

# MINUTES

FOR THE  
GREATER SHEPPARTON CITY COUNCIL

## SPECIAL COUNCIL MEETING

HELD ON  
TUESDAY 28 OCTOBER, 2014  
AT 5.30PM

IN THE COUNCIL BOARD ROOM

**COUNCILLORS:**

Cr Jenny Houlihan (Mayor)  
Cr Dennis Patterson (Deputy Mayor)  
Cr Dinny Adem  
Cr Les Oroszvary  
Cr Michael Polan  
Cr Kevin Ryan  
Cr Fern Summer

***VISION***

***GREATER SHEPPARTON***  
AS THE FOOD BOWL OF AUSTRALIA,  
A SUSTAINABLE, INNOVATIVE  
AND DIVERSE COMMUNITY  
***GREATER FUTURE***



**MINUTES  
FOR THE  
SPECIAL COUNCIL MEETING  
HELD ON  
TUESDAY 28 OCTOBER, 2014 AT 5.30PM**

**CHAIR  
CR JENNY HOULIHAN**

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## RISK LEVEL MATRIX LEGEND

Note: A number of reports in this agenda include a section on “risk management implications”. The following table shows the legend to the codes used in the reports.

Likelihood	Consequences				
	Negligible (5)	Minor (4)	Moderate (3)	Major (2)	Catastrophic (1)
<b>Almost Certain (A)</b> Event expected to occur several times per year (i.e. Weekly)	Low	Moderate	High	Extreme	Extreme
<b>Likely (B)</b> Will probably occur at some stage based on evidence of previous incidents (i.e. Monthly)	Low	Moderate	Moderate	High	Extreme
<b>Possible (C)</b> Not generally expected to occur but may under specific circumstances (i.e. Yearly)	Low	Low	Moderate	High	High
<b>Unlikely (D)</b> Conceivable but not likely to occur under normal operations (i.e. 5-10 year period)	Insignificant	Low	Moderate	Moderate	High
<b>Rare (E)</b> Only ever occurs under exceptional circumstances (i.e. +10 years)	Insignificant	Insignificant	Low	Moderate	High

**Extreme** CEO’s attention immediately required. Possibly avoid undertaking the activity OR implement new controls

**High** Director’s attention required. Consider suspending or ending activity OR implement additional controls

**Moderate** Manager’s attention required. Ensure that controls are in place and operating and management responsibility is agreed

**Low** Operational, manage through usual procedures and accountabilities

**Insignificant** Operational, add treatments where appropriate

**PRESENT: Councillors Jenny Houlihan, Dennis Patterson, Dinny Adem, Les Oroszvary, Michael Polan, Kevin Ryan and Fern Summer.**

**OFFICERS: Steve Bowmaker – Director Infrastructure  
Johann Rajaratnam – Director Sustainable Development  
Amanda Tingay – Acting Director Community  
Stephanie Giankos – Official Minute Taker  
Rebecca Bertone – Deputy Minute Taker**

## **1. ACKNOWLEDGEMENT**

“We the Greater Shepparton City Council, begin today’s meeting by acknowledging the traditional owners of the land which now comprises Greater Shepparton. We pay respect to their tribal elders, we celebrate their continuing culture, and we acknowledge the memory of their ancestors.”

## **2. APOLOGIES**

Nil.

## **3. DECLARATIONS OF CONFLICT OF INTEREST**

In accordance with sections 77A, 77B, 78 and 79 of the *Local Government Act 1989* Councillors are required to disclose a “conflict of interest” in a decision if they would receive, or could reasonably be perceived as receiving a direct or indirect financial or non-financial benefit or detriment (other than as a voter, resident or ratepayer) from the decision.

**Disclosure must occur immediately before the matter is considered or discussed.**

## 4. BUSINESS DIRECTORATE

### 4.1 2014/2015 September Quarter Budget Review

#### **Disclosures of conflicts of interest in relation to advice provided in this report**

Under section 80C of the *Local Government Act 1989* officers and persons engaged under a contract providing advice to Council must disclose any conflicts of interests, including the type and nature of interest.

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

#### **Council Officers involved in producing this report**

**Author:** Acting Management Accountant

**Proof reader(s):** Manager Finance and Rates

**Approved by:** Chief Executive Officer

#### **Executive Summary**

The report presents the draft forecast financial performance for the 2014/2015 financial year compared to budget based on the September Quarter Budget Review submitted by responsible Managers.

Council's underlying forecast performance is an operating surplus of \$3.89 million, \$5.35 million less than budget, and a capital works program of \$38.83 million, an increase of \$1.41 million.

The operating surplus is accrual based and contains both cash and non-cash items. Excluding transfers to and from restricted investments and non-cash items, such as depreciation and contributed assets, the forecast cash performance is a deficit of \$4.76 million, an increase of \$638k from the adopted budget.

While Council's forecast working capital is a healthy \$12.73 million, which demonstrates Council has the necessary funds to cover debts, the remaining balance should not be treated as being available for discretionary use. Council has a forecast restricted investment balance of \$23.62 million which needs to be covered by Council's available working capital.

#### **Moved by Cr Polan**

#### **Seconded by Cr Adem**

That the Council approve:

1. the revised forecasts identified by the 2014/2015 September Quarter Budget Review
2. the following changes to the Fees and Charges Schedule:
  - introduce a new fee of \$120 (inclusive of GST) for administration of Section 173 Agreements for 2014/2015 (to be charged in addition to legal fees).
  - introduce a new fee of \$50 (inclusive of GST) for Full Copy Title Searches for Clients (Planning).
  - increase the application fee for Freedom of Information from \$25.70 to \$26.50 (inclusive of GST).
  - change VPL Water Body Hire (Exclusive Use) fee from \$15 to \$150 (inclusive of GST) per hour.

**CARRIED.**

## 4. BUSINESS DIRECTORATE

### 4.1 2014/2015 September Quarter Budget Review (continued)

#### Background

Under section 138 of the Local Government Act 1989 the Chief Executive Officer at least every 3 months must ensure quarterly statements comparing the budgeted revenue and expenditure for the financial year with the actual revenue and expenditure to date are presented to the Council.

Council's actual financial performance compared to the budget is presented to Council on a monthly basis.

The 2014/2015 Budget was adopted by Council at a special meeting on 6 August 2014. The adopted budget provided for an operating surplus of \$9.24 million with revenue of \$119.97 million and expenditure of 110.73 million. The adopted budget also provided for capital works of \$37.42 million.

The quarterly budget review process involves Managers reviewing the adopted budget for their departmental areas compared to actual income and expenditure. Managers are to update forecasts to reflect the expected year end result. The Executive then undertake a detailed review to understand and confirm forecast variations. The quarterly review is then submitted to Council for consideration.

Forecast variances to the adopted budget include re-budgeted projects that are to be delivered in the 2014/2015 financial year where funding was received or is held from last financial year and were not included in the adopted 2014/2015 budget.

#### Report

As a result of the 2014/2015 September Quarter Budget Review, forecast year end variances compared to the adopted 2014/2015 budget include budgeted operating surplus of \$9.24 million, forecast to decrease by \$5.35 million due to:

Expense Area	Amount \$ '000	Explanation
Re-budgeted Items/ Restricted Investment Transfers	4,962	A net increase of operating expenditure due to transfers to and from restricted investments. For example, spending grants that were received last financial year or re-budget requests of 2013/14 operating budget. See attachment for details.
Income to be received in 2014/2015 which was not budgeted with offsetting expenditure	(562)	Increased income that has expenditure commitments with it. For example, receiving a grant that is required to be acquitted. The figure shown is less the associated expenditure.
Income to be received which was not budgeted with no offsetting expenditure	(416)	Increased income of \$416k that was not budgeted and exclusive of any expenditure commitments including \$299k from the Victoria Grants Commission final allocation.
Decreases in income with no offsetting expenditure reduction	709	Decrease in income with no offsetting expenditure reductions including a \$438k revision to contributions received for the Goulburn Broken Greenhouse Alliance street lighting project (due to them being received in last financial year) and \$166k reduction in Frank Pullar Operations due to low utilisation numbers.

#### 4. BUSINESS DIRECTORATE

##### 4.1 2014/2015 September Quarter Budget Review (continued)

Expense Area	Amount \$ '000	Explanation
Capital Contributions and Grants with offsetting expenditure in Capital Works	(224)	Increase in capital grants and contributions income to be received in 2014/2015 which was not budgeted of \$224k.
Expenditure savings	(257)	Identified expenditure savings.
Requests for additional expenditure - cash	1,137	Requests for additional expenditure includes \$174k additional legal expenses relating to councillor legal fees, \$168k for additional salaries in childrens' services relief staff, \$158k for road functional design in growth corridors and \$120k for fuel expenditure.
<b>Total</b>	<b>5,349</b>	

Budgeted capital works program of \$37.42 million, forecast to increase by \$1.41 million due to:

Expense Area	Amount \$ '000	Explanation
Re-budgeted Items/ Restricted Investment Transfers	1,851	Includes transfer from restricted investments of \$1.33 million in Building Better Regional Cities MWGC, \$1.2 million in Cosgrove Landfill and \$508k in plant purchases. The transfer 'from' restricted investments funds the increased expenditure. This is partially offset by transfers to restricted investments of \$2.37 million including Cosgrove Landfill and \$1.2 million in Katandra West Community Centre. The transfer 'to' funds increases the restricted investment balance to recognise a future commitment.
Expenditure not budgeted offset by income	40	Additional expenditure of \$40k for Shepparton War Memorial associated with additional capital grant income in 2014/2015 of \$20k.
Requests for additional expenditure - cash	399	Requests for additional expenditure include \$91k for Raftery Road reconstruction, \$75k for the purchase of a contract management system, \$50k for the Our Sporting Future Fund program, \$40k for Corio Street footpath renewal at GV Health and \$30k for the music system in the Maude Street mall.
Expenditure savings	(881)	Expenditure savings including \$500k Pine Lodge cemetery expansion transfer from the capital budget to the operating budget, \$200k sport facilities renewal and \$181k park infrastructure renewal.
<b>Total</b>	<b>1,409</b>	

Further analysis is contained within the attached 2014/2015 September Quarter Budget Review report.



## 4. BUSINESS DIRECTORATE

### 4.1 2014/2015 September Quarter Budget Review (continued)

#### Cash Surplus

The term surplus is often perceived to be cash. Table 1 below provides a high level summary as to how the forecast operating surplus is converted into an underlying cash surplus.

The surplus reported in the Income Statement is an accounting surplus, it is accrual based and prepared in accordance with accounting standards. It should be noted that it contains both cash and non-cash items.

It is important that a cash surplus is generated from Council's operations to fund the capital works program. Capital income is reported as part of the operating surplus however capital works are reported as an increase in assets in the Balance Sheet rather than an operating expense.

<b>Table 1: high Level Summary – Income Statement Surplus Converted to Cash</b>			
	<b>Adopted Budget</b>	<b>Sept Qtr</b>	<b>Variance</b>
	<b>2014/2015</b>	<b>2014/2015</b>	<b>Adopted v Sept Qtr</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>UNDERLYING OPERATING RESULT</b>	<b>9,244</b>	<b>3,895</b>	<b>(5,349)</b>
<b>Less cash costs not included in operating result</b>			
Capital Works Expenditure	37,415	38,827	(1,412)
Loan Borrowings less Repayments (principal)	(1,545)	(1,545)	0
Transfer from restricted investments*	(8,640)	(18,004)	9,364
Transfer to restricted investments <sup>^</sup>	5,000	8,246	(3,246)
<b>Sub Total</b>	<b>32,235</b>	<b>27,524</b>	<b>4,711</b>
<b>Plus non cash costs included in operating result</b>			
Depreciation	21,013	21,013	0
Assets sold (Written Down Value)	860	860	0
Contributed assets	(3,000)	(3,000)	0
<b>Sub Total</b>	<b>18,873</b>	<b>18,873</b>	<b>0</b>
<b>CASH SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(4,118)</b>	<b>(4,756)</b>	<b>(638)</b>

The forecast underlying cash deficit is \$638k more than the adopted budget.

Note: Transfers from Restricted Investments include both operating and capital funds received in past financial years or re-budgeted project allocations.

\*Transfers from Restricted Investments include \$7.91m 2013/2014 capital projects, \$1.87m GBGA Street Lighting project and \$188k payment to the Local Government Infrastructure Design Association.

<sup>^</sup>Transfers to Restricted Investments include \$2.11m 2014/2015 capital projects for re-budget in 2015/2016 and \$350k for future Defined Benefit Liability calls.

#### Changes to Fees and Charges

- Section 173 Agreements

It is not uncommon for planning permits to require that a land owner enter into an on title agreement known as a Section 173 Agreement (agreement). These agreements are managed by Council's Statutory Support Officers and prepared by Riordan Legal Pty Ltd.

## 4. BUSINESS DIRECTORATE

### 4.1 2014/2015 September Quarter Budget Review (continued)

The permit holder is required to pay Council's legal fees in preparing these agreements which is normally about \$1,000. Council currently charge no administration fee to manage this process. It is proposed to commence charging a \$120 (inclusive of GST) administration fee for Council to manage this agreement process. This administration fee would increase the overall cost of an agreement to about \$1,120.

- Introducing a new fee of \$50 (inclusive of GST) for Full Copy Title Searches for Clients (Planning).  
A new fee of \$50 (inclusive of GST) where the council undertakes the title search for the applicants. However, applicants have the option of doing the title search themselves.
- Increase Application fee for Freedom of Information from \$25.70 to \$26.50 (inclusive of GST).  
As per the change required by the statute (Section 17(2A) of the *Freedom of Information Act* 1982 sets the fee at two fee units).
- Change VPL Water Body Hire (Exclusive Use) fee from \$15 to \$150 (inclusive of GST) per hour.  
This is a correction of an error in the adopted budget 2014/2015.

#### **Council Plan/Key Strategic Activity**

This proposal is consistent with the strategic objective High Performing Organisation (Leadership and Governance).

#### **Risk Management**

Monitoring of performance against the 2014/2015 adopted budget as well as the forecast year end position provides for prudent financial management and ensures that Council is made aware of any known or potential financial risks.

Risks	Likelihood	Consequence	Rating	Mitigation Action
Inability to achieve current budget due to income not reaching budgeted levels or costs exceeding budget exposing the Council to a cash deficit.	Likely	Moderate	Moderate	Review detailed monthly financial reports and take corrective action where forecast varies against budget.
Breaching the local Government Act by expending funds against line items without endorsed budget.	Possible	Moderate	Moderate	Undertake quarterly budget reviews to formally consider and adjust for any known variances.

#### **Policy Considerations**

There are no identified conflicts with existing Council policies.

## 4. BUSINESS DIRECTORATE

### 4.1 2014/2015 September Quarter Budget Review (continued)

#### Financial Implications

Forecast variances to the 2014/2015 adopted budget are detailed throughout the attached report.

	2014/2015 Adopted Budget \$'000	2014/2015 Sept Qtr Budget \$'000	Variance to Budget \$'000
Revenue	119,973	121,679	1,706
Expense	110,729	117,784	7,055
<b>Net Result</b>	<b>9,244</b>	<b>3,895</b>	<b>(5,349)</b>

The forecast end of year result is expected to be an accounting operating surplus of \$3.89million which is \$5.35 million less than the adopted budget.

Forecast variances to the adopted budget are detailed throughout the attached report.

#### Capital works

Capital works of \$38.83 million are forecast to be expended during the 2014/15 financial year which is \$1.6 million more than the adopted budget.

	2014/2015 Adopted Budget \$'000	2014/2015 Sept Qtr Budget \$'000	Variance to Budget \$'000
Capital works	37,417	38,826	1,409

#### Net current assets

Net current assets is an indicator of Council's ability to pay existing liabilities in the next 12 months. An amount greater than 1 means there is more cash and liquid assets than short-term liabilities. If current assets are less than current liabilities difficulties may arise in meeting obligations as they fall due. Net current assets is equal to current assets less current liabilities as accounted for in the Balance Sheet. Current assets include cash and debtors whereas current liabilities include creditors, employee provisions and trust funds.

A comparison of Council's budgeted net current assets less restricted investments is included in the table below.

	2014/2015 Adopted Budget \$'000	2014/2015 Sept Qtr Budget \$'000	Variance to Budget \$'000
Net current assets	6,386	12,727	6,341
Less -Restricted investments	(14,399)	(23,621)	(9,222)
Underlying current assets	(8,013)	(10,894)	(2,881)

The table above demonstrates that Council has sufficient working capital to meet its obligations when they fall due. However, the \$12.73 million working capital should not be treated as available for discretionary use. Council has a forecast restricted investment balance of \$23.62 million containing significant commitments that need to be covered by Council's available working capital.

## 4. BUSINESS DIRECTORATE

### 4.1 2014/2015 September Quarter Budget Review (continued)

#### **Legal/Statutory Implications**

Section 138 of the Local Government Act 1989 requires that at least every three months the Chief Executive Officer must ensure a statement comparing the budgeted revenue and expenditure for the financial year with the actual revenue and expenditure to date are presented to the Council. A detailed financial report is presented to the Council each month.

#### **Environmental/Sustainability Impacts**

There are no environmental or sustainable impacts that will arise from this proposal.

#### **Social Implications**

There are no social impacts that will arise from this proposal.

#### **Economic Impacts**

There are no identified economic impacts.

#### **Consultation**

External consultation has not occurred regarding the contents of this report. Specific consultation, however, has and will take place on some specific items within the budget as and when appropriate.

Appropriate consultation has occurred with Council Officers and the matter is now ready for Council consideration.

#### **Strategic Links**

##### a) Greater Shepparton 2030 Strategy

Nil

##### b) Other strategic links

The report is consistent with the governance principle of Strategic Objective five of the Council Plan 2013-2017 "High Performing Organisation (Leadership and Governance)".

#### **Options for Consideration**

1. That the Council not adopt the revised forecasts identified by the 2014/2015 September Quarter Budget Review.

This option is not recommended.

2. The Council adopt the revised forecasts identified by the 2014/2015 September Quarter Budget Review (with or without further amendment).

This option is recommended as it provides for the known budgetary variances to be reflected in the end of year financial forecast compared to budget.

#### **Conclusion**

This report has been prepared and presented to identify and reflect known variances in the end of year financial forecast compared to budget.

#### **Attachments**

2014/2015 September Quarter Budget Review Report Page 12

**5. URGENT AND OTHER BUSINESS NOT INCLUDED ON THE AGENDA**

Nil Received

**MEETING CLOSED AT 5.36PM**