

"[Click here and type title of the policy]"

# POLICY COVER SHEET

## Policy Development and Management

<b>Type:</b>	<b>Council,</b>
<b>Adopted:</b>	"[Insert Date]"
<b>Last Review Date:</b>	"[Insert Date]"
<b>Approved By:</b>	Council – to be approved
<b>Next Review Date:</b>	"[Insert Date]"
<b>Responsible Officer:</b>	Manager Business Services
<b>Department:</b>	Business Services
<b>File No:</b>	16/8573
<b>Attachments:</b>	"[Insert references to any attachments]"

<b>Step</b>	<b>Approved By</b>	<b>Date of Approval / Completion</b>
Reviewed relevant legislation	Manager Business Services	
Consultation with relevant officers / departments	Manager Business Services	
Draft completed	Manager Business Services	
Draft reviewed by Coordinator Governance	Manager Business Services	
Draft approved by Department Manager	Manager Business Services	
Draft circulated to staff via Murri for feedback	Responsible Officer	
Changes made	Responsible Officer	
Draft to EMT Policy Meeting	General Manager	
Changes made	Responsible Officer	
EMT approval	CEO	
Briefing Note approved (if applicable)	General Manager	
Agenda Item approved (if applicable)	General Manager	
Council adoption (if applicable)	Council	

### Conflicts of Interest

No conflicts of interest were identified in the development of this policy.

Responsible Officer: Manager Business Services

"[Insert Date Approved / Adopted]"

TRIM Reference: 16/8573

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<b>Title:</b>	<b>Election Caretaker Period Policy</b>
<b>Type:</b>	<b>Council</b>
<b>Adopted:</b>	"[Insert Date]"
<b>File No:</b>	16/8573
<b>Attachments:</b>	"[Insert references to any attachments]"

### 1. Purpose

The *Local Government Act 1989* (the Act) provides that during the 'election period' certain prohibitions apply to the general functions and powers of Council. It is during this time that Council enters the caretaker period.

The 'election period' is defined by the Act as starting on the last day for nominations and ending at 6pm on the Election Day. The last day for nominations is the day that is 32 days before the Election Day.

This policy replaces and overrides any previous policy or document that refers to the Caretaker period.

### 2. Rationale

The Election Caretaker Period Policy ("the Policy") has been developed in order to ensure that the general elections for the Murrindindi Shire Council are conducted in a manner that is ethical, fair and equitable, and are publicly perceived as such. The Policy will also facilitate the continuation of the ordinary business of local government in the Murrindindi Shire throughout the caretaker period in a responsible and transparent manner, in accordance with statutory requirements and established 'caretaker' conventions. This Policy also commits Council during the caretaker period to:

- avoid making significant new policies or decisions that could unreasonably bind a future Council; and
- ensure that public resources, including staff resources, are not used in election campaigning or in a way that may improperly influence the result of an election, or improperly advantage existing Councillors as candidates in the election.

### 3. Scope

The Election Caretaker Policy applies to any Councillor of the Murrindindi Shire Council, members of special committees of Council and all members of the Murrindindi Shire Council staff.

Specifically, this policy must be complied with during the caretaker period if ANY of the following apply to you:

- You are involved in making a major policy decision;
- You are involved in making a significant decision that will bind the incoming Council;
- You are about to publish written material which has reference in it to a candidate (which includes sitting Councillors), or the election or an issue before the voters in connection with the election;
- You are involved in the creation of any Council publication;
- You are involved in any public consultation process;
- You are a Councillor who is planning to attend a function or event;
- You supply resource support to Councillors;
- You are a Councillor requesting access to Council information; or
- You are a Councillor requesting media advice or services.

Responsible Officer: Manager Business Services

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#### 4. Definitions

Reference Term	Definition
<i>Caretaker period</i>	Has the same meaning as 'election period' in <i>section 3(1)</i> of the <i>Act</i> , and means the period that starts on the entitlement date and ends at 6pm on Election Day.
<i>Publication</i>	Includes any means of publication including letters and information on the Internet.
<i>Public Consultation</i>	Means a process that involves an invitation or invitations to individuals, groups or organisations or the community generally to comment on an issue, proposed action or proposed policy, and includes discussion of that matter with the public.
<i>Significant Decision</i>	Means an irrevocable decision that significantly affects the municipality.

#### 5. Policy

##### 5.1 Major Policy Decisions

Section 93A of the Act prohibits the making of "Major Policy Decisions" **during the caretaker period**. Any major policy decision made during the caretaker period is deemed to be invalid under the Act.

In the context of this Policy, a "**major policy**" decision as defined in *section 93A (6)* of the Act means any decision:

- Relating to the employment or remuneration of a Chief Executive Officer (CEO), other than a decision to appoint an acting CEO;
- To terminate the appointment of a CEO;
- To enter into a contract the total value of which exceeds circa \$150,000; or
- To exercise any entrepreneurial powers under *section 193* of the Act if the sum of the total investment involved and the total risk exposure assessed in respect of the proposal exceeds circa \$150,000.

##### 5.2 Significant Decisions

During the caretaker period, Council will avoid making decisions that significantly affect the municipality and unreasonably bind the incoming Council. Examples of significant decisions of Council include the adoption of any Council strategies, policies that would bind any incoming Council to the outcomes included.

##### 5.3 Public Consultation

Council will avoid any public consultation processes during the caretaker period unless absolutely critical to facilitate the day to day business of Council. This will include the facilitation of any project reference groups or advisory committees during the caretaker period. Any such public consultations will avoid express or implicit links to the election.

The Chief Executive Officer reserves the right to postpone any matter if the issue is likely to affect voting. Council will not conduct public consultation on any contentious or politically sensitive matter after the commencement of the caretaker period.

These requirements do not apply to public consultation required under the *Planning and Environment Act 1987*, or matters subject to *Section 223* of the Act.

##### 5.4 Council Resources

Council resources, including offices, vehicles, staff, hospitality, services, property, equipment and stationery must be used exclusively for normal Council business during the caretaker period and must not be used in connection with any election campaign or issue.

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Sitting Councillors may continue to use any Council equipment provided to them to facilitate their performance of normal Council duties, subject to adherence to the Councillor Code of Conduct. Councillors standing for re-election must not use any Council equipment as a resource to assist with their election campaigns.

No Council logos, letterheads, contact details (mobile phone or email details) or other corporate branding may be used for, or linked in any way to, a candidate's election campaign.

Reimbursements of Councillors' out-of-pocket expenses during the caretaker period will only apply to costs that have been incurred in the performance of normal Council duties, and not for expenses that support or are connected with a candidate's election campaign.

Council will ensure that due propriety is observed in the use of all Council resources, and Council staff are required to exercise appropriate discretion in that regard. Where the use of Council resources appears to relate to the election campaign of a Councillor standing for re-election, the matter must be referred to the Chief Executive Officer or his or her delegate for review.

No election material or active campaigning is to be conducted at a Council sponsored event.

No election material or active campaigning is to be displayed in any Council building.

Council will also ensure that other Murrindindi Shire Council resources are not used inappropriately in ways that may influence voting in an election or provide an undue advantage for a candidate. This includes financial, human and material resources, such as:

- (a) Council staff will not undertake an activity that may affect voting in the election;
- (b) Council staff will not authorise, use or allocate a Council resource for any purpose that may influence voting in the election; and
- (c) Council staff who feel they are being placed in a compromising situation by a request from a Councillor shall refer the Councillor to the Chief Executive Officer for clarification on their request.

### **5.5 Council Publications**

Council will avoid producing any publications, advertisements or public notices unless crucial to the operations of Council or required for statutory compliance.

*Section 55D* of the Act prohibits Council from printing, publishing or distributing any advertisement, handbill, pamphlet or notice during an election period unless it has been certified, in writing, by the Chief Executive Officer. The Chief Executive Officer must not intentionally or recklessly certify a publication that contains electoral matter, unless that material is only about the election process.

Publications to be printed, published or distributed during the caretaker period must first be certified by the Chief Executive Officer. The certification by the Chief Executive Officer will be in writing on or affixed to a copy of the publication and be in the following form: '*Certified by the Chief Executive Officer in accordance with Section 55D of the Local Government Act 1989*'. Copies of all certified documents will be retained on Council records.

Publications which require certification include:

- Brochures, pamphlets, handbills, flyers, magazines and books;
- Reports (other than agenda papers and minutes in discussed further below);
- Advertisements and notices, except newspaper notices of meetings;
- New website material;
- Social media publications (which includes Facebook posts);

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- Emails with multiple addresses, used for broad communication with the community;
- Mass mail outs or identical letters sent to a large number of people by or on behalf of Council;
- Media releases;
- Material to publicise a function or event; and
- Any publication or distribution of Councillors' speeches.

Agenda papers and minutes of Council and Committee meetings do not require certification by the Chief Executive Officer unless they are printed or published for a wider distribution than normal. Items submitted for Public Participation Time will be reviewed to ensure that they comply with the principles of the Act and this policy, and may be amended accordingly before publication, or excluded from the agenda if necessary.

Material that was published on Council's website in advance of the caretaker period is not subject to certification, however existing material that is prominently displayed will be reviewed and consideration given to the removal of any such material that would be considered electoral matter, were it to be published during the caretaker period. Councillor contact information will remain available on the website during the caretaker period, but Councillors' profiles will be removed. Any material published on Council's website during the caretaker period must be certified by the Chief Executive Officer.

Council is required by the Local Government Act to produce and put on public display a copy of its Annual Report. The 2015/162 Annual Report will be published during the election period. The Annual Report will not contain any material that could be regarded as overt electioneering or that inappropriately promotes individual Councillors. The Annual Report does not require certification by the Chief Executive Officer, however any publication of an extract or summary of the Annual Report will require certification.

### **5.6 Events & Media Services**

Council's Communications unit must not be used in any way that might promote a Councillor as an election candidate. Council publicity during the election period will be restricted to communicating normal Council activities and initiatives and subject to certification by the Chief Executive Officer.

Media releases will minimise references to specific Councillors and will not identify any Councillor in a manner that could promote a Councillor as an election candidate. Where it is necessary to identify a spokesperson, the Chief Executive Officer or his or her delegate will be referenced. Media releases will require certification by the Chief Executive Officer as per Section 5.5.

During the election period no Council employee may make any public statement that relates to an election issue unless prior approval has been obtained by the Chief Executive Officer or his or her delegate.

### **5.7 Assistance to Candidates**

All election related enquiries from candidates, whether sitting Councillors or not, will be directed to the Returning Officer or, where the matter is outside the responsibilities of the Returning Officer, to the Chief Executive Officer or his or her delegate.

Any assistance and advice to be provided to candidates as part of the conduct of the Council election will be provided equally to all candidates. The types of assistance that are provided will be documented and communicated to all candidates in advance.

Candidates will also be informed of the requirements to complete and submit an 'Election Campaign Return' to the Chief Executive Officer within 60 days after the election day. The return must contain details of any campaign donation or gift valued at more than \$500 which was received between 30 days after the previous election and 30 days after the current election.

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### **5.8 Governance**

All election candidates have equal rights to information relevant to their election campaigns from the Council administration. While it is important that sitting Councillors continue to receive information that is necessary to fulfil their existing elected roles, neither Councillors nor candidates will receive information or advice from Council officers that may improperly advantage candidates in the elections. There will be complete transparency in the provision of all information and advice during the caretaker period.

Council's Governance unit will maintain an Information Request Register during the caretaker period. This Register will be a public document that records all requests relating to electoral matters and non-routine requests for information by Councillors and candidates, and the responses given to those requests.

Sections 76D and 76E of the Act prohibit Councillors from misusing or inappropriately making use of their position. A breach of section 76D attracts serious penalties, including possible imprisonment.

### **6. Related Policies, Strategies and Legislation**

Councillor Code of Conduct  
Employee Code of Conduct

### **7. Council Plan**

This policy is in accordance with Council's stated objective in the "Our Council" section of the 2013-2017 Council Plan, that: *"We will provide strategic leadership and effective governance that supports the aspirations of our community."*

### **8. Management and Review**

In addition to the Chief Executive Officer's (CEO) statutory responsibilities, the CEO or his or her delegate will ensure as far as possible, that:

- All Councillors and Officers are informed of the application of this policy upon adoption and again 30 days prior to the commencement of the caretaker period;
- Matters of Council business requiring major policy or significant decisions are scheduled for Council to enable resolution prior to the commencement of the caretaker period, or deferred where appropriate for determination by the incoming Council; and
- Appropriate guidelines and instructions are provided to Council staff on their roles and responsibilities with relation to the implementation of this policy.

This policy will be reviewed in the year prior to the 2020 Council General Election, or where any substantive changes are made to the Act that requires the revision of this policy.

### **9. Consultation**

This policy was prepared in consultation with other Councils and best practice guidelines provided by the Victorian Electoral Commission, Local Government Victoria and the Municipal Association of Victoria.

Community consultation is not required for the adoption of this policy.

### **10. Human Rights Charter**

This policy has been developed with consideration of the requirements under the Charter of Human Rights and Responsibilities.

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## Summary Community Grants October 2015 – February 2016

16/10978

No	Org/Club	Project Name/Brief Description	Grant Type	Project Value	Amount Requested	Amount Allocated	Previous Grant?	Comments
1	Alexandra Community Christmas Tree Festival	<p>The Alexandra Community Christmas Tree Festival group aim to stage the Alexandra Community Christmas Tree Festival in December.</p> <p>They are seeking a community grant to assist with the cost of:</p> <ul style="list-style-type: none"> <li>• Promotion and Advertising</li> <li>• Safety Equipment</li> <li>• Increased stock and decorations</li> <li>• Insurance</li> <li>• Incorporation Fees</li> </ul>	Community Grant	\$8,000.00	\$2,000.00	0	No	The assessment panel determined that further detail in the grant application was required prior to making a recommendation. Alexandra Community Christmas Tree Festival group will be invited to resubmit their application in the next grant round (March to June 2016).
2	Alexandra Community Shed Eildon & District Woodworkers Guild Inc	<p>The Alexandra Community Shed Eildon and District Woodworkers Guild aim to undertake a lighting upgrade to their shed to improve the safety and working conditions of their workshop area.</p> <p>A community grant is sought to replace existing lighting with LED lighting and fittings.</p>	Community Grant	\$6,121.45	\$5,000.00	\$3,000	No	The assessment committee recommends that this application be supported with a grant of \$3,000.
3.	Eildon Action Inc	<p>Eildon Action group aim to establish a facility to store and display the history of the district from gold rush days to modern times, concentrating on the stories around the two dams built on the Goulburn River.</p> <p>A community grant is sought to fund the furniture and equipment to assist in sorting, classifying and displaying the collection including picture frames, tables, bookcases etc for display purposes and a computer and folders for building a register of all items acquired.</p>	Community Grant	\$20,140.00	2,500.00	\$2,500	No	The Assessment Committee recommends that this application be supported with a grant of \$2,500.
4	Yea Community Garden (auspice by Yea community House)	<p>Yea Community Garden aim to build two "Wicking Beds" (self-watering garden beds) outside the Yea Council building and YCH. These highly visible water-efficient beds will provide fresh produce freely to those in need; will help engage and educate the local Community on healthy eating and gardening, and will demonstrate how to effectively grow produce in a dry environment.</p> <p>A community grant is sought to:</p>	Community Grant	\$8,230.00	\$3,890.00	\$3,890	No	The Assessment Committee recommends that this application be supported with a grant of \$3,890.

		<ul style="list-style-type: none"><li>• Purchase of high quality, well engineered and robust Wicking Bed materials.</li><li>• Soil and seedlings, and netting structure to 'cockie proof' garden seasonally.</li><li>• Informational and promotional signage to place with the beds.</li><li>• Promotional and educational materials related to Wicking Bed design and use.</li></ul>							
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MINUTES

of the

AUDIT ADVISORY COMMITTEE MEETING

held on

THURSDAY 11 FEBRUARY 2016

in the

ALEXANDRA COUNCIL CHAMBERS

commencing at

3.00 pm

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**1. PRESENT/APOLOGIES*****Present:***

Ian McKaskill (Chair)  
Michele Sheward  
Cr Margaret Rae (Mayor)  
Cr Chris Healy

Apology: Cr John Kennedy

***In Attendance:***

Margaret Abbey, CEO  
Michael Chesworth, General Manager Corporate Services  
Amanda Vogt, Coordinator Procurement and Risk  
Stephen Mortensen, Management Accountant  
Audrey Kyval, Governance Officer  
Lynda Cooper, Senior Auditor

**2. DECLARATIONS OF INTEREST**

No Declarations of Interest tendered.

**3. CONFIRMATION OF MINUTES**

➤ Minutes of the Audit Advisory Committee Meeting held 10 December 2015.

***Officer Recommendation:***

That the Minutes of the Audit Advisory Committee Meeting held 10 December 2015 be confirmed.

**RESOLUTION:**

**M Sheward / Cr C Healy**

**That the Minutes of the Audit Advisory Committee Meeting held 10 December 2015 be confirmed.**

**CARRIED**

**4. REVIEW OF AND BUSINESS ARISING FROM PREVIOUS MINUTES**

Nil to report

**5. INTERNAL AUDIT COMMITTEE ANNUAL PLAN**

Attachment: 2016 Internal Audit Committee Annual Plan (refer *Attachment 5* – TRIM 16/2060)

**The plan was accepted by the Committee**

## 5.1 RISK MANAGEMENT

### 5.1.1 Review Compliance with Policies and Procedures

Nil to report

### 5.1.2 Review Lawsuits And Other Investigations/Material Violations of Breaches of Fiduciary Duty

There are no lawsuits or other investigation that are required to be presented to the Committee this quarter.

## 5.2 AUDITS

### 5.2.1 Presentation of Internal Audit Reports

There are no audit reports to be presented to the Committee this quarter.

### 5.2.2 Review and Recommend Internal Audit Plan & Resourcing

Attachment: Internal Audit – Strategic Audit Plain 2016 (refer *Attachment 5.2.2 – TRIM 16/4909*)

Crowe Horwath presentation:

Lynda Cooper from Crowe Horwath presented the Strategic Audit Plan 2016 and indicated that detailed scopes for each audit would be developed in consultation with Council's Executive Management Team.

**Noted.**

### 5.2.3 Review Internal Audit Function Performance

Nil to report

### 5.2.4 Follow Up Significant Issues Raised By Internal Audit

Attachment: Internal Audit Recommendations – Status of actions January 2016 (refer *Attachment 5.2.5 – TRIM 16/4988*)

**Purpose:**

The purpose of this report is to provide the Internal Audit Committee with a regular progress report on actions to implement the recommendations from completed internal audits.

**Recommendation:**

That the exception report on status of internal audit actions for January 2016 be noted.

**Discussion:**Status of actions – August 2015 report

The status internal audit actions as at 31 January 2016 are shown in *Attachment 5.2.5*.

It is important to note that it has now been possible to fully close-off 8 older audits which date back to 2011, with all recommendations now satisfactory implemented.

In summary, 21 actions have been completed since the last report to the Committee, 31 actions are in progress and scheduled to be completed on time, and 13 actions are 'at risk' or have passed their due date and are overdue.

**Risk Level of "At Risk" and Overdue Actions**

Report name	Risk Level			Total
	Low	Medium	High	
<b>2014</b>				
IT Governance	0	3	0	3
<b>2015</b>				
Risk Management & Governance	2	1	1	4
Statutory Permit Management	0	2	0	2
Human Resources	3	1	0	4
<b>Total</b>	<b>5</b>	<b>7</b>	<b>1</b>	<b>13</b>

The level of risk attributed to the 13 overdue actions is shown for each internal audit in the table above. The number of 'at-risk' or overdue actions has decreased significantly from a total of 26 in the September 2015 report to the Committee.

The following comments relate to the Medium and High Priority actions identified above.

IT Governance

Two of the three medium priority actions relate to the development of an improved IT policy framework. The remaining item refers to investigation of the feasibility of a new IT support and incident management tool. This work has been delayed due to the need to prioritise resources in the IT Unit being to the finalisation and implementation of Council's IT Disaster Recovery infrastructure and the rollout of a new Geographical Information System for the organisation, both of which were considered high priority projects for the organisation. The new policy framework is now due to be developed progressively throughout 2016 with final completion by November 2016. Council has procedures in place to address IT Support issues and the investigation of a more formal management and reporting tool has likewise been scheduled for later in 2016, to be completed by November.

Risk Management and Governance

Progress on addressing the recommendations from this audit has progressed significantly since the last meeting following the appointment in late 2015 of a new Coordinator Procurement and Risk, who is working through a backlog of issues. The two outstanding items of High and Medium Priority refer to the need to link the operational risk profile to organisational business objectives and the development of a new risk management reporting regime. Whilst work is progressing on both these items, they are now due to be fully implemented from 1 July 2016 as part of the development of the 2016/17 departmental business planning process.

### Statutory Permit Management

Two medium priority actions from this audit have not been completed by the original scheduled date. The first is the incorporation of the recording of planning and building permit complaints into the corporate customer service complaint management tracking system. This system is itself the focus of a review and the incorporation planning and building permit complaints is dependent on the outcomes of the broader review. It is anticipated this action will be completed by June 2016. The second action refers to a review of security levels governing access to electronic building and planning electronic files, which is progressing and now scheduled to be completed in March 2016.

### Human Resources

The one Medium priority action that is overdue from this audit concerns a review of the internal employment and recruitment guide. In order to make the most efficient use of resources, this work has been incorporated into another audit recommendation to review and update the organisation's Human Resource Manual, which is scheduled to be completed in June 2016.

**Noted.**

#### **5.2.5 Review Scope of Next Audit by Crowe Horwath**

Nil to report

#### **5.3 FINANCIAL REPORT**

##### **5.3.1 Review Developments/Changes in Rules, Regulations and Laws Relating Generally to Council's Business Operations**

#### **Fair Go Rates – Council's Intention To Make Application For A Variation To The Rate Cap**

Attachments: Rate Capping Analysis (refer *Attachment 5.3.1* - TRIM 16/1149)

#### ***Purpose:***

The purpose of this report is to update the Audit Committee of Council's intention to apply for a variation to the recently introduced rate cap for the 2016/17 financial year, due to Council's particular financial circumstances and its long term financial planning needs.

#### ***Background:***

Following its election in November 2014, the new Labor Government in Victoria confirmed to all councils that it intended to introduce legislation before State Parliament that will prevent councils from raising rates above inflation levels from 1 July 2016.

In January 2015 the Minister for Finance referred to the ESC a terms of reference requesting a review of the development of a rates capping framework for local government in Victoria.

Throughout the review and development of the framework, Council made two submissions to the ESC to inform the Commission about the financial challenges facing small rural Councils and in particular the financial burden that has been placed upon Murrindindi Shire Council following the bushfires of 2009.

The rate capping framework, now known as the Fair Go Rates System, was finally endorsed by State Parliament and became law on 2 December 2015.

On 22 December 2015, the Minister for Local Government announced a rate cap for all local governments in Victoria of 2.5% for 2016/17. Councils will have the opportunity to seek a variation to the cap via the Essential Services Commission (“ESC”), with submissions to be made prior to 31 March 2016.

The level of the rates cap has been set at the discretion of the Minister for Local Government, and has been linked to the level of the Consumer Price Index (“CPI”) for Melbourne.

The introduction of any form of rate cap is a direct contrast to one of the key assumptions contained within Council’s current long term financial plan, concerning the rating increase that is required in each financial year of the plan to meet Council’s longer term financial requirements. It is worth noting that rating revenue is the most significant component of Council’s total revenue – 58.7% of Council’s total budgeted revenue for 2015/16 is expected to come via rates revenue, with the long term financial plan forecasting that this level of approximately 60% is to be maintained over the life of the plan.

Recognising that rate capping initiatives were being reviewed by the new State Government, and being mindful of various external cost pressures that exist for ratepayers within the Shire, Council adjusted its long term financial plan during its review of the Council Plan and Strategic Resource Plan for 2015/16. Annual rate increases had been previously assumed to remain at 6% over the life of the long-term financial plan, though this has now been adjusted to reductions over the coming years, heading towards 4% by the end of the 10-Year long term financial plan. The timing of the gradual forecast decline in rate increases contained within the current plan is detailed in the following table:

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Rate Inc.	5.5%	5.5%	5.5%	5.0%	5.0%	4.5%	4.5%	4.0%	4.0%

**Council Plan/Strategies:**

This report is consistent with the Council Plan 2013-2017 theme of Financial Sustainability. A key strategy for this theme is to continue to promote an equitable rating strategy for all ratepayers and to provide value for money through the delivery of long term financial plans.

**Legal/Policy Issues:**

The Budget is a statutory requirement, legislated under Section 127 of the *Local Government Act 1989* (“the Act”).

**Financial/Resources/Risk:**

The proposed draft budget for 2016/17 that is currently under development is conservative in its scope of discretionary spending, providing a responsible and viable financial plan for the ensuing year.

As a consequence of managing the asset renewal gap as part of the capital works program, and being mindful of the impact of the State Governments new “Fair Go Rates” amendment to the Local Government Act, Council will be undertaking minimal new initiatives, thereby limiting to some extent its short and medium term ability to provide expanded services that may be required to meet community needs, and to ensure that its current service delivery and asset management responsibilities are maintained.

A further risk for Council to consider is that should Council resolve to seek an exemption from the rate cap in 2016/17 under the variation mechanism, the outcome to such a submission may not be known until May 2016.

Council is still required to complete its statutory budget obligations by 30 June, which must include a public exhibition period of at least 28 days. Should Council be unsuccessful in an appeal to the ESC for a variation to the rate cap, it would then need to prepare a secondary budget at a lower rating level before submitting it to the public for consultation.



Essentially this will require the preparation of two budgets should Council seek a variation to the rate cap from the ESC, representing both variation and no variation scenarios.

**Discussion:**

Over the past few months, a number of financial scenarios have been modelled and discussed by Council in preparation for the announcement of the level of the rate cap for 2016/17 by the Minister for Local Government.

The development of the budget for 2016/17 is underway and has been built on the conservative principles discussed above and in Council's Strategic Resource Plan "SRP"). The purpose of this report is not to pre-empt what level of increase will be endorsed by Council, but rather to consider if the announced cap provides a level of rating income that is sustainable in consideration of not only the position of the budget for 2016/17, but the longer term intentions and obligations of Council.

The full impact of the rate cap though is shown in greater detail when compared to Council's existing SRP and Long Term Financial Plan ("LTFP"). Although Council has shown a capacity and willingness to reduce the underlying increase in rates out to 2024/25, with rate increases ultimately decreasing to 4.0% by this point in time, these assumptions made last financial year are now inconsistent with the final rate cap that has been chosen by the Minister.

As detailed in *Attachment 5.3.1*, the loss of revenue that will be felt by Council over the next 10 years when compared to the current SRP and LTFP will be \$22.06 million, if the current rate cap is assumed to be applied as a constant over the life of its LTFP.

Revenue loss of this magnitude over the next decade would not be able to be absorbed by Council's current financial structure and cash reserves, and would require extensive review and consultation with the community to determine how Council would need to adapt to meet this new financial challenge over the coming decade.

To remain sustainable into the future, Council will need to find other revenue opportunities, eliminate, reduce or vary services, apply for rate cap variations, increase debt levels, or a combination of the above.

Of these options, alternate revenue opportunities are extremely limited for Council outside of increasing grant funded opportunities. These however are not under the control of Council and are generally part of a competitive bidding process to gain access to additional funding from other government bodies. Grant funding opportunities for existing services or the renewal of existing infrastructure are also uncommon, with most grant funding being linked to the development of new infrastructure or services.

It is worth noting that Council undertook an extensive services review in 2011-12. The outcome of this review resulted in substantial restructuring of operational services, redundancies and reduced working hours of numbers of staff, an enhanced asset rationalisation program, comprehensive benchmarking of fees and charges set by Council and the review of a number of Council's strategies, policies and procedures to enhance efficiency and provide greater guidelines and transparency with regard to the application of funds for the delivery of service.

As a result, operational budgets have been tightened substantially, efficiencies gained, and further reductions to operational expenditure could not be realistically introduced without a corresponding reduction in service levels to the community. Reductions to capital expenditure could also not be simply reduced without a correlating impact on the renewal of Council's existing infrastructure, which would result in the degradation of existing public assets over the coming years that are the responsibility of Council.

The models for analysis have been prepared on the basis of the continuation of all services to the community at their existing levels. Unlike previous years, the long-term financial plan cannot be simply “rolled over” into the next financial year, making adjustments for known variances in service delivery, grant funding and employee costs, as the core assumption behind Council’s primary source of revenue is now unable to be controlled by Council with any certainty. The development of a long term financial plan based on the current service delivery model and approach to asset management responsibilities, whilst restricting rate revenue to the proposed rate cap, is unlikely to be achievable.

The timetable faced by Council in conforming to the new legislation and the requirements of the ESC dictate that Councils needed to notify the ESC by the end of January 2016 if they wish to seek a variation to the rate cap of 2.5% for the 2016/17. However, full details of the submission, including the level of variation requested do not need to be determined and submitted to the ESC until the end of March 2016. This will allow for further development of the capital and operating budgets for 2016/17 as well as LTFP, all of which needs to be submitted as supporting documentation for any submission made by Council to the ESC.

As per previous years, any rate increase will only be confirmed at the time of formal adoption of the 2016/17 Annual Budget, which will include the process of seeking a variation through the ESC if such a variation is sought and will include the statutory 28 day period of public consultation that is mandated under the Local Government Act prior to any budget being finalised.

**Consultation:**

As been discussed with the community for several years, Murrindindi Shire Council now faces exceptional financial circumstances which arose after the 2009 Bushfires. Council was given \$33 million worth of assets following the 2009 Bushfires. While this was a very generous gift, it did not take into account the ongoing costs to Council for operating, maintaining, insuring and renewing these new assets.

In conjunction with extensive community consultation and engagement around this issue, Council has advocated extensively to both current and former governments regarding the ongoing financial challenges that Murrindindi Shire Council faces in the longer term as a direct result of the worst natural disaster in Australia’s history.

The community will recall an advocacy campaign conducted in late 2014 which sought community feedback about options which would reduce Council’s operating costs and potentially increase income. Council is already acting on a range of those options to reduce costs. These include handing back responsibility for assets not owned by Council to the responsible authorities. They also include handing over to the community responsibility for the costs and management of local assets. The results of this work will bring limited cost savings to Council over time.

The recommendation to seek a variation to the State Government imposed rate cap is consistent with the message we have been delivering to the community over the last five years regarding Council’s challenging funding situation.

**Conclusion:**

A well considered and prudently considered budget is essential for guiding Council’s operations for the 2016/17 financial year, as well as provide the basis for which the Strategic Resource Plan and 10-year long term financial plan will be founded on.

**Noted. The Chair reminded the Committee its role was limited to ensuring Council has appropriate policies and procedures in place and has complied with these. The Committee’s role is not to provide broader comment on Council’s decisions.**

### 5.3.2 Review Quarterly Financial Statements

Attachment: Qtr Report Attachment (refer *Attachment 5.3.2 – TRIM 16/5018*)

**Purpose:**

The report provides the draft quarterly financial report for the period ending 31 December 2015.

**Officer Recommendation:**

That the Audit Advisory Committee receives the Quarterly Financial Report to 31 December 2015.

**Quarterly Financial Report to 31 December 2015**

The four Statements for the quarter to 31 December 2015 are included in *Attachment 5.3.2*.

The table below is a reconciliation between Council's Adopted Budget and the Revised Budget figures within the enclosed Statements which include carry forward of unexpended projects from 2014-15.

Reconciliation of Budget Adjustments - December 2015 Quarterly Review	
	<b>Operating Result Surplus / (Deficit)</b>
<b>Adopted Budget 2015/2016</b>	<b>(1,614,389)</b>
Carry forward adjustments	(2,794,973)
Other adjustments / Grant Funding Sept 2015 Report	908,315
<b>September Revised Budget 2015/2016</b>	<b>(3,501,047)</b>
Rates & Charges	79,107
User Fees	(81,684)
Grants Recurrent	25,644
Grants - Non Recurrent Operating	12,500
Grants - Non Recurrent Capital - Library Generators	139,900
Contributions - Cash	1,500
Reimbursements	(22,375)
Other Revenue	(83,128)
Employee Benefits	44,629
Materials & Services - Operating	440,743
Depreciation - amortisation - Landfill Airspace	(18,000)
Other expenses	1,141
Proceeds from Sale of Assets	(203,045)
Carrying amount of assets sold	213,007
<b>December Revised Budget 2015/2016</b>	<b>(2,951,108)</b>
Variance reduced deficit	<b>549,939</b>

The original budget operating deficit has been impacted by carry forward adjustments as detailed as part of the September 2015 Budget Review projecting a (\$3.50m) operating deficit for 2015-16. With additional Grant Funding together with revision of all operating and capital budgets for year end 30 June 2016 results, Council's Revised Budget for 2015-16 is now forecasting a reduced operating deficit of (\$2.95m).

It should also be noted that generally Local Government Income Statements report a surplus because the statement includes all of Councils income sources, but does not include all of Councils expenditure as Capital expenditure is reported via a separate Capital works Statement D.

The 2015-16 operating deficit has however been impacted significantly by \$2.1m Grants Commission funding paid in advance in June 2015 as adjusted in the Sept 2015 Review.

### **Summary of Budget Adjustments**

Rates & waste charges increased by \$79k with additional supplementary valuations processed \$35k and additional bin services applied \$44k.

User fees have been reduced in Home Care (\$69k) driven by service level demand, Garbage disposal – domestic garbage reduced by (\$65k), offset by inclusion of fees from the temporary operations of the Yea Caravan Park \$53k.

Recurrent Grant Funding has increased with the addition of \$12k HACCC funding, \$50k In Home Child Care, however Community Care Package funding has been reduced by (\$36k) due to vacant packages.

Non Recurrent Grant Funding has also increased with \$2.5k L2P Driver funding, Youth Resilience Funding of \$10k and \$140k Living Library Funding for generators at all Library sites.

Contribution Cash increased by \$1.5k for incentive payment for completion of Certificate IV Home Care.

Reimbursements decreased by (\$22k) due to significant recoupment of legal expenses which was applied to rate debtors late June 2015.

Other Revenue decrease (\$35k) for sale of scrap steel due to drop in price, (\$9k) Co-mingled recyclables, (\$10k) recoupment of legal expenses, and rental (\$29k) – mainly relating to Yea Caravan Park.

Although some movement within program budgets, the decrease in Employee Benefits (\$44k) is mainly related to saving in workcover premium for 2015-16.

Favourable budget revision in Materials and Services is detailed in the table below.

<b>Materials &amp; Services ( as per Income Statement "A" )</b>	
Utilities - savings Street Lighting costs	21,033
Contractors - various explained below	180,587
Legal Expenses - increased FOI project	(11,500)
Insurance - saving on premiums Property & Plant	53,907
Materials - increased funding equipment & activities	(39,565)
Contributions - revised forecast Waste Management Levy	136,281
Consultants - Advancing Country Towns Trail Design to Capital	100,000
	<b>440,743</b>

Contractor expenses in table above are made up of transfer of Rail Trail works \$60k to Capital program, Community Aged Care vacant packages \$22k, revised maintenance cost Yea Saleyards \$13k plus various Waste Management adjustments – Garbage Collection savings (new contract) \$98k, Recycling collection costs (\$36k), Illegal Dumping \$27k, Mulching costs \$29k, Landfill Operations \$73k and Transfer Station bin shifting \$9k, with overall projected saving going to Waste Reserve.

Some increase in expenditure with the inclusion of costs for Yea Caravan Park operations (\$85k), increased In Home Child Care - grant funded (\$50k), Library eBooks & magazines transferred from capital (\$8k), with the balance of \$28k made up from numerous minor program savings.

Depreciation has been adjusted \$18k due to revised accounting treatment for amortisation of Landfill Airspace.

Other expenses \$1.1k savings is combination of savings of \$4.5k Councillor allowances offset by increased waivers for Commercial Garbage & Recycling service (\$3.4k).

Proceeds from Sale of Assets have been adjusted with the deferral of sale of land in Eildon (\$180k) pending outcome of Eildon Structure Plan. Sale of Marysville Retirement Village Units have come in under budget (\$40k). Sale of passenger vehicles is favourable \$17k with unbudgeted sale of Manager Communications Library & Customer Services vehicle.

The Carrying amount of Asset Sales budgeted for land in Eildon have also been adjusted \$213k to be carried forward into the 2016/17 Budget.

The Annual Revised Budget for 30 June 2016 incorporates all adjustments detailed above.

#### Balance Sheet (Statement B)

The Balance Sheet – Statement B as at 31 December 2015 shows minimal year to date variance with Cash & Cash Equivalents favourable variance of \$166k directly related to the year to date operating surplus variance as presented within the Income Statement.

Property Plant & Equipment variance is explained and reconciled with reference to Statement D Capital Works.

The overall Revised Budget position maintains a higher level of cash as at 30 June 2016 of \$21.3m which is \$0.44m above the September 2015 Revised Budget of \$20.9m. The bulk of this relates to the increased level of Reserves \$0.2m with movements detailed in Statement E Reconciliation of Non Discretionary Cash & Reserves, plus carry forward of capital projects of \$0.3m.

#### Cash flow Statement (Statement C)

This statement provides a more holistic picture and reports the important information on Council's cash inflows and outflows. The *Net cash flow from operating activities* line in the Cash Flow Statement (a cash view of the operating statement) shows from the revised budget an increase of \$0.6m. The bulk of this adjustment is in grants and reduced payments to suppliers as detailed in summary of budget adjustments. *Net cash used in investing activities* (Capital Works) shows an overall decrease of (\$0.16m) and *Net cash used in financing activities* (mainly Trust & Deposits) remains as presented in September 2015.

**Non Discretionary Cash & Council Reserves (Statement E)**

Included as part of this report is an additional reconciliation flowing from the cash flow statement of Council's Non Discretionary Cash Flow requirements. This reconciliation lists all Council reserves together with funds held as Deposits or Trust which are required to be refunded, and an allowance for provision of employee entitlements – being a nominal amount of 25% of Council Annual Leave Liability and 18.75% of the current Long Service Leave Liability (moving towards 25% by 30 June 2017). This is then offset against the level of projected cash at year end.

**Operating – Year to Date Review**

Overall the income statement reflects minimal variances in both operating revenue and operating expenditure, with several projects behind anticipated expenditure budgets.

The Year to Date Summary of the Income Statement for the period ending 31 December 2015 is provided in Table 1 as follows:

**Table 1 – Summary of Income Statement**

	YTD	YTD	
	Budget	Actual	Variance
	\$k	\$k	\$k
<b>Revenue</b>	23,166	23,094	<b>(72)</b>
<b>Expenses</b>	11,125	10,776	<b>349</b>
<b>Surplus</b>	<b>12,041</b>	<b>12,318</b>	<b>277</b>

The Year To Date (YTD) operating result at 31 December 2015 shows income up by (\$72k) and expenditure down \$349k generating a larger than expected YTD surplus of \$277k or 2% better than the year to date budgeted surplus.

The key components comprising both Revenue and Expenses variances are summarised by category in Tables 2 and 3 as follows:

**Table 2 – Key Revenue Component Variance**

Variance		
\$k		
(72k)	Unfavourable to budget	
Key Components	Type	Particulars
(23)	User Fees	Unfavourable variance on Aged & Disability (\$22k).
(55)	Grants - Recurrent	Aged Care Package funding unfavourable – CACP (\$24k) & EACH (\$32k) – with substantial carry forward from prior year & introduction of Consumer Directed Care creating some initial vacant packages.
8	Proceeds from Sale of Assets	Better than projected trade on vehicle changeovers.

Table 3 – Key Expense component variance

Variance		
\$k		
349	Favourable to Budget	
Key Components:	Type	Particulars
184	Employee Benefits	Year to date saving across organisation due to vacant positions or in the Community Services area driven by service level demand. Favourable variance relate to; <ul style="list-style-type: none"> <li>• Community &amp; Children Services \$100k</li> <li>• Infrastructure Operations \$39k, and</li> <li>• Business Service \$34k</li> </ul>
165	Materials & Services	Favourable variance mainly relate to; <ul style="list-style-type: none"> <li>• Business Services / Administration \$44k</li> <li>• Facilities Maintenance \$33k,</li> <li>• Infrastructure Maintenance \$40k</li> <li>• Aged &amp; Disability \$16k, plus</li> <li>• Numerous minor variance spread across programs</li> </ul> <p>It should be noted these are year to date variances to budget and not forecast savings as budgets have been revised.</p>

**Capital - Year to Date Review**

As at 31 December 2015, Capital Works is \$3k below the year to date budget of \$2,236k. Statement D, as attached, indicates that across the asset categories, the largest variances are (\$37k) in Buildings and \$40k in Plant & Machinery.

Table 4 – Summary of Capital Works completed (Financial)

Asset Category	YTD Budget	Actuals	Variance	Complete to
	31/12/15	31/12/15	YTD	YTD Budget
	\$'000	\$'000	\$'000	%
Land	-	-	-	0%
Buildings	869	906	(37)	-4%
Plant & Machinery	349	309	40	12%
Roads & Paths	264	269	(5)	-2%
Bridges	276	277	(0)	0%
Footpaths and Cycleways	321	318	3	1%
Drainage	54	53	1	1%
Heritage Assets	-	-	-	0%
Furniture & Equipment	42	43	(0)	-1%
Library Bookstock	61	60	1	1%
Works in Progress	-	-	-	0%
<b>Total Capital Works</b>	<b>2,236</b>	<b>2,234</b>	<b>3</b>	<b>0%</b>



Table 5 – Key Capital Component Variance

Variance		
\$k		
3	Favourable to Budget	
Key Components:	Type	Particulars
(37)	Buildings	Expenditure on buildings is running slightly ahead of expectations with the major item being <ul style="list-style-type: none"> <li>• Yea Swimming Pool Upgrade (\$29k)</li> </ul> The remaining variations are a combination of minor variations across several projects.
40	Plant Machinery & Equipment	Variance relates to lower purchase price on several vehicles that have been changed over.

With minimal Year to Date variance, the capital works program overall appears to be running along well as at 31 December 2015. The overall budget had increased from \$7.52m to \$12.15m with \$3.62m carry forwards from unexpended capital work projects forecast to be completed by 30 June 2015 (reported to Council 26 August 2015) and the inclusion of several new grant funded capital works projects – which were detailed separately as a part of the September Quarterly Review.

As part of the December Review for 2015-16, budgets have again been revised with the inclusion of additional grant funded projects, and any identified savings that are forecast to be achieved by 30 June 2016 position. In addition, projects that will be required to be carried forward for completion in the 2016-17 financial year and will be reflected in next year's budget have been identified and adjusted accordingly.

These adjustments are detailed in Table 6 below.

<u>Table 6 - Revision of 2015-16 Capital Works Program</u>	
	<b>Capital Works Budget</b>
<b>Adopted Budget 2015/2016</b>	<b>7,516,619</b>
<b><i>Capital Works Program 2014-15 End of Year Report 26 Aug 2015</i></b>	
Table 1 - c/fwd with recommendations	375,608
Table 2 - carry forwards - committed works	3,240,017
Recurrent Grants - Capital ( R2R) - additional funding	684,950
Advancing Country Towns - transfer to capital projects	196,603
Yea Community House - Melbourne Water Funds	7,184
Additional Contribution - Eildon Bowling / Marysville Nets	24,750
Reserve Transfer - N&G Assets - 2 new vehicles	99,484
<b>September Revised Budget 2015/2016</b>	<b>12,145,215</b>
Library Generators - Non Recurrent Grant Funding	139,900
Advancing Country Towns - transfer to capital projects	100,000
Rails Trail surface works - transfer from operating	60,000
Library Bookstock - eBooks & magazines - transfer to operating	(8,170)
Waste - Taylor bay Compound Upgrade from Reserve	55,000
Waste - Resource Recovery Centre - back to Reserve	(85,000)
Marysville Caravan Park - Capital - drainage & floors works	26,035
Savings - not required Apex Park BBQ & Eildon VIC	(11,400)
<b><i>Projects deferred to be carried forward into 2016/17</i></b>	
Yea Shire Hall	(27,510)
Leckie Park Pavilion	(50,000)
Public Convenience Renewal - Leckie Park	(88,563)
Vegetation Projects	(101,000)
Flood Levee Buxton	(46,800)
<b>December Revised Budget 2015/2016</b>	<b>12,107,707</b>

Further details by category can be found in Statement D.

**Consultation:**

The Local Government Act requires that Councils give public notice of their annual review of the Council Plan (which includes the Strategic Resource Plan) and also its Annual Budget. All submissions received by Council must be considered, in accordance with section 223 of the Act.

**Conclusion:**

Awareness by Councillors of general budgeting and reporting requirements will facilitate the preparation of the Annual Budget and Strategic Resource Plan. Operating performance for the December 2015 quarter has been largely in line with the total budget. Council remains in a favourable cash position despite the challenges that it faces.

**RESOLUTION:****M Sheward / Cr C Healy****That the Audit Advisory Committee receives the Quarterly Financial Report to 31 December 2015.****CARRIED****5.4 MANAGEMENT REPORTING****5.4.1 Local Government Performance Reporting Framework**

There are no updates to the discussion provided at the December 2015 Audit Committee meeting.

**5.5 GENERAL BUSINESS AND FUTURE PLANNING****5.5.1 Annual Assessment of Committee's Performance**

Attachment: Audit Committee Self Assessment Summary – 2015 (refer *Attachment 5.5.1 – TRIM 16/4366*)

As detailed at Section 2(r) of the Audit Committee Charter, the Committee shall, "*be subject to a periodic review, including a review by the Council and the completion of a self-assessment program.*"

This self-assessment has traditionally been taken by Audit Committee members on an annual basis, for presentation and review at the first meeting in the new calendar year.

The survey has been completed by core members of the Committee and the results summarised as attached, based on the six (6) responses received.

When compared to the results of the previous audit committee annual assessment, nearly all indicators show an increase in average score. No scores of "1" or "2" were received from any submitter, with only six scores of "3" received from all submitters across the 192 questions assessed.

The only other comment received from all submitters was a request to see further attention raised with the Audit Committee regarding Council's progress on collection of delinquent rates debtors. It is proposed that an update be provided to the Committee at the May Committee Meeting that will allow for all 2015/16 rates debtors to be assessed following the due date of annual rate payments occurring in mid-February.

**Noted. The Chair advised that the report to the Committee in May on the collection of rates debt should focus on the adequacy of policies and procedures in place, the application of these and the outcomes of that application, and not on the details of individual debtors.**

**6.            OTHER REPORTS**

**6.1            STRATEGIC RISK REPORT**

Attachment:    MSC Strategic Risk Register – New Master Document (refer *Attachment 6.1* – TRIM 16/4115

A report relating to Council's Strategic Risk framework was presented.

**Noted. Report on the progress at the 19 May 2016 meeting.**

**6.2            COMMITTEE REPRESENTATIVE**

The advertisement for an independent community representative is in the newspapers this week. Submissions to close on 26 February 2016. A second round of advertising will need to take place for the second vacancy that arises following this meeting.

**Noted.**

**7.            NEXT MEETING**

Thursday 19 May 2016 at 1.00pm in the Alexandra Chambers.

**There being no further items of Business, the Chairperson declared the meeting closed at 4.05 pm.**

**CONFIRMED THIS** \_\_\_\_\_

**CHAIRPERSON** \_\_\_\_\_

SUBJECT TO CONFIRMATION