



MINUTES  
of the  
ORDINARY MEETING OF COUNCIL  
held on  
MONDAY 26 NOVEMBER 2012  
in the  
Alexandra Council Chambers  
commencing at  
6.00 pm

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**1. PRAYER & RECONCILIATION STATEMENT**

The meeting was opened with Prayer and reading of the Reconciliation Statement.

**2. APOLOGIES AND REQUESTS FOR LEAVE OF ABSENCE**

No apologies or requests for leave of absence were tendered.

Crs A Derwent, C Challen, J Kennedy, B Magner, M Rae, C Ruhr, J Walsh

***In attendance:***

Chief Executive Officer: Margaret Abbey

General Manager - Sustainability: Michael Chesworth

Executive Director, Reconstruction and Recovery: Dimitri Scordalides

General Manager Corporate & Community Services: Rob Cherry

General Manager Infrastructure Services: Tamara Johnson

Manager Customer & Communications: Damien Cocks

**3. CONFIRMATION OF MINUTES**

➤ Minutes of the Ordinary meeting of Council held on 15 October 2012

**RESOLUTION:**

Cr C Ruhr / Cr M Rae

That the Minutes of the Ordinary meeting of Council held on 15 October 2012 be confirmed.

**CARRIED**

➤ Minutes of the Special meeting of Council held on 31 October 2012

**RESOLUTION:**

Cr C Ruhr / Cr M Rae

That the Minutes of the Ordinary meeting of Council held on 31 October 2012 be confirmed.

**CARRIED**

**4. DISCLOSURES OF INTEREST OR CONFLICT OF INTEREST**

File No: 12/01/05

Nil.

**5. OPEN FORUM**

The Chairperson declared Open Forum and invited questions from the Gallery.

Gary Lashford speaking for his father Jim Lashford (in attendance), of Cathkin, spoke regarding a Rail Trail Lease in Cathkin.

Sue McNair, of Taggerty, spoke to a section 223 submission by Surcare Australia on the proposed sale of the Butter Factory, 9A Downey Street, Alexandra.

**The Chairperson closed Open Forum.**

**6. PETITIONS RECEIVED BY COUNCIL**

Nil.

**7. REPORTS BY ADVISORY COMMITTEES OR SPECIAL COMMITTEES**

**7.1 MURRINDINDI ENVIRONMENT ADVISORY COMMITTEE**

File No: 58/03/16  
(Refer Encl 7.1)

The minutes of the Murrindindi Environment Advisory Committee meeting held on 9 October 2012 are attached for information.

***Recommendation:***

**That the minutes of the Murrindindi Environment Advisory Committee meeting held on 9 October 2012 be received.**

**RESOLUTION:**

Cr C Ruhr / Cr C Challen

That the minutes of the Murrindindi Environment Advisory Committee meeting held on 9 October 2012 be received.

**CARRIED**

**8. OFFICER REPORTS**

**8.1 DEVELOPMENT & ENVIRONMENT**

**8.1.1 Section 173 agreement - G J Angus & AD Salmon**

File No: 3/2012/17  
Land: 61 Whittlesea-Kinglake Road, Kinglake

***Purpose:***

To sign and seal the Section 173 Agreement in accordance with Condition 6 of planning permit 2011/286 being for a 2 lot subdivision in Kinglake.

***Recommendation:***

**That Council resolve to sign and seal the Section 173 Agreement as required by Condition 6 of Planning Permit No. 2011/286.**

**Background:**

Planning permit 2011/286 requires a Section 173 Agreement to ensure the following:

*At the time of development all onsite wastewater and stormwater management shall be in accordance with the recommendations outlined within the Land Capability Assessment prepared by Ground Science Environmental (7 March 2012, Ref:E2060 AD & E2060 AC v2).*

**RESOLUTION:**

Cr A Derwent / Cr M Rae

That Council resolve to sign and seal the Section 173 Agreement as required by Condition 6 of Planning Permit No. 2011/286.

**CARRIED**

**8.2 INFRASTRUCTURE SERVICES****8.2.1 Quarterly Report – Capital Works Program 2012/2013**

File No: 24/03/09

*(Refer Encl 8.2.1)*

**Purpose:**

This report provides Council with the quarterly update on Council's 2012/2013 Capital Works Program. The report will ensure that Councillors are abreast of the progress of individual projects and the financial status compared to budget allocations.

**Recommendation:**

**That Council receive the September 2013 Quarterly Capital Works report.**

**Background:**

At the Ordinary Council Meeting on 23 July 2012 Council resolved that a quarterly report on the progress and financial status of the Capital Works Program be incorporated in Council's regular reporting cycle.

**Council Plan/Strategies:**

The Council Plan 2009-13 under the Infrastructure theme lists the strategic objective:

"To enhance the sustainability of our Infrastructure, recognising the changing needs and expectations of our community"

The strategies listed under this theme relevant to the project are to:

1. "Undertake a range of community infrastructure projects which enhance community amenity and foster civic pride";
2. "Align infrastructure service delivery with community needs and expectations"; and
3. "Maintain and further develop a safe and efficient transport network".

**Legal/Policy Issues:**

Council is obliged to prepare a budget annually. The preparations of a detailed Capital Works Program informs and significantly impacts on the budget.

***Financial/Resources/Risk***

There is a risk that Council may not invest enough in the replacement of infrastructure to maintain services reasonably required by the community. The preparation of a Ten Year Capital Improvement Plan seeks to mitigate this risk by informing Council of the financial impacts of investment in capital replacement.

The consequence of an insufficient capital investment in replacement is a widening infrastructure gap. The adoption of a Ten Year Capital Improvement Plan provides Council with the ability to manage the infrastructure renewal gap.

Council at its Ordinary Meeting held on 28 September 2011 resolved to adopt a model ten year capital expenditure profile to inform future budget deliberations and to support the Ten Year Capital Improvement Plan as a clear indication of Council's long term commitment to infrastructure renewal and to inform future budget deliberations.

Since this time officers have undertaken a significant amount of work in identifying the long term capital improvement needs to manage the infrastructure renewal gap through the development and adoption of the Asset Management Policy and the Asset Management Strategy and through the development of Asset Management Plans for Roads, Footpaths, Buildings and Bridges.

With the completion of this work Council Officers are currently reviewing the Ten Year Capital Improvement Plan and anticipate presenting it to Councillors in early 2013.

Timely reporting of financial issues will assist in early identification of the need to reallocate costs where required. Reporting of project progress will also provide Council and the community with an understanding of when projects will commence and will communicate any delays if they occur.

The list of projects in the Capital Works Program represents one year of the ten year plan detailing the financial implications for the 2012/2013 financial year.

***Discussion:***

The September Quarterly Capital Works Program report provides commentary on the following features of the program:

1. Budget Vs. Actual (year to date);
2. Identification of any major variances in income and expenditure;
3. Major areas of expenditure for the quarter being reported on;
4. Details of projects where physical works are anticipated to commence during the next reporting period;
5. A schedule listing of every capital works project detailing progress and percentage complete together with a brief comment by the responsible officer;
6. Details of the projects that are delayed or other significant developments that have surfaced affecting the budget for the project. This reporting, if done in a timely manner, removes the element of surprise and gives Council the opportunity to vary the scope of a project if required.

This reporting framework aims to ensure a higher level of accountability and therefore a better delivery outcome as compared to previous years. This reporting also aims to ensure that Council and the community are informed of a project's status.

The 2012/2013 Capital Works Program (budgeted and carryover projects) is still being finalised in regard to scope, consultation, design and procurement documentation which means that the program is well behind an ideal delivery schedule. Ongoing progress of the Capital Works Program will be reported to Council regularly and as this reporting structure is refined, further information will be provided.

**1. Budget Vs. Actual (year to date)**

- The 2012/2013 revised adopted Capital Works budget is \$13,969,900
- Year to date expenditure for the 2012/2013 is \$1,490,135
- Variance on Year to date is \$264,216
- This incorporates the capital works projects for Reconstruction and Recovery which will be reported on in more detail at the 10 December 2012 Councillor Briefing.

**2. Identification of any major variances in income and expenditure**

- The extension of the seal and upgrade of Limestone Road is complete and was \$39,000 over budget. This over expenditure will need to be accommodated within the Sealed Roads and Major Patching Project budget.
- Over expenditure on Major Patching on Ghin Ghin Road of \$20,854.00. This over expenditure will be accommodated within the Sealed Roads and Major Patching Project budget.

**3. Major areas of expenditure for the quarter being reported on**

The major areas of expenditure for the quarter include:

- Yea Wetlands Interpretive and Visitor Centre – interpretive design options and design concept.
- Yea Saleyards – Completion of the roof and lighting and the canteen and amenities block.
- Plant and Fleet Replacement – replacement of passenger fleet and major plant.

**4. Details of projects where physical works are anticipated to commence during the next reporting period**

Works which are anticipated to commence in the next reporting period include:

- Delivery of the Resealing program;
- Delivery of the Gravel resheeting program;
- Yellow Creek Bridge upgrade;
- Tumbling Waters Reserve – playground installation and reserve upgrade works;
- Marysville Skate park – resumed construction of the playground;
- Alexandra Depot Shed Replacement;
- Drainage Renewal works (pipes and pit replacement) at Eildon and Alexandra.

The next quarter will see considerable focus on project development and tendering.

**5. A schedule listing of every capital works project detailing progress and percentage complete together with a brief comment by the responsible officer.**

Please refer to *Enclosure 8.2.1* to this report.

6. **Details of the projects that are delayed or other significant developments that have surfaced affecting the budget for the project. This reporting, if done in a timely manner, removes the element of surprise and gives Council the opportunity to vary the scope of a project if required.**
- The Yea Shire Hall project may not be delivered in this financial year and will require Council to seek a funding extension on the Regional Development Victoria Grant funding. A report was undertaken to consider the heritage elements of the project and this is being integrated into the final plans for the refurbishment. Further investigation is required on the footings to confirm the works required. Officers are also currently reviewing the project timelines.
  - Grants Commission Victoria savings required of \$202,000 was sought from the capital works program from the following projects:
    - \$80,000 from the Breakaway Bridge project
    - \$30,000 from the Yea Railway Station toilets
    - \$20,000 from the Alexandra Shire Hall upgrade associated with the cinema
    - \$60,000 from the Alexandra Maternal Child Health Building and CWA Hall
    - \$12,000 saving from Whatton Place Footpath Works
  - Officers are investigating an option to expand the project scope of the Allandale and Falls Roads culvert replacement in Strath Creek to ensure long term flood mitigation. Further consultation with the community is required to proceed this option.
  - Officers are currently investigating a reviewed cost for the works required to replace the bridge at Abes Lane. Further information will be reported on this matter in the next reporting period.
  - The Breakaway Bridge refurbishment project is anticipated to cost significantly less to complete. Further information will be reported on this matter in the next reporting period once the design and tendering are finalised.

***Consultation:***

The September Quarterly Capital Works report has been developed with the respective officers responsible for the delivery of the capital works program.

***Conclusion:***

The introduction of regular / quarterly reporting on the capital works program will better inform Council of the progress and major variances for each project. This will have the level of accountability of all officers involved in the development and delivery of the annual capital works program.

**RESOLUTION:**

Cr B Magner / Cr J Kennedy

That Council receive the September 2013 Quarterly Capital Works report.

**CARRIED**

**8.2.2 Proposed Road Exchange, Jerusalem Creek Road, Eildon**

File No: 52/05/1250



(Refer Encl 8.2.2a Gazettal Plan and Encl 8.2.2b Title)

**Purpose:**

The purpose of this report is to inform Council of the need to commence the statutory processes for the closure of government and private roads at Jerusalem Creek, Eildon as requested by Goulburn-Murray Water (GMW) in exchange for the creation of new roads which are identified by the cross hatching on the Gazettal Plan – *Enclosure 8.2.2a*.

**Recommendation:**

**That Council:**

- 1 **Ratifies the action of the Chief Executive Officer to obtain the consent of the Minister for Environment and Climate Change to the closure of the government road identified as “government road to be closed” on the Gazettal Plan;**
- 2 **Authorise the Chief Executive Officer to sign all documents in respect of the proposed road deviation;**
- 3 **Resolve to give public notice of the proposed road deviation as per the requirements of section 207A of the *Local Government Act 1989*; and**
- 4 **If no submissions are received in response to the public notice, resolves to publish a notice of the road deviation in the Victoria Government Gazette.**
- 5 **Give notice under Section 223 of the Local Government Act of the proposed road exchange of Jerusalem Creek Road, Eildon between Murrindindi Shire Council and Goulburn-Murray Water.**

**Background:**

This proposed road exchange has been mooted for some time, with GMW requesting Council to carry out the road exchange on the basis that the existing physical roads at Lake Eildon have been constructed on land owned by GMW and the roads shown as “private road to be closed” and the government road identified as “government road to be closed” on the Gazettal Plan are what is known as “paper roads” (i.e have never been constructed). This has highlighted the need for a road deviation or exchange to create a new road which corresponds with the existing constructed road.

In addition, GMW has consolidated all of its land into one title which includes the physical road, for storage management purposes (as it was previously subdivided and still retained “township boundaries” which never came into existence). GMW intends to create a separate parcel of surplus land east of the physical road for disposal once the road exchange has been completed.

GMW has requested Council to use its powers over roads under the *Local Government Act 1989* (Act) to deviate (exchange) the roads, therefore allowing GMW to manage its land appropriately if further subdivision and/or land tenure dealings are required.

**Council Plan/Strategies:**

This report is consistent with the following strategy in the Council Plan 2009/13:

Infrastructure Strategy – to enhance the sustainability of our infrastructure, recognising the changing needs and expectations of our communities.

**Legal/Policy Issues:**

Council is the coordinating road authority and the responsible road authority under the *Road Management Act 2004* for the existing constructed road.

The proposed road deviation is to be carried out under clause 2 of Schedule 10 of the Act. The closed government roads will vest in Council under section 207B(2A) of the Act after the Gazettal Plan has been published in the Victoria Government Gazette as part of a notice relating to the proposed deviation.

***Financial/Resources/Risk***

Council will need to engage legal services to progress the necessary statutory procedures associated with the road deviation.

***Consultation:***

There has been extensive consultation between GMW and Council representatives and engagement between legal representatives of both parties on this matter.

In relation to Section 223 of the Local Government Act Council is required to:

1. Give public notice of the proposed sale/transfer of the land/property as per the requirements of section 189 of the *Local Government Act, 1989*;
2. Consider any submissions (if received) under section 223 of the *Local Government Act, 1989* before determining whether to proceed with the sale/transfer or not);
3. Should no submissions be received on a specific sale/ proposal then the sale/transfer of that parcel of land be proceeded with.

***Discussion:***

The statutory processes that are associated with the proposed road deviation include the following:

- Council's agreement for the roads to be closed and the roads to be opened;
- Public Notice of the intended road deviation;
- Consent of the Minister for Environment and Climate Change to the closure of the government road shown on the Gazettal Plan;
- Publication of the Gazettal Plan in the Victoria Government Gazette; and
- Application on behalf of GMW to Amend the Register of Titles under section 207E of the Act to exclude the road to be opened from GMW's title and include the closed government and private roads in the same title. GMW's title, when amended, will be as shown on the Title Plan.

***Conclusion:***

Council's support for this road deviation will result in the constructed Pinniger and Jerusalem Creek Roads being properly identified as roads on relevant titles and resolve GMW's issues regarding management of its land.

**RESOLUTION:**

Cr B Magner / Cr C Ruhr

That Council:

- 1 Ratifies the action of the Chief Executive Officer to obtain the consent of the Minister for Environment and Climate Change to the closure of the government road identified as "government road to be closed" on the Gazettal Plan;
- 2 Authorise the Chief Executive Officer to sign all documents in respect of the proposed road deviation;

- 3 Resolve to give public notice of the proposed road deviation as per the requirements of section 207A of the *Local Government Act 1989*;
- 4 If no submissions are received in response to the public notice, resolves to publish a notice of the road deviation in the Victoria Government Gazette; and
- 5 Give notice under Section 223 of the Local Government Act of the proposed road exchange of Jerusalem Creek Road, Eildon between Murrindindi Shire Council and Goulburn-Murray Water.

**CARRIED**

### **8.3 CHIEF EXECUTIVE OFFICER**

#### **8.3.1 Quarterly Council Plan Report to 30 September 2012**

File No: 10/01/15

*(Refer Encl 8.3.1 - Report on Council Plan Sept 2012)*

#### **Purpose:**

This report provides an update on the progress on activities listed in the Council Plan 2009 – 2013 (2011 review) for the quarter ended September 2012.

#### **Recommendation:**

**That the report to the end of September 2012 on the status of Council Plan activities be received.**

#### **Background:**

The Council Plan for the period 2009 – 2013 was prepared following the Council election in November 2008. Due to the impact and uncertainty created by the February 2009 fires, the first version of the plan focussed largely on the first year 2009 -2010. The plan has since been reviewed annually and Council has completed and adopted its final review of the Council Plan.

#### **Council Plan/Strategies:**

The Council Plan is the key planning document which translates Council's obligations under the *Local Government Act 1989* into strategies and actions. Specifically the plan:

- guides Council's strategic direction
- identifies Council priorities and strategic indicators
- contributes to the development of the annual budget for the next four years

The Council Plan is a key document for local community groups, residents, investors, and other levels of government who play a vital role in helping the Council delivery on its commitments. It sets out what we expect to achieve over a four year period and guides the allocation of finances through the Strategic Resource Plan.

#### **Legal/Policy Issues:**

Council is obliged under the *Local Government Act 1989* to review its Council on an annual basis.

#### **Financial/Resources/Risk**

The Council Plan, in particular the Strategic Resource Plan, includes Council's long term financial plan and its implementation is supported by the Annual Budget.

**Discussion:**

In the first quarter of the 2012-2013 Council Plan, ending September 2012, 32 activities were on schedule (41%), 33 activities are ongoing (37%), 12 activities were not due to commence (13%) and three activities were completed. Three activities have been deferred and two have been withdrawn as a result of the Services Review or pending outcomes of the Services Review.

Highlights in implementing the Council Plan include:

- Council has continued its advocacy to the State Government on the securing of resources to contribute to the cost of the operating, maintaining and renewing the gifted and novated assets. This has included a media program with the public release of the KPMG report, meetings with the Departmental Secretary of DPCD and meeting with Local Government Victoria to discuss the scope of the project requested by the Departmental Secretary.
- Ordinary Meetings of Council have been conducted in Yea (August) and in Flowerdale (September) in line with Council's intention to provide opportunity for community participation at Council Meetings around the Shire. Council meetings are currently conducted in the evening with a view to maximising community participation. Attendance by members of the public has been low at all three meetings conducted this quarter.
- Working with fire affected communities is ongoing and is firmly integrated into the daily program delivery across all units within the Community Services department. Ongoing support has been provided to Playgroups in partnership with Playgroup Victoria (finishing Dec 2012). Aged and Disability services actively work with individuals to assist their recovery and plan for future events. Community Capacity Building Initiatives including Seniors activities, volunteer support, children's week and ACT early years all have a strong focus on building resilience. The Municipal Recovery Plan is regularly updated and a full audit of all relief and recovery centres will occur in November 2012.
- Good progress has been made with the Youth Partnership Group focusing on key priority areas of bullying and education, employment and training. The Youth Partnership Group has held several consultations with young people and supported the ongoing implementation of the TRIBES program and the development of new community youth groups. A partnership with local secondary schools and Youth Apprenticeship providers is currently being explored to extend the training and employment opportunities for young people. This activity is ongoing for the life of the strategy.
- Council officers have provided input into the public information process for the development of a new accommodation and conference centre in Marysville. Officers continue to advocate for opportunities for local businesses to participate in the construction phase of the project. Construction is anticipated to commence in early 2013 with a 2014 completion date.
- A draft development plan for industrial land at Binns-McCrae Road in Alexandra was adopted by Council in September 2012 for the purposes of public exhibition during November and December 2012.
- As part of its involvement on the Goulburn River Valley Tourism Board, the Council has continued to support the Tourism Industry Leadership Program with 12 participants from the Murrindindi Shire involved in the Program.
- Work has been undertaken to identify Council reserves with significant biodiversity values as part of Council's assessment of potential native vegetation offset sites. This work is currently being reviewed in the context of developing an improved policy framework around offset management.
- Core level Asset Management Plans are nearing completion for the Asset Categories of transport, building and drainage and are anticipated to be completed by the end of November, 2012 and presented to Council in December 2012.

- Negotiations in relation to the procurement of an electronic document management system are being undertaken in conjunction with the development of a project plan to progress the electronic document management system. It is anticipated that a comprehensive plan will be available in the second quarter of this financial year and that work towards implementation of the system will begin in the third quarter of the financial year.

**Consultation:**

Community consultation is undertaken in relation to individual projects and activities identified in the Council Plan. This report provides the opportunity for Council to promote its achievements for the first quarter 2013 in relation to the implementation of the Objectives and Strategies from the Council Plan.

**Conclusion:**

Progress on the plan throughout 2011 – 2012 has been a priority which is reflected in the outcomes for the year and as such the Council Plan is the key focus for implementing Council's objectives and priorities for the municipality. Whilst there have been delays in implementing a number of the strategies, awaiting the outcomes of the Services Review, these strategies will be progressed in 2012-2013.

**RESOLUTION:**

Cr A Derwent / Cr M Rae

That the report to the end of September 2012 on the status of Council Plan activities be received.

**CARRIED**

**8.3.2 Councillor Holiday Season Allocations**

File No: 12/02/12

**Purpose:**

This report provides advice to Council that it not proceed with the Councillor Holiday Season allocations as has been past practice due to the need to ensure that Council's practices are consistent with the principles of Good Governance.

**Recommendation:**

**That Council not proceed with the Councillor Holiday Season allocations for 2012-2013.**

**Background:**

In accordance with the Council budget, there is an allocation of \$1,000 per Councillor for celebratory activities associated with the holiday season. This has been a traditional practice of Council to recognise the contribution made by community organisations throughout the municipality. However, recent advice from the Victorian Local Government Inspectorate officers is that it is not appropriate for this practice to continue due to these allocations effectively being Councillor Ward Funds.

**Council Plan/Strategies:**

Consideration of whether this fund should continue is consistent with the Council Plan 2009-2013 strategy to improve governance systems, processes and relationships.

**Legal/Policy Issues:**

Council is obliged under the *Local Government Act 1989* to review its practices and ensure that they are consistent with good governance principles.

**Financial/Resources/Risk**

Council has annually provided financial assistance to community organisations. To continue this practice through effectively Councillor Ward Funds is a risk to good governance.

**Discussion:**

Council has in the past provided funds to community organisations based upon an allocation of \$1,000 per Councillor. Recent informal advice that has been provided to Council as part of the visit of the Local Government Inspectorate that discretionary allocations require a formal process to protect Councillor reputations.

The main concerns centre around:

- the possible carryover of discretionary funds and allocation prior to an election caretaker period.
- There may be a perception in the community of pork barrelling or that allocation of funds to individual groups is not in the best interested of the whole of that community.
- Unlike grants programs where the criteria is publicly available the discretionary nature of the allocations means this transparency is lacking.

Council will need to subsequently determine whether these funds should be allocated to the community in an appropriate process this financial year.

**Consultation:**

A number of community organisations have enquired as to whether these funds will be provided in 2012-2013. It will be appropriate that these groups be advised that these funds will not be allocated in 2012-2013.

**Conclusion:**

It is appropriate for a new Council to review its governance practices and ensure that they are consistent with the principles of Good Governance. Advice that has been provided indicates that Ward Funds are inappropriate.

**RESOLUTION:**

Cr C Challen / Cr B Magner

That Council not proceed with the Councillor Holiday Season allocations for 2012-2013.

**CARRIED**

**8.4 CORPORATE SERVICES****8.4.1 Quarterly Financial Report to 30 September 2012**

File No: 10/02/20

(Refer Encl 8.4.1)

**Purpose:**

The report provides the quarterly financial report for the period ending 30 September 2012.

**Recommendation:**

**That Council receive the Quarterly Financial Report to 30 September 2012.**

**Background:**

Financial governance is important for a Council's good governance because the consequences of failure can be very significant for a Council.

Councillors, sitting as Council, have an overall accountability for the Council's finances. This comes in two ways. Firstly, the council is required to prepare and periodically review its long term financial plan. This is called the Strategic Resource Plan and forms part of the Council Plan.

Secondly a Council must prepare and adopt the annual budget. The council must also receive regular financial reporting. As a minimum a Council must receive a quarterly financial report which compared actual and budget revenues and expenses.

The format of the budget is prepared generally in accordance with both the financial regulations affecting local government and the best practice give for reporting local government budgets.

At the end of the financial year, the draft Annual Financial Statements, comprising the Financial Report, Standard Statements and Performance Statement, are considered by the Audit Committee and presented to Council prior to them being submitted to the Auditor General.

It is important that the Annual Budget is framed within the Strategic Resource Plan and contributes to achieving the strategic objectives specified in the Council Plan.

To enable the progress of each to be monitored throughout the year, Council receives quarterly reports on the Annual Budget, the Council Plan activities, and the Capital Works Program.

**Council Plan/Strategies:**

This report, in relation to the Annual Budget and quarterly financial reporting, is consistent with the Council Plan 2009-13 Governance theme which has a strategic objective of providing effective leadership, representation and advocacy for the community backed by a financially strong organisation. A key strategy is to provide sound financial management.

**Legal/Policy Issues:**

The *Local Government Act 1989* requires, under section 126, that a Council must prepare a Strategic Resource Plan for a period of four years.

The Act also sets out in section 127 that the Council must prepare a budget for each financial year.

Then, in section 138, the Act requires that quarterly financial reports must be presented to Council.

**Financial/Resources/Risk**

The financial governance of a Council is an important role for Councillors. The risk of poor financial management can have a significant impact upon the governance of the Council. The financial implications flowing from this quarterly financial review are outlined in this report.

**Discussion:****Annual Council Budget**

The Council Budget essentially comprises four components. Firstly it provides a description of the activities and initiatives to be funded in the annual Budget and how these will contribute to achieving the strategic objectives that are specified in the Council Plan.

Secondly, it describes the various influences which have impacted upon the preparation of the annual Budget. These have included such things as Federal and State funding programs, such as Road to Recovery Allocations or costs such as the EPA levies. It also recognises in 2012-

2013 the impact of the maintenance of the Goulburn River High Country Rail Trail and the Services Review.

Thirdly, it includes an analysis of the budget including the sources of revenue such as rates, user fees and grants as well as key expenditure categories.

Finally it includes an analysis of the cash flow and capital works statements along with the five Budgeted Standard Statements of:

- Budgeted Standard Income Statement
- Budgeted Standard Balance sheet
- Budgeted Standard Cash Flow Statement
- Budgeted Standard Capital Works Statement
- Budgeted Statement of Investment Reserves

These first four Standard Statements are replicated in the quarterly financial report that is presented to Council (*refer Encl 8.4.1- Statements A – D*).

It is important to note that these Standard Statements are based upon public sector financial reporting the key principles of what is that Council is required to account for the revenue in the year that it is received rather than when it is expended. As capital works projects and grant funded programs often extend over one financial year, then a principle of public sector reporting is also that carry forward adjustment need to be made.

#### **Quarterly Financial Report to 30 September 2012**

These four Statements for the quarter to 30 September 2012 are included in *Encl 8.4.1*.

The table below is a reconciliation between Council's Adopted Budget and enclosed Statements which include carry forward of unexpended projects from 2011-12, adjustment for Grants received in advance and reduction in Grants Commission Allocation of \$235k and budget adjustments to accommodate this loss of revenue.

#### Reconciliation of Budget Adjustments - Sept 2012 Quarterly Review

	<b>Operating Result (Surplus) Deficit</b>	<b>Capital Works Budget</b>
Adopted Budget 2012/2013	-\$1,274,391	\$10,239,815
Carry forward adjustments	\$4,026,602	\$3,932,085
Other Minor Adjustments	-\$40,000	-\$202,000
Vic Grants Commission - reduction	\$235,160	
Revised Budget 2012/2013	<b>\$2,947,371</b>	<b>\$13,969,900</b>

The original budget operating Surplus has been impacted by carry forward adjustments as discussed below. The resultant deficit should be considered in the light of the 2011/12 period which shows an original budgeted operating surplus of \$7.5m while the actual operating surplus result for 2011/12 was \$14.7m. The turnaround of the current years adopted surplus of \$1.3m to a deficit of \$2.9m should be understood with regard to the result of the previous year. An example of how this turnaround has occurred is the payment of the 2012/13 Grants Commission funds. In May 2012 the Federal Government opted to advance Councils 50% of the 2012/13 payment in 2011/12 year. This has resulted in \$2.2m being received in 2011/12 increasing the



2011/12 surplus and \$2.2m being reduced in the 2012/13 operating budget decreasing the 2012/13 budgeted surplus.

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

The Cash flow (Statement C) provides a more holistic picture and reports the important information on Councils cash inflows and outflows. It can be seen from the *Net cash flow from operating activities* line in the Cash Flow statement (a cash view of the operating statement) the variation between the original budget and revised budget is around \$50k.

Carry forward adjustments are made only once each year as part of the firsts quarterly budget review. The carry forward adjustments reflect that fact that the original budget for 2012/13 was adopted on 18/6/2012 being compiled from information based on most accurate forecast possible for the 2011/12 actual financial outcome. In the intervening period between the preparation of the 2012/13 budget (around March/April) and the completion of the 2011/12 year, variations arise between the forecast figures and the actual end result. Where these variations are related to capital works or grant fund projects then these commitments must be recognised in the current financial year. Typically these adjustments arise as the result of a delay in completing a capital works job or due to the receipt of a grant in advance.

There has been a reduction in the Victorian Grants Commission funding. As a result, minor adjustments have been made to both the Operating Result and the Capital Works Budget to reflect savings that will be made to meet that reduction in income.

### **Operating**

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 30 September 2012 is provided in Table 1 as follows:

Table 1 – Summary of Income Statement

	YTD	YTD	
	Budget	Actual	Variance
	\$k	\$k	\$k
<b>Revenue</b>	18,737	18,077	<b>-660</b>
<b>Expenses</b>	8,722	7,481	<b>1,241</b>
<b>Surplus</b>	<b>10,015</b>	<b>10,596</b>	<b>581</b>

The Year To Date (YTD) operating result at 30 September 2012 shows income down \$0.660M and expenditure down \$1.241M generating a larger than expected YTD surplus of \$0.581M or 6% better than the 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		
-660	Unfavourable to budget	
Key Components	Type	Particulars
233	Rates & Charges	Additional rate revenue from supplementary valuations processed in the early part of the financial year.
-341	User Fees	Engineering Administration Fees \$52k, Sundry Debtor Income \$215k
-576	Grants - Non-Recurrent	Majority relates to timing of Bushfire related funding, including VBRRRA cessation funds \$53k, Kinglake Memorial Reserve \$310k, Castella Park & Narbethong Reserve projects. Yea Saleyards \$100k and L2P Driver Support \$48k has no expenditure to date.

Table 3 – Key Expense component variance

Variance		
\$k		
1,240	Favourable to Budget	
Key Components:	Type	Particulars
271	Employee Benefits	Favourable variance mainly in <ul style="list-style-type: none"> <li>• MAPs funded positions \$82k,</li> <li>• Private works billed \$63k (offsets user fees) and various minor variations across several accounts</li> </ul>
944	Materials & Services	Favourable variance mainly relates to <ul style="list-style-type: none"> <li>• maintenance of new and expanded assets \$442k,</li> <li>• Private works \$151k (offset in user fees),</li> <li>• Advancing Country Towns \$42k and</li> <li>• SES contributions \$56k</li> </ul>

### **Capital**

As at 30 September 2012, Capital Works are \$0.264M under the year to date budget of \$1.754M. Statement D, as attached, indicates that across the asset categories, the largest variances are \$407k in Buildings offset by (-\$143K) in Roads Streets & Bridges.

Table 4 – Summary of Capital Works completed (Financial)

Asset Category	YTD Budget 30/09/12 \$ '000	YTD Actuals 30/09/12 \$ '000	Variance YTD \$ '000	Complete to YTD Budget
Buildings	1,305	898	407	69%
Plant & Machinery	259	207	52	80%
Roads Streets & Bridges	139	283	-144	204%
Drainage	0	7	-7	0%
Furniture & Equipment	22	74	-52	336%
Library Bookstock	29	21	8	72%
<b>Total Capital Works</b>	<b>1,754</b>	<b>1,490</b>	<b>264</b>	<b>85%</b>

Table 5 – Key Capital component variance

Variance		
\$k		
264	Favourable to Budget	
Key Components:	Type	Particulars
407	Buildings	Expenditure on buildings is running behind expectations with the major three items being <ul style="list-style-type: none"> <li>• Marysville Community Centre car park \$108K,</li> <li>• Yea Shire Hall \$147k, and</li> <li>• Landfill Design \$40k.</li> </ul> The remaining variations are a combination of minor variations across several projects.
52	Plant & Machinery	Delay in purchase of landfill Leachate pump.
-143	Roads Streets & Bridges	Variance due to projects running over YTD budget <ul style="list-style-type: none"> <li>• Toolangi All Purpose Track \$16k</li> <li>• Urban Access Improvements \$13k</li> <li>• Limestone Rd \$39k</li> <li>• Sealed Roads – renewal &amp; Major Patching \$39k</li> <li>• Limestone Road – extend Seal \$39k</li> </ul>
-52	Furniture & Equipment	This currently appears as an over expenditure as income received in previous financial years and expected income in 2012/13 have not appeared in this first quarter financial report. A detailed briefing on the Reconstruction and Recovery budget will be presented to Councillors at the 10 December 2012 Briefing session.

With minimal Year to Date variance, the capital works program overall appears to be running along well as at 30 September 2012. The overall budget has been increased from \$10.239m to \$13,970m with \$3,932m carry forwards from unexpended capital work projects forecast to be completed by 30 June 2012. The total budget has subsequently been reduced by \$202k to partially offset the reduction in Grants Commission funding of \$235k. Further details by category can be found in Statement D.

### **Key Financial Ratios**

The Victorian Auditor General's Office (VAGO) prepares an annual report on a range of financial indicators for each Council. The Auditor General has recently forwarded his report which addresses three key indicators.

In 2006-2007 VAGO started publishing separate reports on the results of financial audits for the local government sector. It introduced a traffic light system for reporting on the financial sustainability risk of local Councils and also reporting on each Council individually. Each year VAGO has continued to report on a set of indicators that are outlined below and over that period VAGO has seen an overall improvement in these ratios.

The traffic light system comprises:

Red	High risk of short-term and immediate sustainability concerns
Yellow	Medium risk of long-term sustainability concerns
Green	Low risk of sustainability concerns

The relevant indicators are as follows:

### Liquidity

#### Working Capital Ratio

VAGO Risk assessment criteria

2011	Risk	2012	Risk	2012	Risk	Risk
Actual		Actual		Mean		
2.28		2.34		2.19*		Low - More than 1.5

The ratio represents the amount of realisable assets required to cover short term liabilities. A ratio of one or more means there is more cash and liquid assets than short – term liabilities.

This measures the ability to pay existing liabilities in the next 12 months and indicates that there are no immediate issues with repaying short-term liabilities as they fall due.

### Indebtedness

#### Debt Exposure Ratio

VAGO Risk assessment criteria

2011	Risk	2012	Risk	2012	Risk	Risk
Actual		Actual		Mean		
27.50%		27.25%		29.79%*		Low - 40% or less

The ratio indicates the percentage of debt to realisable assets and is a measure of Council’s solvency. It provides a comparison of non-current liabilities (mainly comprised of borrowings) to own-sourced revenue. The higher the percentage, the less able a Council is to cover non-current liabilities from the revenues that a Council generates itself. Own-sourced revenue is used rather than total revenue because this measure does not include capital grants that are usually tied to specific projects. A percentage of less than 40 indicates that there is no concern over the ability of a Council to repay debt from its own-sourced revenue.

### Self Financing

#### Revenue Ratio

VAGO Risk assessment criteria

2011	Risk	2012	Risk	2012	Risk	Risk
Actual		Actual		Mean		
21.59%		29.20%		24.25%*		Low - 20% or more

The ratio measures the ability to replace assets using cash generated by Councils operations. The higher the percentage, the more effectively this can be done.

\* Mean across small shire councils for the year ended 30 June 2012.

This indicates that Council has an overall low risk in terms of its financial position, based on the VAGO assessment criteria and also has a more favourable rating relative to other small shire Councils. However, this does not negate the need for strong financial management nor support from the State Government in relation to the gifted and novated assets as these will have an impact upon the future assessment of these indicators and Council's long term financial sustainability.

**Consultation:**

The Local Government Act requires that Councils need to 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.

In addition, Council conducted budget information sessions in Alexandra, Yea and Kinglake.

**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 September quarter has been largely in line with the total budget, where revenue has not been achieved corresponding expenditure has not been spent. Council remains in a favourable cash position despite the challenges that it faces.

**RESOLUTION:**

Cr C Ruhr / Cr M Rae

That Council receive the Quarterly Financial Report to 30 September 2012.

**CARRIED**

**8.4.2 Mayor and Councillors Allowances and Reimbursements**

File No: 12/02/04

(Refer Encl 8.4.2a - Local Government Victoria Circular 39/2012, Mayoral and Councillors Allowances and

Encl 8.4.2b - Councillor Reimbursement Policy (revised November 2012).

**Purpose:**

The purpose of this report is to enable Councillors to consider the revised Mayoral and Councillors Allowances and updates to the Councillor Reimbursement Policy.

**Recommendation:**

1. That Council adopt the Mayoral Allowance of \$53,684 plus 9% superannuation and the Council Allowance of \$17,969 plus 9% superannuation for the purpose of public consultation.
2. That notice be given under Section 223 of the Local Government Act of the proposed Mayoral Allowance and Councillor Allowance.
3. That Council adopt the revised Councillor Reimbursement Policy.

**Background:**

The Victorian Government sets upper and lower limits for allowances paid to Councillors and Mayors. For the purpose of these allowance limits, Councils are divided into three categories

based upon the income and population of each council. Murrindindi is a Category 1 council for the determination of allowances. Councillors are entitled to receive remuneration in the form of a councillor allowance. Mayors are entitled to receive a higher allowance.

Section 73B of the Act provides for annual adjustments to the allowance levels set by Council. These adjustments are decided by the Minister for Local Government, after having regard to movements in the levels of remuneration of Victorian Statutory and Executive Officers. Under section 73B(5) of the Act, a Council must increase allowances in accordance with the adjustment factor specified in the *Victoria Government Gazette* notice published by the Minister.

Councillor and Mayoral allowances are also subject to the addition of the equivalent of the Superannuation Guarantee Contribution (currently 9%). Councillors receiving this amount can decide whether or not to pay this 9% into superannuation.

**Council Plan/Strategies:**

This report is consistent with the Council Plan 2009-2013 Governance theme to ensure that Council is exercising good governance principles.

**Legal/Policy Issues:**

Within six months after each general election, Council is required to review and determine the annual allowances that will be paid to the Mayor and Councillors. Allowances are to be within the allowance range set by the Government for Category 1.

The Councillor Reimbursement Policy supports the implementation of the *Local Government Act 1989* and its various regulations, including the Councillor Code of Conduct.

**Financial/Resources/Risk**

The Minister for Local Government has reviewed the limits and ranges of the current Mayoral and Councillor allowances and has determined under Section 73B of the Act that these allowances be increased by 2.5% effective from 27 October 2012. These increases are outlined in detail in the Local Government Victoria (LGV) Circular 39/2012 per Attachment 1 and were also published in the *Victoria Government Gazette* S360.

**Discussion:**

The Mayoral allowance for the 2011-2012 period was set at \$52,375 per annum with the provision of an executive standard vehicle, mobile telephone and laptop computer and an amount equivalent to 9% superannuation.

The Councillors allowance for the 2011-2012 period was set at \$17,531 per annum plus mobile telephone, iPad device and an amount equivalent to 9% superannuation be set for the 2011 / 2012 year.

The levels of allowances initially provided to Council in the Councillor information kits refers to the current level of allowances in force pre the recent LGV advice that allowances would increase with effect from 27 October 2012. Councillors will be entitled to payment of allowances from the date of their appointment at the current rate until such time as the new scale of allowances have been adopted by Council.

The new scale of allowances is provided as follows:

**Key components of the Allowance**

Part A:	-----Range-----	
Councillor	\$7,542	\$17,969
Mayor	a maximum of	\$53,684

Part B: An amount the equivalent of the Superannuation Guarantee Contribution (currently 9%) will apply to Part A.

-----Range-----

Councillor	\$678.78	\$1,617.21
Mayor	a maximum of	\$4,831.56

Councillors may choose to have all or part of their total allowance package (\$8,220.78 to \$19,586.21 per annum for Councillors and a maximum of \$58,515.56 per annum for the Mayor) paid into a complying superannuation fund.

As payment of Councillor allowances is not to exceed more than one month in advance, it is proposed that payment will be made monthly in advance.

The Councillor Reimbursement Policy was adopted by Council at the November 2011 Ordinary Council meeting. This Policy is due for review in February 2013 and so it is appropriate that Councillors review this Policy at the start of their term.

It has been found that the Policy has worked well, excepting that with the provision of Ipads and mobile phones, Clause 3.6 has been updated to reflect this change in equipment provision. In addition, provision has been made that if Council equipment cannot be effectively used and alternative private equipment is used, the use of this equipment and their cost reimbursement need to be approved prior to installation.

Finally, with changes to Regulations, as payment of allowances is not to exceed more than one month, Clause 3.1 has been amended to reflect this change to monthly claims.

**Consultation:**

Public submissions in relation to Council's initial allowance determination are to be invited under section 223 of the *Local Government Act 1989* (the Act). Subsequent annual adjustments to allowance levels are not subject to Council reviews or the section 223 public submission processes otherwise required under section 74 or section 223 of the Act.

The period for public consultation is in effect 28 days from the last publishing date of proposed allowances. After this period Council will then consider submissions prior to formal adoption of allowances.

It is proposed that once Councillor and Mayoral allowances have been agreed upon that the allowances be advertised for public consultation and submissions sought in the following publications.

<b>Newspaper / Other</b>	<b>Publishing Dates</b>
<b>Newspapers:</b>	
• <b>Alexandra Standard</b>	5 December 2012
• <b>Yea Chronicle</b>	5 December 2012
• <b>Marysville Triangle</b>	6 December 2012
• <b>North Central Review</b>	4 December 2012

The closing date for submissions to be received on Councillor and Mayoral allowances will be Friday 4 January 2013.

**Conclusion:**

It is good governance for Council to update and adopt allowances for the Mayor and Councillors in accordance with provisions of the Act and also recognising the time and effort required by Councillors to undertake their respective roles and responsibilities.

**RESOLUTION:**

Cr C Ruhr / Cr M Rae

1. That Council adopt the Mayoral Allowance of \$53,684 plus 9% superannuation and the Council Allowance of \$17,969 plus 9% superannuation for the purpose of public consultation.
2. That notice be given under Section 223 of the Local Government Act of the proposed Mayoral Allowance and Councillor Allowance.
3. That Council adopt the revised Councillor Reimbursement Policy.

**CARRIED**

**8.4.3 Defined Benefits Superannuation**

File No: 16/04/13

**Purpose:**

This report provides Council with a further update on the status of the funding call in relation to the Vision Super, Defined Benefits Plan and recommends that early payment be made of the liability.

**Recommendation:**

**That Council proceed with early payment of the Vision Super liability of \$1,899,034.80 on 30 November 2012, to be funded from the Long Service leave (LSL) Reserve.**

**Background:**

Defined Benefit Plans or schemes provide a prescribed retirement benefit based on how many years an employee has been a member of the plan and their salary at retirement. They also require the employer, rather than employees, to bear the investment risk.

All levels of government have at some time offered Defined Benefit Plans as an incentive for employees otherwise attracted by higher salaries and employment conditions offered in the private sector.

Local Government's Defined Benefit Plan must have sufficient funds to meet the benefits accrued to members through combination of authority contributions, member contributions and the fund's investment returns.

Neither the Federal nor State governments are required to fully fund their Defined Benefit Plan liabilities. For example, the Commonwealth's superannuation liability rose from \$145.1 billion to \$235.4 billion in the past year, with the Future Fund estimated to cover only one third of this liability.

The Local Authorities Superannuation Fund (LASF) was established by an Act of Parliament in 1947 to provide superannuation for Victorian local government and the water industry.

The LASF has been known as Vision Super since 2002 and is a not for profit fund for Victorian Local Government. Vision Super is the Trustee of both the Defined Benefit Plan and the Super Saver fund.



When the Victorian Government set up the Defined Benefits Plan in 1982, it was compulsory for all councils to subscribe to the fund. The scheme was transferred to the Commonwealth in 1993, at which time it was closed to new members. At that stage, there were approximately 38,000 defined benefit members and 7,500 lifetime pensioners. By December 2002, this had reduced to 9,544 active members and 6,440 pensioners. In December 2011, there were 4,949 defined members still working for authorities and 5,132 pensioners.

Membership and the liability of authorities will continue to reduce as defined benefit members retire and pensioners pass away. By 2031, the actuary estimates that there will be 205 working defined benefit members and 2,420 remaining pensioners.

The estimated value of benefits payable to members and pensioners is currently around \$1.9B which is projected to fall to \$425M over the next twenty years.

The size of the unfunded liability was largely attributable to two factors:

- Depressed investment performance; and
- Changed assumptions about the expected future performance of the Plan.

Since the first actuarial investigation in 1989, the fund has had the following financial positions:

- 1989 – Unfunded \$410 million
- 1992 – Unfunded \$314 million
- 1995 – Unfunded \$217 million
- 1997 – Unfunded \$321 million, with first call made on councils
- 2002 – Unfunded \$127 million
- 2005 – Surplus \$23 million
- 2008 – Unfunded \$71 million, with second call made in 2010
- 2011 – Unfunded \$453 million, with third call payable in July 2013.

***Council Plan/Strategies:***

This report, in relation to the Defined Benefits Plan funding shortfall, is consistent with the Council Plan 2009-13 Governance theme which has a strategic objective of providing effective leadership, representation and advocacy for the community backed by a financially strong organisation. A key indicator within this theme is financial performance measured through liquidity and operating result.

***Legal/Policy Issues:***

The Australian Prudential Regulation Authority APRA is the regulator for non state superannuation schemes and the funding of the Defined Benefits Plan is subject to requirements of the regulator. Normally any funding shortfall would need to be made up within a five year timeframe, however, APRA has agreed to a fifteen year funding plan for councils.

**Financial/Resources/Risk**

The adopted Budget for 2012-13 does not provide contingency for any Defined Benefits Plan funding shortfall. The shortfall pertaining to Council is confirmed at \$1,980,896.11, comprising an unfunded liability of \$1,683,761.69 and contributions tax of \$297,134.42 (calculated at 17.647%). The call on Council is not due until 1 July 2013 and the amount can be paid in advance of that date, which also attracts a discount for early payment.

The Municipal Association of Victoria (MAV) have commenced discussions with the State and Federal governments to remove contribution tax and Work Cover liabilities associated with the Defined Benefits call ins. This could effectively reduce the overall liability pertaining to Councils. However, whilst there is some indication of consideration of Work Cover premium relief, it is unlikely that the requirement to pay contributions tax will be relaxed.

The MAV was also in negotiations with the Department of Treasury and Finance to secure low interest loans via the Treasury Corporation of Victoria (TCV) for Councils in order to assist in financing the plan shortfall. This would have effectively reduced the overall liability pertaining to councils. There is little prospect of this eventuating from advice received to date.

The MAV will also seek a transition back to a state managed scheme which will effectively remove the requirement for full funding. Whilst this is still open for discussion, there is no indication of a decision.

APRA has agreed to a fifteen year funding arrangement to return the plan to a sound financial position.

Actuarial advice indicates that further calls, whilst not predicted at this time, cannot be ruled out in future.

In terms of the apportionment of pension and active member lump sum funding calls, the methodology for achieving this has been consistent since its inception in 1997 when LASF was under State Legislation. An external review by Price Waterhouse Coopers has confirmed that the apportionment methodology has been applied consistently since 1997.

The methodology provides for two components:

1. Pre-30 June 1993 Component:

- Unfunded lifetime pension liabilities are apportioned to each Authority on the basis of their individual share of the Plan's total defined benefit salaries as at 30 June 1993;
- The unfunded liabilities for active members' pre 30 June 1993 membership is apportioned in the same way; and,

2. Post-30 June 1993 Component:

- The unfunded liabilities for active members' post 30 June 1993 service is apportioned to each Authority on the basis of their individual share of the Plan's total defined benefit salaries at 31 December 2011 (the date of the actuarial investigation).

In consideration of the above methodology, Council's percentage share of components of the plan liability (\$1,683,762-ex contributions tax) is:

- |   |                |
|---|----------------|
| • Unfunded Pension Liability – 0.3160 %                 | (\$ 274,572)   |
| • Pre 30 June 1993 (active members) – 0.3160 %          | (\$ 291,002)   |
| • Post 30 June 1993 Service (active members) – 0.4080 % | (\$ 1,118,187) |

There has not been any significant change in the post 1993 component (active members) before or after the 2009 Bushfires as per the range below:

.3747% as at 31 December 2008

.3692% as at 30 June 2010

.4080% as at 31 December 2011

Local Government Victoria (LGV) has also provided advice to councils regarding budget and implications for long term financial plans of the liability call. It notes that under Section 128 of the *Local Government Act 1989* (the Act), a 'Revised Budget' must be prepared where circumstances arise which cause a 'material change' in the budget and which affects the financial operations and position of the Council. The circular states that councils need to determine if the call constitutes a material change.

Whilst the Act does not provide a definition of 'material change,' using the Australian Accounting Standard as a guide for materiality, a greater than 10 per cent change is considered material. The appropriate base to measure this change would be Council's recurrent revenue base as this would be the funding source should the liability be paid immediately. Based on the recurrent revenue budget for 2012-13 of \$25.9 million and the full liability of \$1.98 million, the call liability represents 7.64 per cent of Council's projected recurrent revenue for the year. This is lower than 10 per cent and can be considered as not material.

Based on this analysis, a Revised Budget for 2012-13 is not considered necessary, particularly given that no payment is due during the 2012-13 financial year.

***Discussion:***

In accordance with the Australian Prudential Regulation Authority (APRA) regulations, the Trustee is required to complete an actuarial review at least every three years to ensure current assets are adequate to meet the benefits previously promised to members now and into the future.

The Trustee's actuarial investigation as at 31 December 2011 identified a LASF Defined Benefits Plan shortfall.

The key factors contributing to increased liabilities for defined benefits super funds include deteriorating investment performance in global markets, changed actuarial standards, increased longevity of pension recipients and a reduction in the expected earning rate. Many of these factors are beyond the control of the Trustee or individual councils.

The most recent actuarial review, signed off on 25 June 2012, identified a \$453M shortfall, with around \$396.9M attributable to councils. Most of this shortfall occurred during the final six months of 2011 due to market volatility. No payment of this shortfall is due until 1 July 2013.

Previous shortfalls in the Defined benefits Plan included \$62.1M contributed by councils in 2010 and \$114M in 2003.

Options available to Council for payment are detailed following:

1. **Utilise cash reserves**

Council could utilise cash, currently held in the Long Service Leave (LSL) Reserve, to meet an early payment of the plan shortfall. The balance of the reserve stands at \$1,849,664.04 (plus accrued interest). The Victorian Auditor General office (VAGO) has confirmed that it is no longer a requirement to cash back all LSL. Calls on LSL would be met as consumed.

*Comment – Under this option Council could potentially repay the unfunded liability in total. In this scenario Council would receive an early payment discount with total payment due of \$1,899,034.80, comprising unfunded liability of \$1,614,179.58 and contributions tax of \$284,855.22. The saving of this up front discounted payment over the original call is \$81,861.20. The shortfall of \$49,370.76 between the LSL Reserve and the up front discounted payment would need to be absorbed out of other uncommitted cash reserves. If Council were to utilise this option it would be advisable to replenish the LSL Reserve at some point in order to meet future calls on LSL of a substantial nature (e.g. potential redundancies, resignations). This is the preferred option for Council to proceed with.*

**2. Pay the unfunded liability via a fixed interest repayment plan from Vision Super**

Under this option, repayment would be at a fixed rate of 7.5% over a 15 year term. This finance would incur interest of \$977,848 and contributions tax of \$469,696. Annual repayments would be \$208,754, commencing 1 July 2013.

*Comment – The Vision Super Plan would see Council paying an interest rate approximately 1.5% above the going bank rates. It should be noted that under these arrangements the interest payable would accrue additional contributions tax of \$172,562. The total amount paid under this option is \$3,131,306.*

**3. Pay the unfunded liability via a Principal and Interest Loan from a Bank (over 15 years)**

Council could secure a Principal and Interest Bank loan over 15 years at a fixed interest rate of 6.0%. Annual repayments would be \$202,036, commencing 1 July 2013.

*Comment – Under this option no additional contributions tax would not be generated as the funding arrangements are external to the plan. The interest payable on the above term is \$1,050,544. The total amount paid under this option is \$3,030,544.*

**4. Pay the unfunded liability via a Principal and Interest Loan from a Bank (over 10 years)**

Council could secure a Principal and Interest Bank loan over 10 years at a fixed interest rate of 6.0%. It is estimated that this would be the minimum term Council could reliably afford. Annual repayments would be \$266,174, commencing 1 July, 2013.

*Comment – Under this option no additional contributions tax would be generated as the funding arrangements are external to the plan. The interest payable on the above term is \$681,742. The total amount paid under this option is \$2,661,742.*

**5. Utilise cash from reduced 2012-13 Capital Works program**

Review of the current Capital Works program could potentially identify expenditure that could be either deferred or not proceeded with. Reassessment of asset conditions may also reveal cash surplus to requirements that could be diverted towards payment of the unfunded liability. The quantum of any such surplus has not yet been quantified and would require further time to review properly and is not likely to cover the full amount of the call.

**6. Participate in an aggregated borrowing facility via TCV**

Under this option it is foreseen that Council could derive finance from a low interest loan from TCV at a fixed rate around 3.0% over a 15 year repayment period.

*Comment – This option is not confirmed, and whilst, the potential for low interest is extremely attractive over a period of time it is unlikely that this is a feasible option. Funding from this option could be used to replenish the LSL reserve in part or in whole.*

## 7. **Summary**

Given that there are little other options for funding the liability in the short term, it is prudent for Council to consider proceeding with early repayment of the liability in November 2012 utilising the LSL reserve and to take advantage of the discount offered by Vision Super.

Early repayment in November would incur a lesser cost to Council of \$1,899,034 comprising unfunded liability of \$1,614,179 and Contributions tax of \$284,855. However, the real effect of interest on earnings of unutilised cash (currently earning 5.06%) is around \$26,475 – being discount for early repayment \$81,861 less potential interest earned \$55,386. So in essence the opportunity cost is around the \$26,000 mark. Replenishment of the LSL could be undertaken via Council's normal borrowing program as developed during the budget process.

### ***Consultation:***

Council has had representation at recent MAV briefings with regard to the background and status of the Defined Benefits Plan shortfall. Council has also indicated its support to the MAV Defined Benefits Superannuation Taskforce, established to provide advice for an ongoing advocacy campaign with State and Federal governments.

Council has also received an approach from the Glenelg Shire Council seeking support to:

- (i) Pursue exemptions on Scheme contributions in respect to the federal contributions tax and State Workcover liabilities.
- (ii) Make a financial contribution to a legal fund to seek independent legal advice to identify possible options to limit the likelihood of a future call to fund the Defined Benefits Scheme.
- (iii) Request Rural Councils Victoria (RCV), regional Cities Victoria and/or the Victorian Local Governance Association (VLGA) to pursue the exemptions on scheme contributions and to facilitate the legal fund and seek the legal advice on behalf of contributing councils.

### ***Conclusion:***

The Defined Benefits Plan funding shortfall represents a further financial impost to Council. The impact of this on cash reserves and future budgets needs to be balanced with an acceptable level of rate rises and to maintaining services for shire residents.

### **RESOLUTION:**

Cr B Magner / Cr J Kennedy  
That Council

1. proceed with early payment of the Vision Super liability of \$1,899,034.80 on 30 November 2012, to be funded from the Long Service Leave (LSL) Reserve.
2. Make provision for replenishment of the Long Service Leave Reserve in the 2013-14 Budget.

**CARRIED**

#### **8.4.4 Councillor Committee Representation For 2013**

File No: 10/05/07

(Refer Encl 8.4.4 List of Council Committee appointments)

**Purpose:**

This report has been prepared to enable Council to make the appointment of Councillors as delegates to various internal committees and external bodies in compliance with *the Local Government Act*.

**Recommendation:**

**That the Councillors be appointed as Council's representatives to the listed committees and organisations for 2012 / 2013 as contained within Enclosure 8.4.4 to this report.**

**Background:**

Council each year appoints a number of Councillors or staff as its formal delegate representative to a range of internal and external bodies. Most appointments are for a one-year term, but some others it may be for a longer period of time. Therefore, it is now appropriate for Councillors to consider the appointment of delegates for 2013.

Advisory Committees consist of community members, Council officers and Councillors. They provide advice on a range of issues including: projects, planning, policy, resource planning, disability and community access, community amenity and many other strategic community issues. These Committees have no other authority or purpose other than to give information or advice to Council to assist it in its ultimate decision-making role. An example of an Advisory Committee is Council's Audit Committee which has been established in accordance with the requirements of Section 139 of the *Local Government Act 1989*.

Under the *Local Government Act 1989*, (Section 86) in addition to any Advisory Committees that the Council may establish, the Council may establish one or more special committees made up of any combination of Councillors; Council staff and other people. Council has established a range of such committees which provide the day to day management of local sites and facilities. Instruments of Delegations and a 'model' Charter along with the composition of representatives on these Committees have been previously adopted by Council.

In addition, Councillors are often requested/required to represent Council (as delegate) via participation on Committees formed by other organisations and these are subject to formal Council approval processes. These range from state-wide Committees, such as Timber Towns Victoria through to regional or sub-regional committees that support a particular program or activity.

**Council Plan/Strategies:**

This report is consistent with the Council Plan 2009-2013 Governance theme to ensure that Council is exercising good governance principles.

Appointments to Committees promotes:

- fiscally responsible practices (eg as in the Audit Committee);
- employment growth and business opportunities (eg CRLLEN);
- environmentally sustainable practices such as recycling (eg the Goulburn Valley Regional Waste Management Authority) and
- access to transport (eg the Linking Murrindindi Partnership);

***Legal/Policy Issues:***

Councillor appointments to external associations, bodies and committees are to be made through Council resolution at an Ordinary meeting. Participation in some organisations means that Council fulfils its obligations under various agreements with these bodies.

***Financial/Resources/Risk***

There are no financial or budget implications associated with this briefing. However, Council does pay a membership fee to local government peak bodies such as the Municipal Association of Victoria and the Victorian Local Governance Association.

***Discussion:***

Council needs to determine each year which Committees it wishes to have Councillors representation on in order to progress its objectives of both community engagement and good governance.

It is a standard practice for local government to have representation on a diverse representation of Committees which reflects the diversity of the roles and responsibilities of local government. As such, some external bodies have already sought advice regarding Councillor participation on their Committees.

Attached to this report is the list of Committees for which appointments need to be considered. The list has been divided into those which are Council Committees and those external bodies with which Council has a relationship. A key part of Council's activities, being the management of facilities and recreational areas is supported by Committees of Management which are appointed under Section 86 of the Local Government Act. To facilitate their operation and to support their governance arrangements Council has adopted a 'model' Charter, Instruments of Delegation as well as the review of the composition of these Committees. As these Committees have conducted their Annual General Meetings and reviewed their individual requirements, these have been reported to Council to enable Council to adopt these revised membership requirements. Council will continue to receive regular reports on these Committees. The Local Government Act places particular requirements in relation to these Committees including the need to keep minutes of all meetings, have them confirmed at the following meeting and then provided to Council. In addition, Council is also required to review its delegations to these Committees within 12 months of the general election.

As these Committees are commonly comprised of volunteers, some find these legislative requirements onerous. Therefore, over time it is opportune for Council to consider which Committees are functioning actively and those where their purpose has been fulfilled and there is no longer a need for that Committee.

The final group of Committees is where Council has a relationship with State Government departments in relation to either joint use agreements or it has a broad interest in the management of their land for the greater community good.

***Consultation:***

The appointment of Councillors to various Committees facilitates Council's engagement both across the local government sector and with local community organisations. The attendance of Councillors at Committee meetings is viewed as a means of promoting liaison between the Committee and Council, with a view to facilitating good communications and to ensure that good governance practices are being observed.

**Conclusion:**

Appointment of Councillor representatives to committees provides an opportunity for open and responsive communication between Councillors and local community groups and local government organisations.

**RESOLUTION:**

Cr M Rae / Cr A Derwent

That the Councillors be appointed as Council's representatives to the listed committees and organisations for 2012 / 2013 as contained within Enclosure 8.4.4 to this report.

**CARRIED**

**8.4.5 Council meeting timetable for 2013**

File No: 10/05/09

**Purpose:**

This report sets out the monthly timetable of Council meetings for the next twelve months from January to December 2013.

**Recommendation:**

**That the proposed schedule, as included in this report, be confirmed and the necessary advertising take place to inform the community of the meeting timetable.**

**Background:**

At the Special meeting in December 2011, Councillors changed the Council meetings from Wednesday mornings to Monday evenings commencing at 6.00pm to increase community participation in Council meetings.

Following the Council election on 27 October 2012, discussions indicated a preference to hold meetings on Wednesday evenings.

The following meeting schedule is proposed for 2013:

Meeting Date	Venue	Time
Wednesday 23 January 2013	<b>Eildon Primary School (Multi Purpose Room)</b>	6.00 pm
Wednesday 27 February 2013	Alexandra Chambers	6.00 pm
Wednesday 27 March 2013	<b>Yea Chambers</b>	6.00 pm
Wednesday 24 April 2013	Alexandra Chambers	6.00 pm
Wednesday 22 May 2013	Alexandra Chambers	6.00 pm
Wednesday 26 June 2013	<b>Marysville Community Centre</b>	6.00 pm
Wednesday 24 July 2013	Alexandra Chambers	6.00 pm
Wednesday 28 August 2013	Alexandra Chambers	6.00 pm
Wednesday 25 September 2013	Alexandra Chambers	6.00 pm
Wednesday 23 October 2013	<b>Kinglake Senior Citizens</b>	6.00 pm
Wednesday 30 October 2013 <b>(Special meeting)</b>	Alexandra Chambers	6.00 pm



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Meeting Date	Venue	Time
Wednesday 27 November 2013	Alexandra Chambers	6.00 pm
Wednesday 18 December 2013	Alexandra Chambers	6.00 pm

**Council Plan/Strategies:**

The consideration of the Council meeting timetable for 2013 is consistent with the objectives of the Council Plan 2009-2013 which include under the Governance theme to 'Communicate well with our stakeholders.'

**Legal/Policy Issues:**

Local Law No. 3 does not specify a set day of the week for meetings, however clause 38(1) would need to be amended as it provides that 'A **Council Meeting** must not continue after 3.00 pm unless a majority of **Councillors** present at the **Meeting** votes in favour of its continuance.'

It is good governance to review the Governance Local Law within six months after a Council Election and the above Clause will be amended to reflect the time of and duration of Council meetings.

**Financial/Resources/Risk**

As meetings are currently held in the evening, there would be limited financial implications for Council with some officers being eligible for overtime or time-in-lieu for any evening meetings attended by them. Most officers who attend Council meetings are senior officers for which this is not applicable.

**Discussion:**

The meeting timetable above is based on Ordinary meetings of Council being scheduled on the fourth Wednesday of every month, with the date of a special meeting be moved to the fifth Wednesday of October as per Governance Local Law 3.

The arrangements for the meeting cycle will be as follows:

- Meetings will occur monthly on the fourth Wednesday unless otherwise notified.
- Commencement time of Ordinary Council Meetings is 6.00 pm.
- Unless otherwise notified, meetings are held at the Council Chambers, Perkins Street, Alexandra.

In determining the Council meeting timetable there are two matters that require further consideration. These are discussed as follows:

1. Meeting day for the Ordinary Meeting of Council

Should Councillors determine that it is preferable for the Ordinary Meetings to continue to be held in the evening, it is appropriate for Councillors to identify the most convenient day for these meetings. It is not unusual for Councils to change their meeting days to reflect any pre-commitments which Councillors may have.

A check of public holidays for 2013 has identified that there are no public holidays falling on the fourth Wednesday of the month.

## 2. Special Council meeting

A Special Council meeting is held each year to elect a new Mayor, review Council committee representations, Councillor Allowances and determine the meeting schedule for the following year.

It is preferable for this meeting to be held after the anniversary date (27 October) so both an Ordinary and Special Council meeting have been scheduled for October 2013.

### **Consultation:**

Once Council has determined the preferred meeting schedule, it will be advertised in the local press to advise the community of the change in arrangements.

### **Conclusion:**

A review of the Council meeting timetable provides the opportunity for Councillors to consider how increased community participating in Council meetings can be encouraged. By conducting the Council meetings in the evening later in the week, greater community participation may be encouraged.

### **RESOLUTION:**

Cr C Challen / Cr B Magner

That the proposed schedule, as included in this report, be confirmed and the necessary advertising take place to inform the community of the meeting timetable.

**CARRIED**

## 8.5 INWARDS CORRESPONDENCE

Nil.

## 9. SEALING REGISTER

<i>File Reference</i>	<i>Date Seal Affixed</i>	<i>Description of Documents</i>	<i>Signatures of Persons Sealing</i>
25/04/03	15/10/2012	Charter Gallipoli Park Precinct Committee of Management	Cr J Walsh M Abbey
2503/03	15/10/2012	Charter Glenburn Community Centre of Management	Cr J Walsh M Abbey
2503/05	15/10/2012	Charter Kinglake Centre Committee of Management	Cr J Walsh M Abbey
25/03/08	15/10/2012	Charter Strath Creek Reserves & Hall Committee of Management	Cr J Walsh M Abbey
25/04/07	15/10/2012	Charter Yea Pioneer Reserve Committee of Management	Cr J Walsh M Abbey
25/04/09	15/10/2012	Charter Yea Wetlands Committee of Management	Cr J Walsh M Abbey
25/03/10	15/10/2012	Charter Yea Saleyards Committee of Management	Cr J Walsh M Abbey
25/03/08	15/10/2012	Instrument of Delegation – Strath Creek Reserves Hall Committee of Management	Cr J Walsh M Abbey

<b>File Reference</b>	<b>Date Seal Affixed</b>	<b>Description of Documents</b>	<b>Signatures of Persons Sealing</b>
ASS5630	19/11/2012	Transfer of land R-1 on plan of subdivision PS7090835 being part of the land described in Certificate of Title Volume 11358, Folio 766, between Donald William Hughes and Peter Grant Hughes and Murrindindi Shire Council.	M Abbey Cr J Walsh

**Recommendation:**

That the list of items to which the Council seal has been affixed be noted.

**RESOLUTION:**

Cr C Ruhr / Cr J Kennedy

That the list of items to which the Council seal has been affixed be noted.

**CARRIED**

**10. COUNCILLOR REPORTS****10.1 GENERAL BUSINESS**

Nil.

**11. MATTERS DEFERRED FROM PREVIOUS MEETING**

Nil.

**12. MOTIONS FOR WHICH NOTICE HAS PREVIOUSLY BEEN GIVEN**

Nil.

**13. ASSEMBLIES OF COUNCILLORS**

File No: 12/01/06

***Purpose:***

This report presents the records of assemblies of Councillors for the 19 September 2012 to 19 November 2012, for Council to note in accordance with Section 80A of the *Local Government Act 1989 (the Act)*.

***Recommendation:***

That Council receives and notes the record of assemblies of Councillors for 19 September 2012 to 19 November 2012.

***Background:***

In accordance with Section 80A of *the Act*, written assemblies of Councillors are to be reported at an Ordinary Council Meeting of the Council.

An assembly of Councillors includes advisory committees, where one or more Councillors were present, along with planned or scheduled meetings involving at least half of the Councillors and a Council Officer.

A Councillor who has a conflict of interest at an assembly of Councillors, must disclose the conflict of interest, and leave the meeting while the matter is being discussed.

A written record is required to be kept of every assembly of Councillors, including the names of all Councillors and staff at the meeting, a list of the matters considered, any conflict of interest disclosed by a Councillor, and whether a Councillor who disclosed a conflict left the meeting.

**Summary:**

<b>Meeting Name / Type</b>	Goulburn River High Country Rail Trail Advisory Committee
<b>Meeting Date</b>	19 September 2012
<b>Matters discussed</b>	1. Integrated strategy on identity, interpretation and wayfinding
<b>Attendees: Councillors –Cr Healy</b>	Staff – M Chesworth, S McDonald
<b>Conflict of Interest disclosures - Nil</b>	

<b>Meeting Name / Type</b>	Murrindindi Environment Advisory Committee
<b>Meeting Date</b>	9 October 2012
<b>Matters discussed</b>	1. Green Business Program 2. Environment Strategy Implementation 3. Roadside Weeds and Pest Management Program 4. Review of Native Vegetation Management Framework
<b>Attendees: Councillors –Cr Flowers</b>	Staff – M Chesworth, Z Stephens
<b>Conflict of Interest disclosures - Nil</b>	

<b>Meeting Name / Type</b>	Councillor Meeting Agenda
<b>Meeting Date</b>	15 October 2012
<b>Matters discussed</b>	1. Minutes of the Meeting of 24 September 2012 2. Toolangi Tavern – Amendment to Permit
<b>Attendees: Councillors – Cr Walsh, Cr Healy, Cr Bellingham, Cr Flowers, Cr Beales</b>	Staff – M Abbey, R Cherry, K Girvan, M Chesworth, D Scordalides, T Johnson,
<b>Conflict of Interest disclosures – Item 15.3 Cr Flowers – Vote taken, Councillor left the room before discussion at Assembly of Councillors. Refer Conflict of Interest form. Left council meeting before discussion and vote.</b>	

<b>Meeting Name / Type</b>	Councillor Briefing Session
<b>Meeting Date</b>	5 November 2012
<b>Matters discussed</b>	1. Councillor Interests 2. Statutory and Strategic Context 3. Status of Key Issues Facing Murrindindi 4. Meeting Structure 5. Communication Protocols 6. Administrative Processes 7. Advancing Country Towns 8. Special Charge Schemes

	9. Defined Benefits Liability 10. Integrated Fire Management Plan 11. Induction and Transition Program
<b>Attendees:</b> Councillors – Cr Walsh, Cr Rae, Cr Derwent, Cr Kennedy, Cr Magner, Cr Challen	Staff – M Abbey, M Chesworth, R Cherry, D Scordalides, T Johnson
<b>Conflict of Interest disclosures – Nil</b>	

<b>Meeting Name / Type</b>	Councillor Briefing Session
<b>Meeting Date</b>	12 November 2012
<b>Matters discussed</b>	1. Council Plan and September Quarterly Report 2. Budget and Financial Quarterly Reports 3. Quarterly Report – Capital Works Program 4. Councillor Committee Representation 5. Mayor and Councillor Allowances 6. Asset Rationalisation Program 7. Fire Season Preparedness 8. Revoked Local Laws 9. Key Principals of Local Law No. 3
<b>Attendees:</b> Councillors – Cr Walsh, Cr Rae, Cr Derwent, Cr Kennedy, Cr Magner, Cr Challen	Staff – M Abbey, J Lewis, S Mortensen, T Johnson, M Leitinger, J Canny, M Chesworth, D Scordalides
<b>Conflict of Interest disclosures – Nil</b>	

<b>Meeting Name / Type</b>	Councillor Briefing Session
<b>Meeting Date</b>	19 November 2012
<b>Matters discussed</b>	1. Tour of Eastern Part of the Municipality
<b>Attendees:</b> Councillors – Cr Walsh, Cr Rae, Cr Derwent, Cr Kennedy, Cr Challen	Staff – M Abbey, T Johnson, M Chesworth, D Scordalides
<b>Conflict of Interest disclosures – Nil</b>	

**RESOLUTION:**

Cr M Rae / Cr B Magner

That Council receives and notes the record of assemblies of Councillors for 19 September 2012 to 19 November 2012.

**CARRIED****14. URGENT BUSINESS**

Nil.

**RESOLUTION:**

Cr C Ruhr / Cr J Kennedy

That the meeting be closed to the public pursuant to s.89(2)(h) of the *Local Government Act 1989* due to matters which the Council or special committee considers would prejudice the Council or any person.**CARRIED**

**The meeting closed to the public at 7.03 pm.**

**RESOLUTION:**

Cr C Ruhr / Cr A Derwent

That the meeting re-open to the public.

**CARRIED**

**The meeting re-opened to the public at 7.34 pm.**

***In accordance with the confidential Council resolutions the Chair, Mayor John Walsh, released the following resolution:***

**15.3 SALE OF PROPERTY - ALEXANDRA**

**RESOLUTION:**

Cr C Ruhr / Cr A Derwent

1. That Council receive the submission.
2. That Council proceed with the sale of 9 Downey Street, Alexandra through a registration of expressions of interest process; and
3. That the submitters to the public notice process be advised of this resolution.

**CARRIED**

**There being no further items of Business, the Chairperson declared the meeting closed at 7.35 pm.**

**CONFIRMED THIS**

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**CHAIRPERSON**

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