a HR KPM but an enhanced SouthEast KPM
	Appropriate financial reports presented at board meetings	Achieved in 2012-2013 and 2013-2014.. Comprehensive financial reports are presented to each board meeting.
	Quality IT policies and practices – up to date, maintained and secure.	Policy developed and adopted by board. Not a HR KPM – an enhanced SouthEast KPM. IT base (server, computers and related software) has been upgraded to adequately meet agency IT needs over the next 10 years.
	Review MOU with CEHL and identify and work with new partners e.g. First Option Credit Union and Co-operatives Victoria.	MOU with CEHL has been financially beneficial and was reviewed by the board in 2013-2014 and, as a result, both SouthEast and CEHL have recommitted to the MOU. SouthEast and Co-operatives Victoria have contributed to co-producing co-operative practice and CNL films. First Option is assisting with a social and education activity at Myuna Farm. And financial statement workshops for directors.
Regular board meetings	Minimum of 11 board meetings during the year.	SouthEast achieved 100% in 2010-1, 2011-12 and 2013-2014 compared with similar agency 97.2% in 2011-2012
	85% of director attendance at board meetings	SouthEast achieved 83.1% in 2010-11, 82.7% in 2011-12 and in 2013-2014 compared with similar agency 85.8%
	Minimise vacancies on board.	Achieved. Not a Housing Registrar KPM – an enhanced SouthEast KPM.

Priorities 2013-2016	Effectiveness indicators	Comments
	100% reporting on time DHS	Achieved. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	100% reporting on time HR	Achieved. A Housing Registrar requirement but not a KPM - an enhanced SouthEast KPM.
	100% reporting on time CAV	Achieved. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	100% compliance with performance standards for HR Annual Review	Achieved. A Housing Registrar requirement but not a HR KPM - an enhanced SouthEast KPM.
	No tenants owing more than 8 weeks	In 2010-11, 2011-12, 2012-2013 and 2013-2014 no SouthEast tenant owed more than eight weeks compared with 1.7% for similar agencies. In 2012-13. This is a KPM not used in Strategic Plan 2011-2013
	7% average of members in arrears greater than 14 days over 12 months.	SouthEast met this in 2011-2012, 2012-2013 and 2013-2014. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	100% of complaints resolved within 30 days	100% compliance with no complaints in 2011-12 2012-2013 and 2013-2014 compared with 40% resolved in 2010-11 and similar agencies 82.5% in 2011-2012 In 2012-13
	80% of complaints resolved within 21 days	Achieved in 2011-2012, 2012-13 and 2013-2014. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	100% of complaints resolved	Achieved in 2011-2012, 2012-13 and 2013-2014 Not a Housing Registrar KPM - an enhanced SouthEast KPM.

### OBJECTIVE 3: Develop a well-informed, engaged and committed membership

Priorities 2013-2016	Effectiveness indicators	Comments
	30% of members responding to member satisfaction survey	Achieved in 2012-13 with 55.69% of members responding to the most recent survey - compared with 41.5% previously. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	40% of members attending general meetings	Achieved in 2012-13. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	Web site - regular updates and continued relevant.	Achieved in 2012-13 and 2013-2014 with web site redesigned and relaunched. Not a Housing Registrar KPM - an enhanced SouthEast KPM. Work will continue on increasing information on and the accessibility of the site.
	30% increase in number of unique visitors, visits and hits to web site	Achieved in 2012-13 and partly achieved in 2013-2014 Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	Two general meetings of members over a 12 month period.	Achieved in 2012-13 and 2013-2014. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	Housing Futures newsletter - regular publication and continued relevance.	Achieved in 2012-13 and 2013-2014. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	In 2013-2014, 95.5 % of members were Satisfied or Very Satisfied with Tenancy Services	In 2010-11 SouthEast achieved 79.3% and in 2011-12 89.4% with similar agencies achieving 90% in 2011-12. In 2012-13 90.80% (79) were either Very satisfied or Fairly Satisfied with Housing Services. No figures are available for 2013-2014. The Australian Institute of Health and Welfare reports that tenant satisfaction with services provided by housing organisations was (a) indigenous - public housing 56% and community housing 67% (b) non-indigenous - public housing 65% and community housing 74%. Satisfaction of 65% for public housing was down from 73% in 2010. Satisfaction of 74% for community housing was down from 79% in 2010.
	80% tenants satisfied with consideration of views	In 2010 - 11 Southeast achieved 82.8% and in 2011-12 78.8% with similar agencies achieving 84.4% in 2011-12 In 2012-13 86.36% (76) were either Very Satisfied or Fairly Satisfied with Consideration of Views.
	70% of participants completing meeting evaluation survey.	Achieved in 2011-12 and 2012-13. Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	70% of respondents to meeting evaluation surveys providing a very helpful and helpful	Achieved in 2011-12. In 2012-13 Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	60% of respondents to meeting evaluation surveys providing a very helpful overall rating	Achieved in 2011-12. In 2012-13 Not a Housing Registrar KPM - an enhanced SouthEast KPM.
	Provision of two social/education events over 12 months.	Two events were conducted in 2013-2014.



**OBJECTIVE 4: Promote and strengthen the co-operative housing model**

Priorities 2013-2016	Effectiveness indicators	Comments
Support the Housing Co-ops – The Future campaign		<p>SouthEast</p> <p>Rebranding: SouthEast will continue to redesign its corporate image into one that effectively communicates via corporate symbols and designs the social enterprise nature of the cooperative.</p> <p>Mainstreaming – marketing the social and economic benefits of the co-operative model in contrast to other forms of housing options.</p>
	Increased CHFV recognition of co-operatives.	General Manager has been appointed to the board of CHFV.
	Continued participation in CHFV Co-operatives Working party.	General Manager attends, and for 2013 Chaired the Co-operatives Working Party.
Promote co-operative housing models in the wider community	Continued promotion of SouthEast documentary and Co-operators book.	<p>SouthEast</p> <p>Submission has been made to the Senate Inquiry into Affordable Housing.</p>

**OBJECTIVE 5: Pursue opportunities for growth in the range and level of affordable housing available through SouthEast**

Priorities 2013-2016	Effectiveness indicators	Comments
Position SouthEast to take up any opportunities for growth in our housing stock	Increase the number of properties owned and managed by two additional properties	<p>Two additional properties feasible, subject to DHS approval of First Street Development – building three units on s previous one unit property DHS approval pending. Development proposal approved by local council. Development in partnership with CEHL and SouthEast</p> <p>Established two reserve funds (a) for structural maintenance for SouthEast owned properties and (b) for structural Maintenance to DHS managed properties.</p>



## KEY PERFORMANCE MEASURES (KPM) DATA: AT 30 JUNE 2014

	KPM	SouthEast HousingCo-operative			Similar agencies
		2011-12	2012-13	2013-14	2012-13
1	Regular board meetings (%)	100	100	100	98.9
2	Active board members (%)	82.7	88.9	88.9	84.5
3	Budget and Business Plan approval finalised within reasonable timeframe	Yes	Yes	Yes	N/A
4	Staff turnover (%)	0	0	0	14.9
5	Senior staff turnover (%)	0	0	0	8.1
6	Turnaround time (VT) (days)	21	17	10	7
7	Void loss (VT) (%)	0.3	0.2	0.1	0.8
8	Rent outstanding from current tenants (%)	0.5	0.7	0.8	1
9	Arrears written off as bad debt (%)	0	0.1	0	0.8
10	Evictions (percentage of exits)	0	0	0	6.2
11	Tenancies maintained (%)	100	100	97.5	86
12	Current tenants owing more than 8 weeks (%)	0	0	0.6	1.2
13	Complaints from tenants/prospective tenants resolved within 30 days (%)	No complaints received	No complaints received	No prospective tenant/tenant complaints received	82.5
14	Tenants' satisfaction – housing services (%)	89.4	90.8	95.5	92.2
15	Tenants' satisfaction – consideration of views (%)	78.8	86.4	88.1	86.1
16	Urgent repairs resolved in 24 hours (%)	95.7	95.3	96.2	97.6
17	Non-urgent repairs resolved with 14 days (%)	98.0	97.0	95.5	96.1
18	Tenant satisfaction – maintenance (%)	81.8	84.9	92.5	85.7

## ANTHONY HARDY, REGISTRAR OF HOUSING AGENCIES SPEECH AT SOUTHEAST AGM 18 NOVEMBER 2013



Good evening everyone and thanks for the opportunity of being here tonight to say a few words.

I know many speakers say they are going to be brief and then go on for ages and ages but I can assure you I will be brief – no more than at least an hour. Or more if I get an encore!

Don't worry that's a joke.

I did however ask Ian McLaren if there were any particular points he thought I should cover and he kindly sent me a very useful list of questions. Some of which I will be answering tonight. So it may be an hour, you never know.

The first one was who I think will win the Ashes this year.

Well even though I am a Australian Citizen I am still a Pom. Which I think answers that question. I am sure it will be an exciting contest and the best team will win. And they are English.

I am conscious your excellent Annual report says Towards 2022. But before we get our crystal balls out and gaze into the future it is worth reflecting on what the sector has done.

We now have 44 registered housing agencies in Victoria who own and manage over 18, 000 homes. These properties are worth over \$2.5 billion and the sector employs over 1200 people. We have seen sustained growth over the years but this has tailed off to a certain extent recently but not disappeared completely as you know in some organisations such as your own, with the plans for new homes at First Street.

Most importantly performance measured by the Housing Registrar has not declined and there has been a high level of satisfaction from tenants.

From time to time the Housing Registrar has had to raise an eyebrow but that's the whole idea behind the regulatory framework – finding problems and fixing them.

I know the big question and one that Ian raised with me and he's not alone in posing this question is where next? I regret I am not in a position to answer that question as we are still waiting the outcome of Victoria's Social Housing Framework. I like you can only hope that there will be an answer soon.

But given the success of the sector over the years I am sure that housing associations and housing providers will have an important role to play, as you do at the moment.

Another big question knocking about is the proposed National Regulatory System and Victoria's position.

We took part in the Phase 1 pilot and were grateful to HCA, Home Ground and St Kilda for joining us in this pilot and allowing us to use them as guinea pigs. We are waiting on the final national evaluation of the pilot. I think that the impact on those agencies that were involved was

not as great as was imagined. I have been doing a lot of work to try and make sure that our regulatory framework has had a major influence on the NRS so if we do join than I hope that the change, of which there will be some, will be limited. Watch this space is all I can say and I am committed to keeping everyone up to speed with what may happen.

I can see its been another important year for South East as your Annual Report explains.

Your work and reputation with the Housing Registrar is very good, you have moved onto the new DHS General lease which reinforces your financial position allowing you to put money aside for improvements. I see high levels of satisfaction from tenants and good performance results all round, so well done. You also held workshops to improve your governance which is to be commended.

And you have been looking at how you can build more homes in the First St project in partnership with CEHL and DHS.

I am pleased to see the strategic partnership with CEHL is continuing to be of benefit and this I think is a very good example of meaningful and effective co-operation between co-operatives. I am sure many in the room know more about the ethos and principles of the co-operative movement.

One thought has struck me is that whilst your organisation is founded on these principles and your members draw so many benefits from you as a co-op could there not be more co-operation between co-operatives?

All housing co-operatives are registered as providers and that's not something that can easily be taken away. But is there more scope for all co-operatives to work more closely. That's not to say this is or should be a regulatory requirement but in the current climate is there more to be gained by working more closely together, informally but formally as you have done with CEHL?

Food for thought.

Ian also asked me what I saw as the future for small providers and in particular housing co-ops. Well again it's a difficult question, but I think that the move to the new DHS General Lease and the improved financial opportunities it gives you will enable you to reinforce the benefits you bring, to maintain the existing stock well and hopefully see some prudent growth – but again that's a decision for you and not a regulatory requirement.

Some eight years ago I was about to make the big leap and move to this wonderful country. Not surprisingly I came with some baggage. The majority of which was all put into a 40 foot shipping container and shipped out here.

But I have to admit that as a regulator of a number of years with the Housing Corporation my experience of

dealing with registered co-ops was not good. I had seen and had to deal with some very dysfunctional co-ops in my time.

So you can imagine that I came with a certain degree of trepidation and also an opinion I have to admit that verged more on the negative. But I would like to thank South East Housing co-op for changing that view over the years. Now that's not to say we have not had our difficulties, but we have worked through them in an open transparent and effective way.

What I see now is an organisation that holds its co-operative principles very close to its heart which it should, but also one that gets on and does a good job for its tenants and in looking after a number of properties for the Director of Housing. One that is also well placed for the future.

Long may that commitment to good service to tenants, good governance and sound financial and service performance continue. Well done and I look forward to 2022 and all it brings on the way.

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# Services Charter

## Our Mutual Roles and Obligations

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### OUR MISSION STATEMENT

Our mission is to provide affordable, secure and financially and environmentally sustainable housing for people on low incomes in the south east of Melbourne who want to be part of a housing co-operative.

SouthEast members are expected to be honest, fair, courteous, helpful and reasonable and to comply with the Co-operatives Act, the Rules, Residential Tenancies Act, Privacy Act, and SouthEast's Member Manual and the International Co-operative Alliance's principles.

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### OUR SERVICES

SouthEast is committed to security of tenure for all members and is also committed to accountability and transparency in service provision through:

- keeping the membership informed through the newsletter, General Meetings, Member Forums, our web site and other methods as required;
- consulting with members on significant matters affecting the co-operative and/or tenancy
- submitting significant changes to the co-operative and/or tenancy to a general meeting of members
- providing a high quality service which will be continually improved;
- notifying members in advance regarding inspections and trades people visits;
- developing, maintaining and publicly releasing organisational performance indicators
- endeavouring to answer requests on the spot and respond to enquiries within two working days; and having the office staffed 8.30am to 5.00pm during working days.

## OUR MEMBERS

We ask that our members accept the obligations of membership and the autonomy and independence of the co-operative through

- advising SouthEast in writing of any change in tenancy details
- maintaining their property in good order
- paying rent on time
- not performing works at their property that are not in keeping with the requirements of the Residential Tenancies Act and the SouthEast Member Manual;
- letting us know if requiring an interpreter;
- being available at agreed times for inspections and trades people visits;
- understanding and respecting the legal compliance requirements of SouthEast
- attending meetings of members; and
- providing and completing all relevant SouthEast tenancy data information and all surveys.
- Advise if you have a complaint, provide the date and times of the circumstances you wish to complain about and specify how you would like to see the complaint resolved

## ACKNOWLEDGEMENTS

The board would like to thank: former and current directors for contributing to improving the governance of the cooperative; the current General Manager for his leadership contribution; all staff for their continued delivery of high quality services and their unfailing commitment and professionalism; and members who remain in good standing with the co-operative through their tenancy, attending general and other member meetings; and responding to member surveys.

We would also like to thank other key stakeholders in the co-operative who have varying degrees of influence on what we do, what we can do and what we can't do:

- Common Equity Housing Limited (CEHL)—for guidance and, in particular, cost savings
- Community Housing Federation of Victoria Ltd (CHFV)
- Officers of the Department of Human Services who have worked with SouthEast throughout the year
- Officers of the Housing Registrar who have worked with SouthEast over the last 12 months
- Suppliers of goods and services required for the functioning of SouthEast

## SOUTHEAST BOARD AND COMMITTEE ATTENDANCE 2013–2014 FINANCIAL YEAR

### AUDIT (TOTAL MEETINGS = 2)

	attend	apology
Steven Grange	1	0
Louise Kloot	1	0
Steve Kropf	2	0
Darcy Smith	1	1
Ian McLaren (GM and guest)	2	0
James Ridley (external auditor)	1	0

### GOVERNANCE AND POLICY (TOTAL MEETINGS = 10)

	attend	apology
Jan Dickson	10	0
Shirley Faram	10	0
Natalie Leddick	0	5
Andrea Lee	9	1
Greg Nolan	10	0
Ian McLaren (GM)	10	0
David Griffiths (staff) (minutes)	10	0

### BUSINESS AND FINANCE (TOTAL MEETINGS = 8)

	attend	apology
Debbie Dioguardi	3	5
Shirley Faram	8	0
Tracey Hall	8	0
Ian McLaren (GM)	7	1
Dale Carroll (staff) (minutes)	7	1

### BOARD MEETINGS (TOTAL MEETINGS: ORDINARY = 11, EXTRAORDINARY = 0)

	attend	apology
Jan Dickson	11	0
Debbie Dioguardi	10	1
Shirley Faram	11	0
Steve Grange	2	1
Tracey Hall	11	0
Louise Kloot	5	1
Steve Kropf	7	4
Natalie Leddick	3	1
Andrea Lee	10	1
Greg Nolan	11	0
Ian McLaren (GM)	11	0
David Griffiths (staff) (minutes)	11	0

## NOTES:

- Absences without apology for all committees and board were nil.
- The scheduled ordinary April board meeting was held on May 02 2014.
- Steven Grange joined the Board from May 02 2014
- Louise Kloot resigned at the close of the December 2013 meeting. Her position was vacant twice.
- Natalie Leddick retired from the GPC and the board after 15 November 2014. Her position was filled by Gayle Koubwere so was never vacant.
- Gayle Koubwere commenced as a board director November 2013
- The rules state there shall be nine board member director positions and up to two independent directors.
- Scheduled board meetings totals = 11

**SOUTHEAST HOUSING CO-OPERATIVE LTD**

ABN 51 286 919 868

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# FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

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# DIRECTORS' REPORT

Your directors present their report on the Co-operative for the financial year ended 30 June 2014.

## DIRECTORS

**The names of the directors in office at any time during or since the end of the financial year are:**

Shirley Faram  
Tracey Hall  
Louise Kloot (Resigned 13/12/2013)  
Steve Kropf  
Natalie Leddick (Resigned 18/11/2013)  
Andrea Lee  
Jan Dickson  
Debbie Dioguardi  
Greg Nolan  
Gayle Koubwere (Appointed 18/11/2013)  
Steven Grange (Appointed 02/05/2014)

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Operating Results

The profit of the Co-operative for the financial year amounted to \$412,374 (2013: \$253,976).

### Review of Operations

A review of the operations of the Co-operative during the financial year and the results of those operations found that during the year, the Co-operative continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the Co-operative occurred during the financial year.

### Principal Activity

The primary activities of the Co-operative in the course of the financial year were the provision of low cost rental accommodation to eligible tenants. No significant change in the nature of these activities occurred during the year.

### Events After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Co-operative, the results of those operations, or the state of affairs of the Co-operative in future financial years.

The accompanying notes form part of these financial statements.

### Likely Developments

The likely future developments in the operations of the Co-operative are the continuation of the principal activities set out in this report, and venture into the management of properties.

### Environmental Issues

The Co-operative's operations are not regulated by any significant environmental regulation under the law of the Commonwealth or of a State or Territory.

### Dividends Paid or Recommended

The Co-operative cannot pay dividends.

### Options

The Co-operative has not during the course of the year or since the end thereof granted to a person a formal option to have issued to him/her shares in the Co-operative or any controlled entity. The Co-operative cannot issue shares.

### Indemnification of Officer or Auditor

The Co-operative has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Co-operative or a related owners' corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

### Proceedings on Behalf of the Co-Operative

No person has applied for leave of Court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings. The Co-operative was not a party to any such proceedings during the year.

### Directors' and Executives' Benefits and Contracts

Since the end of the previous financial year no Director or Executive of the Co-operative has received or become entitled to receive a benefit, other than:

- a benefit included in the aggregate amount of emoluments received or due and receivable by Directors/ Executives shown in the accounts, or
- the fixed salary of a full-time employee of the Co-operative or of a related owners' corporation,



By reason of a contract made by the Co-operative or a related body corporate with the Director or with a firm of which he/she is a member, or with a Company in which he/she has a substantial financial interest

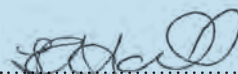
The following payments for director's attendance fees totalling \$10,800 were made during the year:  
These amounts exclude other payments as detailed in Note 3(a) Directors expenses.

<b>Shirley Faram</b>	\$2,400	<b>Andrea Lee</b>	\$1,100
<b>Tracey Hall</b>	\$1,200	<b>Greg Nolan</b>	\$1,200
<b>Debbie Dioguardi</b>	\$1,100	<b>Natalie Leddick</b>	\$400
<b>Louise Kloot</b>	\$600	<b>Steve Kropf</b>	\$700
<b>Jan Dickson</b>	\$1,200	<b>Steven Grange</b>	\$200
<b>Gayle Koubwere</b>	\$700		

**Signed in accordance with a resolution of the Board of Directors:**



Shirley Faram



Tracey Hall

Dated at Dandenong 26th September 2014

## DIRECTORS' DECLARATION

The directors have determined that the Co-operative is not a reporting entity, and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

**The directors of the Co-operative declare that:**

1. The accompanying financial statements and notes for the financial year ended 30 June 2014 are prepared in accordance with the requirements of the Co-operatives Act 1996, and:
  - a) Give true and fair view of the financial position and performance of the Co-operative at the end of the financial year; and
  - b) Comply with applicable accounting standards.
2. At the date of this declaration, there are reasonable grounds to believe that the Co-operative will be

able to pay its debt as and when they become due and payable.


3. The Co-operative has kept such accounting records that correctly records and explain the transactions and financial position of the Co-operative.

This declaration is made in accordance with a resolution of the Board of Directors:



Shirley Faram

Dated this day of 2014



Tracey Hall

Dated at Dandenong 26th September 2014

The accompanying notes form part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 30 June 2014

	Notes	2014 \$	2013 \$
Continuing operations			
Revenue	2	1,729,966	1,701,556
Other revenue	2	27,304	23,491
Employee benefits expense		(550,313)	(547,962)
Depreciation and amortisation expense		(66,295)	(65,942)
Occupancy expenses		(97,721)	(86,481)
Property expenses		(590,265)	(670,891)
Administration expenses		(99,280)	(99,795)
<b>Profit Before Income Tax</b>	<b>3</b>	<b>353,396</b>	<b>253,976</b>
Income tax expense	1(b)		-
<b>Profit For The Year</b>		<b>353,396</b>	<b>253,976</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
Items that will not subsequently be reclassified to profit or loss			
Net gain on revaluation of land and buildings		58,978	-
<b>Other Comprehensive Income For The Year</b>		<b>58,978</b>	<b>-</b>
<b>Total Comprehensive Income For The Year</b>		<b>412,374</b>	<b>253,976</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Members of the Co-operative		353,396	253,976
<b>Profit For The Year</b>		<b>353,396</b>	<b>253,976</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Members of the Co-operative		412,374	253,976
<b>Total Comprehensive Income For The Year</b>		<b>412,374</b>	<b>253,976</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As At 30 June 2014

	Notes	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,411,716	843,720
Trade and other receivables	5	46,098	44,224
Other current assets	6	33,056	32,619
<b>Total Current Assets</b>		<b>1,490,870</b>	<b>920,563</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	2,968,009	2,948,186
<b>Total Non-Current Assets</b>		<b>2,968,009</b>	<b>2,948,186</b>
<b>Total Assets</b>		<b>4,458,879</b>	<b>3,868,749</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	291,969	110,933
Provisions	9	69,817	77,180
<b>Total current liabilities</b>		<b>361,786</b>	<b>188,113</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	9	18,133	14,050
<b>Total Non-Current Liabilities</b>		<b>18,133</b>	<b>14,050</b>
<b>Total Liabilities</b>		<b>379,919</b>	<b>202,163</b>
<b>Net Assets</b>		<b>4,078,960</b>	<b>3,666,586</b>
<b>EQUITY</b>			
Members' funds		2,878,987	2,640,591
Reserves		1,199,973	1,025,995
<b>TOTAL EQUITY</b>		<b>4,078,960</b>	<b>3,666,586</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2014

	Retained Earnings	Cyclical Maintenance Reserve	Revaluation Reserve	Total attributable to members of the Co-operative
	\$	\$	\$	\$
Balance at 1 July 2012	2,401,615	15,000	995,995	3,412,610
Profit for the year	253,976	-	-	253,976
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	253,976	-	-	253,976
Transfers	(15,000)	15,000	-	-
<b>Balance At 30 June 2013</b>	<b>2,640,591</b>	<b>30,000</b>	<b>995,995</b>	<b>3,666,586</b>
Balance at 1 July 2013	2,640,591	30,000	995,995	3,666,586
Profit for the year	353,396	-	-	353,396
Other comprehensive income	-	-	58,978	58,978
Total comprehensive income for the year	353,396	-	58,978	412,374
Transfers	(115,000)	115,000	-	-
	-	-	-	-
<b>Balance At 30 June 2014</b>	<b>2,878,987</b>	<b>145,000</b>	<b>1,054,973</b>	<b>4,078,960</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

For The Year Ended 30 June 2014

	Notes	2014 \$	2013 \$
Receipts from tenants and government agencies		1,728,092	1,692,029
Payments to suppliers and employees		(1,159,415)	(1,381,090)
Interest received		26,459	20,148
Finance costs		-	(96)
<b>Net Cash Provided By Operating Activities</b>	<b>10</b>	<b>595,136</b>	<b>330,991</b>

## CASH FLOW FROM INVESTING ACTIVITIES

Proceeds from sales of property, plant and equipment		-	24,700
Payments for property, plant and equipment		(27,140)	(57,942)
<b>Net Cash Used In Investing Activities</b>		<b>(27,140)</b>	<b>(33,242)</b>

## CASH FLOW FROM FINANCING ACTIVITIES

Repayment of borrowings		-	-
Net cash used in financing activities		-	-
Net increase in cash and cash equivalents		567,996	297,749
Cash and cash equivalents at beginning of financial year		843,720	545,971
<b>Cash And Cash Equivalents At End Of Financial Year</b>	<b>4</b>	<b>1,411,716</b>	<b>843,720</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2014

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING

### POLICIES

#### FINANCIAL REPORTING FRAMEWORK

The directors' have prepared the financial statements on the basis that the Co-operative is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets. The accounting policies that have been adopted in the preparation of the statements are as follows:

#### ACCOUNTING POLICIES

##### (a) Property, Plant and Equipment

Property, plant and equipment is brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation and any impairment in value. The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amount.

The carrying values of plant and equipment are also reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any impairment exists, the assets are written down to their recoverable amount and the loss recognised in the statement of comprehensive income.

The depreciable amount of all fixed assets including buildings, but excluding freehold land, are depreciated over their useful lives commencing from the time the asset is

held ready for use. Rates of depreciation vary between 2.5% and 25%.

Expenditure incurred in the maintenance and enhancements for properties managed by the Co-operative are expensed in the period it is incurred.

#### IMPAIRMENT OF ASSETS

At each reporting date, the Co-operative reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the Co-operative would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset.

Where it is not possible to estimate recoverable amount of an individual asset, the Co-operative estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

##### (b) Income Tax

The Co-operative is a not for profit organisation and as such is exempt from paying income tax.

##### (c) Employee Entitlements

Provision is made in respect of the Co-operative's liability for annual leave and long service leave at balance date. Long service leave is accrued on a pro rata basis in respect of all employees with more than one year's service with the Co-operative.

Contributions are made by the Co-operative to an employee superannuation fund and are charged as expense when incurred. The Co-operative has no legal obligation to provide benefits to employees on retirement.



#### **(d) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and which are subject to insignificant risk of changes in value. Bank overdrafts are included in current liabilities on the statement of financial position.

#### **(e) Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

Rental income is recognised in accordance with the respective tenancy agreement.

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

#### **(f) Debtors**

Before the statement of comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ascertain what action had been taken in relation to the writing off of bad debts and caused all known bad debts to be written off and adequate provisions to be made for doubtful debts.

At the date of this report the Directors are not aware of any circumstances which render the amount written off for bad debts or the amount provided for doubtful debts inadequate to any substantial extent.

#### **(g) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

#### **(h) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### **(i) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Co-operative.

#### **KEY ESTIMATES – IMPAIRMENT OF PLANT AND EQUIPMENT**

The Co-operative assesses impairment at each reporting date by evaluating conditions specific to the Co-operative that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment has been recognised in respect of plant and equipment for the year ended 30 June 2014.

#### **(J) adoption of new and revised accounting standards**

During the current year, the Co-operative has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has not had a significant impact on the financial statements of the Co-operative.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)**

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

**Standards affecting presentation and disclosure**

AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. The amendment also included not-for-profit specific paragraphs to help clarify the concepts from the perspective of not-for-profit entities in the private and public sectors.

As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

**(j) Adoption of New and Revised Accounting Standards (continued)  
Standards and Interpretations in issue not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9: Financial Instruments and the relevant amending standards <sup>1</sup>	1 January 2017	30 June 2018
AASB 1031 'Materiality (2013)	1 January 2014	30 June 2015
AASB 2012-13 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB135 – Recoverable Amount Disclosure for Non-Financial Assets'	1 January 2014	30 June 2015

The reported results and position of the Co-operative will not change on adoption of these pronouncements as they do not result in any changes to the Co-operative's accounting policies. The Co-operative does not intend to adopt any of these pronouncements before their effective dates

**NOTE 2: REVENUE AND OTHER INCOME**

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>REVENUE</b>			
- Rent received		1,729,966	1,701,556
		1,729,966	1,701,556
<b>OTHER REVENUE</b>			
- Interest income – other persons		26,459	20,148
- Other revenue		845	3,343
		27,304	23,491
<b>Total Revenue And Other Income</b>		<b>1,757,270</b>	<b>1,725,047</b>

The accompanying notes form part of these financial statements.



## NOTE 3: PROFIT FOR THE YEAR

### Expenses:

Finance costs		-	96
Salaries and related costs	3(a)	550,313	547,962
Depreciation of property, plant and equipment		66,295	65,942
Bad and doubtful debts		-	2,448

### 3(a) Directors Expenses

In the 2014 year, a total of \$15,264 (2013: \$18,918) of expenses were paid to directors. This included payment for travel, caring costs and internet technology whilst performing director duties.

Directors attendance fees of \$10,800 (2013: \$12,200) (as detailed in the Directors Report) were also paid. The total Directors expenses as shown within salaries and related costs in the statement of profit or loss and other comprehensive income for the year were \$26,064 (2013: \$31,118).

## NOTE 4: CASH AND CASH EQUIVALENTS

	Note	2014 \$	2013 \$
Cash at bank		1,120,123	753,720
Cash held on deposit		291,593	90,000
		<b>1,411,716</b>	<b>843,720</b>

### RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

<b>Cash And Cash Equivalents</b>	<b>1,411,716</b>	<b>843,720</b>
----------------------------------	------------------	----------------

## NOTE 5: TRADE AND OTHER RECEIVABLES

### CURRENT

Receivables from tenants	22,704	24,616
Less: Provision for impairment	-	-
	<b>22,704</b>	<b>24,616</b>
Sundry debtors	23,394	19,608
<b>Total Trade And Other Receivables</b>	<b>46,098</b>	<b>44,224</b>

The accompanying notes form part of these financial statements.

## NOTE 6: OTHER ASSETS

### CURRENT

Prepayments	19,083	21,287
Net GST receivable	13,973	11,332
	<b>33,056</b>	<b>32,619</b>

## NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Note	2014 \$	2013 \$
Land & buildings at independent valuation		2,900,000	2,995,000
Land & buildings at cost		25,712	-
Less accumulated depreciation		-	(102,654)
		<b>2,925,712</b>	<b>2,892,346</b>
Furniture & fittings at cost		62,801	62,801
Less accumulated depreciation		(60,849)	(59,934)
		<b>1,952</b>	<b>2,867</b>
Plant & equipment at cost		64,010	62,583
Less accumulated depreciation		(51,963)	(46,280)
		<b>12,047</b>	<b>16,303</b>
Motor vehicles at cost		44,652	44,652
Less accumulated depreciation		(16,354)	(7,892)
		<b>28,298</b>	<b>36,670</b>
<b>Total Property, Plant And Equipment</b>		<b>2,968,009</b>	<b>2,948,186</b>

The Co-operatives land and buildings were revalued at 30 June 2014 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus was credited to the revaluation reserve in equity.

## NOTE 8: TRADE AND OTHER PAYABLES

### CURRENT

Trade payables	11,176	891
Other payables and accruals	280,793	110,042
	<b>291,969</b>	<b>110,933</b>

The accompanying notes form part of these financial statements.

## NOTE 9: PROVISIONS

### CURRENT

Annual leave	44,856	51,107
Long service leave	24,960	26,073
	<b>69,816</b>	<b>77,180</b>

### NON-CURRENT

Long service leave	18,133	14,050
	<b>18,133</b>	<b>14,050</b>
<b>Total Provisions</b>	<b>87,949</b>	<b>91,230</b>

## NOTE 10: NOTES TO THE STATEMENT OF CASH FLOWS

	Note	2014 \$	2013 \$
<b>(B) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER TAX</b>			
Profit after tax		412,374	253,976
Non-cash flows in profit:			
- Revaluation of land and buildings		(58,978)	-
- Depreciation expense		66,295	65,942
- Bad debt expense		-	2,448
- Gain on Sale of PPE		-	(1,838)
Changes in assets and liabilities:			
(Increase)/Decrease in trade and other receivables		(1,874)	(11,032)
(Increase)/Decrease in other current assets		(437)	613
Increase/(Decrease) in trade and other payables		181,036	4,448
Increase/(Decrease) in provisions		(3,280)	16,434
<b>Net Cash Flow From Operating Activities</b>		<b>595,136</b>	<b>330,991</b>

The accompanying notes form part of these financial statements.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHEAST HOUSING CO-OPERATIVE LTD

We have audited the accompanying financial report of SouthEast Housing Co-operative Ltd, being a special purpose financial report, which comprises the statement of financial position as at 30 June 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

## Directors' Responsibility for the Financial Report

The directors of the Co-operative are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial reporting requirements and are appropriate to meet the needs of the members. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

## Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of SouthEast Housing Co-operative Ltd as at 30 June 2014 and its performance for the year then ended in accordance with Australian Accounting Standards.

## Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities. As a result, the financial report may not be suitable for another purpose.

*Advantage Advisors*

ADVANTAGE ADVISORS

*James Ridley*

JAMES RIDLEY  
CHARTERED ACCOUNTANTS PARTNER

Dated at Melbourne 26th September 2014



The accompanying notes form part of these financial statements.

# COMPILATION REPORT TO THE MEMBERS OF SOUTHEAST HOUSING CO-OPERATIVE LTD

## Scope

On the basis of information provided by the Directors of SouthEast Housing Co-operative Ltd, we have compiled in accordance with APES 315 Compilation of Financial Information the detailed statement of profit or loss of SouthEast Housing Co-operative Ltd for the year ended 30 June 2014 as set out on page 21.

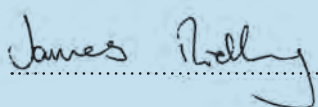
The specific purpose for which the detailed statement of profit or loss has been prepared is to provide private information to the Directors. No accounting standards and other mandatory professional reporting requirements have been adopted in the preparation of the detailed statement of profit or loss.

The Directors are solely responsible for the information contained in the detailed statement of profit or loss and have determined that the accounting policies used are consistent and are appropriate to satisfy the requirements of the Directors.

Our procedures used accounting expertise to collect, classify and summarise the financial information, which the Directors provided, into a detailed statement of financial performance. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the Co-operative, may suffer arising from any negligence on our part. No person should rely on the detailed statement of profit or loss without having an audit or review conducted.

The detailed statement of financial performance was prepared for the benefit of the Co-operative and its members and the purpose identified above. We do not accept responsibility to any other person for the contents of the detailed statement of profit or loss.



JAMES RIDLEY  
CHARTERED ACCOUNTANTS PARTNER

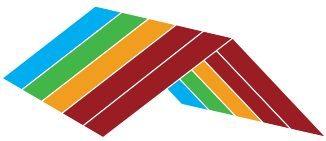


## DETAILED STATEMENT OF PROFIT OR LOSS

For The Year Ended 30 June 2014

REVENUE	2014	2013
	\$	\$
Rent Received	1,729,966	1,701,556
Interest Received	26,459	20,148
Reimbursement - maintenance	270	870
Profit on disposal of Assets	-	1,838
Sundry Income	575	635
<b>Total Revenue</b>	<b>1,757,270</b>	<b>1,725,047</b>
Less Expenses		
Accounting & Audit	12,884	12,350
Bad Debts	-	2,448
Bank Charges	2,430	2,143
Body Corporate Fees	5,972	6,004
Consulting	4,098	11,039
Council Rates	12,181	12,691
Depreciation	66,295	65,942
DHS Asset Management Fees	-	349,279
Directors Expenses	26,064	31,118
General Administration	20,437	13,579
Interest - Property Loans	-	96
Legal Fees	761	185
Members Expenses	25,381	27,475
Membership Fees	-	455
Motor Vehicle Expenses	18,045	18,246
Office Insurance	745	882
Office Rent	64,921	55,711
Office Repairs & Maintenance	2,430	2,182
Postage	7,781	5,804
Property Insurance	779	814
Property Maintenance	565,595	297,435
Relocation Expenses	-	-
Stationary	7,361	6,076
Superannuation	74,641	51,904
Telephone & Internet	5,242	6,747
Tools & Minor Equipment	1,101	1,875
Training	22,605	18,646
Wages & Benefits	445,407	460,594
Water Rates	6,517	5,005
Workcover	4,201	4,346
<b>Total Expenses</b>	<b>1,403,874</b>	<b>1,471,071</b>
<b>Profit Before Income Tax</b>	<b>353,396</b>	<b>253,976</b>

The accompanying notes form part of these financial statements.



**SouthEast**  
Housing Co-operative  
*Housing Futures*

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