

AGENDA

FOR THE
GREATER SHEPPARTON CITY COUNCIL

SPECIAL COUNCIL MEETING

TO BE HELD ON
TUESDAY 28 APRIL, 2015
AT 5.30PM

IN THE COUNCIL BOARDROOM

COUNCILLORS:

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

VISION

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

**A G E N D A
FOR THE
SPECIAL COUNCIL MEETING
TO BE HELD ON
TUESDAY 28 APRIL, 2015 AT 5.30PM**

**CHAIR
CR DENNIS PATTERSON**

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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)
Almost Certain (A) Event expected to occur several times per year (i.e. Weekly)	Low	Moderate	High	Extreme	Extreme
Likely (B) Will probably occur at some stage based on evidence of previous incidents (i.e. Monthly)	Low	Moderate	Moderate	High	Extreme
Possible (C) Not generally expected to occur but may under specific circumstances (i.e. Yearly)	Low	Low	Moderate	High	High
Unlikely (D) Conceivable but not likely to occur under normal operations (i.e. 5-10 year period)	Insignificant	Low	Moderate	Moderate	High
Rare (E) 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:

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

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 Draft 2015/2016 Budget

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: Manager Finance and Rates

Approved by: Director Business

Executive Summary

The report presents to Council the Draft Budget for the financial year ending 30 June 2016. It is proposed that public notice be given inviting submissions on any proposal contained in the Draft 2015/2016 Budget.

The *Local Government Act 1989* requires the Council to give public notice of the preparation of the budget and a person has a right to make a submission on any proposal contained in the budget. Submissions will be received until 5.00pm Friday 29 May 2015.

RECOMMENDATION

That:

1. the Council endorse the Draft 2015/2016 Budget as presented
2. in accordance with Sections 129 of the *Local Government Act 1989*, public notice be given in the *Shepparton News* of the preparation of the Draft 2015/2016 Budget and invite submissions from the public in accordance with Section 223 of *Local Government Act 1989*
3. The Chief Executive Officer is authorised to undertake the administrative procedures necessary to enable the Council to carry out its functions under Section 223 of the Act in relation to this matter.

If submissions are received under the Section 223 of the Act:

- a) a Special Council Meeting be convened to hear from any person or persons who request to be heard in support of their written submission and if required, convene the meeting at 5.30pm on Tuesday 9 June 2015 in the Council Boardroom, first floor, 90 Welsford Street, Shepparton, and
- b) consider all written submissions on any proposal contained within the Draft 2015/2016 Budget, along with a summary of any hearings held, at the Special Council Meeting of Tuesday 23 June 2015 where a recommendation to adopt the prepared budget with or without amendment will be considered.

4. BUSINESS DIRECTORATE

4.1 Draft 2015/2016 Budget (continued)

Background

The Draft 2015/2016 Budget has been prepared in accordance with the requirements of the *Local Government Act 1989*.

Council has updated its Strategic Resource Plan as part of its corporate planning framework to assist in preparing a budget within a longer term framework. The Draft 2015/2016 Budget reflects year one of the updated Strategic Resource Plan and takes into account the activities and initiatives which contribute to achieving the strategic objectives specified in the Council Plan.

The Strategic Resource Plan highlights the significance of rates and charges as a source of revenue and guides Council on the amount required to be raised to maintain services, renew existing assets and invest in new and upgraded assets.

2014/2015 Forecast/Actual

The Draft 2015/2016 Budget provides comparisons with the 2014/2015 financial year forecast. Due to timings the Mid Year Budget Review forecast adopted 17 February 2015 has been used for the Draft 2015/2016 Budget document.

The March Quarter Budget Review forecast is scheduled to be tabled at the April 2015 Ordinary Council Meeting for adoption. The final Draft 2015/2016 Budget Document submitted to Council for adoption in June will be updated with the adopted March Quarter forecasts post the public submission process.

Draft 2015/2016 Budget

As provided for within the Strategic Resource Plan the Draft 2015/2016 Budget proposes a 4.95 per cent increase in total rates and charges, excluding supplementary valuations, which will generate \$67.07 million.

The proposed rating structure for the 2015/2016 year has been informed by the Rating Strategy 2013-2017 which took into account the recommendations of the Rating Strategy Reference Group and subsequent public comment received regarding what is an equitable distribution of the rates burden between categories of ratepayers. Refer to Section 9 of the budget.

The Draft 2015/2016 Budget provides for an Operating surplus of \$9.1 million. Refer to Section 4 of the budget.

The Draft 2015/2016 Schedule of Fees and Charges is included as Appendix D. It is budgeted that the adopted fees and charges will raise \$19.79 million during the 2015/2016 financial year.

To improve the understanding of the range and cost of the functions performed by Council the Draft 2015/2016 Budget incorporates a Program Budget which details purpose, influences, challenges, Council Plan links and service reduction/growth areas for each Council function. This is included in the Draft 2014/2015 Budget as Appendix E.

The Draft 2015/2016 Budget provides for a \$41.01 million capital works program. Refer to Appendix C.

4. BUSINESS DIRECTORATE

4.1 Draft 2015/2016 Budget (continued)

Funding sources include \$28.1 million from Council operations, cash reserves and investments and \$8.48 million from external grants and cash contributions. \$4.44 million in borrowings is proposed in the Draft 2015/2016 Budget to fund Council's contribution to the Greater Shepparton Regional Sports Precinct project.

Incorporated in the capital works program is \$16.81 million for renewal works. As part of the further development of its asset management system, Council is continuing to move from allocating renewal funding based on accounting depreciation expense to the prioritisation of renewal works based on assessed condition.

Draft 2015/2016 Budget Influences

In preparing the Draft 2015/2016 Budget, a number of internal and external influences have been taken into consideration, as they impact significantly on the services delivered by the Council in the budget period.

For example, Consumer Price Index (CPI) increases on goods and services of 1.7% through the year to December 2014 (ABS release 28 January 2015) and a State-wide CPI forecast of 2.5% for the 2015/16 year (Victorian Budget Papers 2014/15) suggests reduced pressure on Council costs. However, the Municipal Association Victoria (MAV) published a Local Government Cost Index Report which argues that CPI does not properly reflect local government cost increases as reviews of Local Government expenditure profiles suggest 80% of cost increases relate to labour and 20% to non-residential construction costs (MAV – Local Government Cost Index Report).

Council also faces pressure from stagnating or reduced government funding, such as the decision by the Federal Government to pause indexation to the Financial Assistance Grant programme for three years from 2014/2015 to 2016/2017, costing Council approximately \$340,000 per annum in lost revenue, as well as increasing levels of cost shifting from State and Federal governments onto Local Government.

Internally the budget has been influenced by a number of areas including lower dog and cat registrations impacting Council's fee income, lower interest rates impacting Council's income from investments and enterprise award requirements relating to Early Childhood Education staff backfill and Transfer Station staff penalty rates.

2016/2017 Rate Capping

The biggest risk to Council's future financial sustainability is the Victorian Government's decision to implement rate capping from 2016/2017 onwards. While the framework for rate capping has yet to be finalised, using the most recently published CPI of 1.7% would see Council lose \$2.12 million in lost revenue for Greater Shepparton, with the impact compounded in future years.

The Victorian Essential Services Commission has released a consultation paper as part of its process in designing a framework for the application of rate capping. A final report is due 31 October 2015.

Council will need to consider options to respond to the introduction of rate capping such as reduced service delivery to the community, reduced capital expenditure and identifying alternate sources of income including borrowings and user charges.

4. BUSINESS DIRECTORATE

4.1 Draft 2015/2016 Budget (continued)

Council Plan/Key Strategic Activity

The Draft 2015/2016 Budget is consistent with the five strategic goals of the Council Plan which include:

1. Active & Engaged Community (Social)
2. Enhancing the Environment (Natural)
3. Economic Prosperity (Economic)
4. Quality Infrastructure (Built)
5. High Performing Organisation (Leadership & Governance)

The Draft 2015/2016 Budget also includes 13 Service Performance Outcome indicators and 12 Financial Performance indicators as required by the *Local Government (Planning and Reporting) Regulations 2014 No. 17*. The final outcomes of these indicators will be reported in the 2015/2016 audited annual report.

Risk Management

A well planned budget will reduce the risk that Council will not be able to provide the services expected and required by the community.

Risks	Likelihood	Consequence	Rating	Mitigation Action
Failure to comply with the Local Government Act 1989	Unlikely	1	High	Recommendations for council to authorise the provision of public notice for the Draft 2015/2016 Budget
Operating surplus not achieved	Possible	3	Medium	Monthly financial performance and Quarterly Budget Reviews reported to Council
Capital works budget not delivered within the financial year	Possible	3	Medium	Full implementation of an integrated Project Management System including project governance arrangements

Policy Considerations

There are no conflicts with Council policy. The annual budget resources the Council Plan to enable the outcomes in the Council Plan to be achieved, including Council policies.

Financial Implications

The full financial implications are outlined in the background section of this report and within the attachments.

4. BUSINESS DIRECTORATE

4.1 Draft 2015/2016 Budget (continued)

	2014/2015 Forecast ('000s)	2015/2016 Draft Budget ('000s)	Variance \$ ('000s)	Comments
Revenue	119,132	125,794	6,662	Increase in total rates and charges (4.95% plus 1% supplementaries) and non-recurrent capital grants.
Expense	117,651	116,694	(957)	Savings from materials and services.
Net Result	1,481	9,100	7,619	

Legal/Statutory Implications

The Draft 2015/2016 Budget has been prepared in accordance with the requirements of the *Local Government Act 1989 (the Act)* and the *Local Government (Planning and Reporting) Regulations 2014 No. 17*.

In accordance with section 127 of the Act, Council must prepare a Budget for each financial year containing the relevant financial statements and a detailed list of capital works expenditure.

Section 129 of the *Local Government Act 1989* requires the Council to give public notice of the preparation of the budget and a person has a right to make a submission on any proposal contained in the budget (as per section 223 of the Act).

Environmental/Sustainability Impacts

Environmental and sustainability impacts have been considered when developing the Draft 2015/2016 Budget.

Social Implications

The Draft 2015/2016 Budget provides resources for the implementation of various strategies, plans, works and the delivery of services required to achieve the objectives of the Council plan including an active and engaged community.

Economic Impacts

The boost from the Greater Shepparton Regional Sports Precinct Project is important with \$41.01 million of infrastructure works proposed for the 2015/2016 financial year to encourage economic activity. A number of initiatives are also proposed in the Investment Attraction program area (refer Program Budget Appendix E) designed to encourage economic activity within the Greater Shepparton municipality.

Consultation

The Draft 2015/2016 Budget has taken into account the goals and strategies of the Council Plan

It is proposed that public notice be given in the Shepparton News on Friday 1 May 2015 that Council's Draft 2015/2016 Budget has been prepared and is available for inspection on Council's website, or at Council's offices in Welsford Street and Doyles Road and that written submission are invited in accordance with Section 223 of the *Local Government Act 1989*.

Submissions are to be received by 5.00pm Friday 29 May 2015.

4. BUSINESS DIRECTORATE

4.1 Draft 2015/2016 Budget (continued)

The Council Website and radio and newspaper advertisements will be utilised to raise awareness of the Draft 2015/2016 Budget and encourage the community to seek further information.

Strategic Links

a) Greater Shepparton 2030 Strategy

The Draft 2015/2016 Budget is linked to the *Greater Shepparton 2030 Strategy* via the Council Plan 2013-2017.

b) Other strategic links

The Draft 2015/2016 Budget is linked to the Council Plan by the funding of the Strategic Objectives contained in the Council Plan.

Options for Consideration

1. That the Council authorise the Chief Executive Office to invite public submissions on any proposal contained in the Draft 2015/2016 Budget. **Recommended.**

Authorisation will enable the Council to provide public notice to citizens that it has prepared its budget and allow submissions on proposals contained in the Draft 2015/2016 Budget to be received, heard and considered.

2. That the Council not authorise the Chief Executive to commence a public consultation process. **Not recommended.**

Section 130 of the *Local Government Act 1989* (the Act) provides that Council may adopt a budget if it has complied with all of the relevant requirements of the Act. Section 129 of the Act requires the Council to give public notice of the preparation of the budget, and a person has a right to make a submission on any proposal contained in the budget.

Conclusion

The Draft 2015/2016 Budget is presented for consideration and if appropriate public notice will be given inviting submissions on any proposal contained in the Draft 2015/2016 Budget.

Attachments

Draft 2015/2016 Budget

5. URGENT AND OTHER BUSINESS NOT INCLUDED ON THE AGENDA